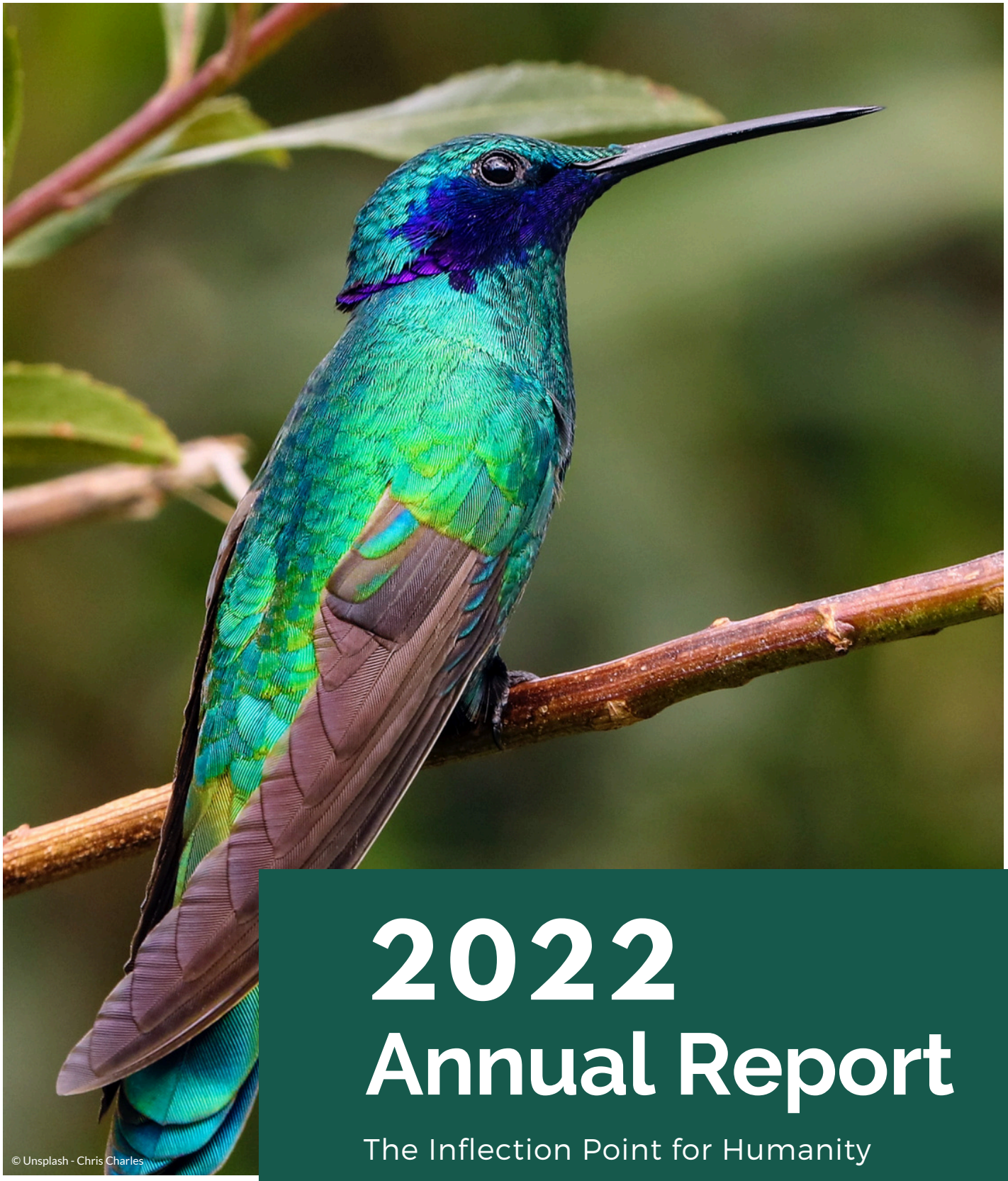

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2022 Annual Report

The Inflection Point for Humanity

WWF | ASFI ASIA SUSTAINABLE FINANCE INITIATIVE

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2022

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About ASFI


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The Asia Sustainable Finance Initiative (ASFI) is a multi-stakeholder forum, established by WWF-Singapore in 2019 that aims to harness and amplify the power of the finance sector to create low-carbon, climate resilient economies, that deliver on the Sustainable Development Goals (SDGs) and the Paris Agreement. This will ensure that economic and social development is achieved while preserving the natural capital that all societies depend on, and support the urgent transition to sustainable food, energy, transport, and infrastructure systems.

Based in Singapore, ASFI brings together global industry, academic, and science-based resources to support financial institutions (FIs) in the region to implement Environmental, Social, and Governance (ESG) best practices. As Singapore is a conduit for financial flows into Asia, the lending and investment decisions taken by FIs locally will have a significant impact on the region's contribution to climate action and resilience aligned with the Paris Agreement goal of keeping global warming to within 1.5˚C above pre-industrial levels.

Knowledge Partners

ASFI's Knowledge Partners are at the cutting-edge of their respective fields in sustainability and sustainable finance, and represent academia, industry, and science-based organisations. Together, the expertise, tools, and resources of these organisations support FIs operating in Asia to stay ahead of the curve in the fast-developing sustainable finance landscape, and to proactively address emerging risks and opportunities.

Advisory Group

The ASFI Advisory Group consists of Singapore-based finance sector industry associations who provide strategic guidance on industry priorities and developments to ensure ASFI meets the needs of capital markets.

This year, ASFI also welcomed the Singapore Fintech Association (SFA) to the Advisory Group. Stay tuned as ASFI expands its coverage into green financial technology in the future, in collaboration with SFA.

Secretariat

WWF-Singapore will act as ASFI's Secretariat, encouraging and coordinating collaboration between all partners.

We encourage you to share this report with your network and colleagues. You can sign up for our quarterly newsletter to receive updates on the latest developments via www.asfi.asia or contact@asfi.asia. To follow us on LinkedIn, click here.

Message from the CEO

The warning sounded by Professor Johan Rockström at the recent World Economic Forum highlights the increasing instability of 9 of the 16 planetary tipping elements and the need for a concerted global effort to preserve the future of humanity. We are already experiencing exacerbated heatwaves and blazing fires, floods and storms all across the planet. We risk crossing tipping points, if we do not mitigate temperature rises. We find ourselves at a critical inflection point of human history and must act now.

At WWF-Singapore, we remain steadfast and ever passionate in our commitment to preserving the natural world. Our sustainable finance practice has achieved significant milestones in 2022, such as the extension of the SUSREG Tracker assessment to the insurance sector, the inaugural banking and asset managers seafood sector policy assessments and the launch of new sector-specific courses under ASFI Academy.

It is heartening to see that Singapore continues to set a high standard as a sustainable finance leader in the region, and serving as a benchmark for industry best practices. However, given the varying stages of social and economic development across the region, much work remains to be done to build capacity, capability and knowledge in this space.

In the year ahead, WWF-Singapore and ASFI partners will continue to collaborate with decision makers in the finance industry, guiding the financial sector in the region towards sustainability.

R. RAGHUNATHAN
CHIEF EXECUTIVE OFFICER,
WWF-SINGAPORE

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EXECUTIVE SUMMARY

Our world today is more complex than ever. While the world is recovering from the global pandemic, policy makers find themselves facing an even more complicated world with growing geopolitical tensions, weakened market sentiments and worsening climate conditions. In the face of these adverse circumstances, nations and people are reminded to stay resilient, work together to navigate uncertainty and stay committed to the long-term goals for the people and planet. The 2022 United Nations Climate Change Conference (COP27) and the 2022 United Nations Biodiversity Conference (COP15), the two largest sustainability events held in 2022, were testaments of this unwavering global commitment to sustainable development.

While momentum to address the climate crisis has grown rapidly over the past decade, we also see growing emphasis on biodiversity conservation. There is an increasing awareness that climate change and nature loss are two interconnected global emergencies that we could not tackle one without another. With more than half of the world's economic output - US$44 trillion of economic value generation - moderately or highly dependent on nature, nature has far more impact on the countries' economies than the world would previously imagine. Financial institutions (FIs) are also scaling their capacity in understanding, identifying and factoring in these nature-related risks.

ASFI and its knowledge partners continue to work hard on delivering science-based resources which assist the transition of the finance sector in Asia. In 2022, ASFI accelerated the capacity building process in Asia by equipping the local and regional financial institutions with necessary sustainable finance knowledge. UNEP-FI and WWF-Singapore have been working together to organise a tailored programme on setting, measuring and implementing climate targets in Asia. The ASFI Academy also introduced new courses on Infrastructure and Energy, adding to the existing Sector Series on Agriculture, Forestry and Fisheries. More than 6,000 finance professionals from more than 30 countries are trained by ASFI Academy up to date, since its launch in late 2021. In addition, ASFI also continued to offer a wide range of resources to help bridge critical gaps in ESG data and analysis, such as measuring metrics, interactive tools and other research reports. For example, EDHECinfra has been working on its million-dollar infrastructure research project to create ESG indices and benchmarks for the use of investors in infrastructure; and Global Canopy launched new data this year to provide actionable intelligence for governments, companies, financial institutions and civil society to take practical steps to address deforestation. AIGCC and CDP also advanced their climate engagement and net-zero ambitions in Asia, with CDP officially launching its new office in Singapore in March 2022 to further deepen its outreach to high-impact financial institutions and regulators in the Southeast Asian region. 2DII is currently undertaking research on how debt of the low-income countries could be swapped against investments in adaptation measures, freeing up fiscal space for adaptation investments. WWF-Singapore also refreshed its annual assessments for banks, asset managers and regulators under its SUSBA, RESPOND and SUSREG initiatives.

As the window to take urgent climate actions is closing rapidly, more ambitious plans and concerted efforts are required to meet the goals set in the Paris Agreement. 2023 will be a critical year for climate and nature. Emerging markets and developing economies account for two-thirds of global greenhouse gas emissions, and many of them come from Asia. In the coming years, we will expect all eyes on Asia to reduce their emissions. However, enormous amounts of climate financing will be required for climate change mitigation and adaptation. ASFI will stay committed to our mission to mobilise the finance sector to create low-carbon, climate resilient economies that deliver on the Sustainable Development Goals (SDGs) and the Paris Agreement in Asia in the coming years.

SUSTAINABILITY AND SUSTAINABLE FINANCE IN 2022

HIGHLIGHTS

FIGHTING FOR COMMON INTEREST IN AN INCREASINGLY COMPLICATED WORLD

As the world slowly emerges from the COVID-19 pandemic, people around the globe find themselves in an increasingly complex and challenging world ridden with geopolitical tension, weakened market sentiments and worsening climate crisis.

Countries with their own national interests may choose to prioritise one issue over another. However, the bottom line is that climate change is not merely an environmental issue. It is intertwined with other social-economic issues, making it paramount to human health, food and water security and economic growth. Governments across the globe are required to remain steadfast and aligned in their commitments to the people and planet. As highlighted by the UN Secretary General at the release of the UN Environment Programme (UNEP)'s Emission Gap Report 2022, the window to take urgent climate action is closing rapidly. Indeed, the very future of humanity is at a critical inflection point in history, where the collective decision we make will decide whether we are heading to a breakdown or a breakthrough. Unwavering global commitment is required from all countries to safeguard the future of humanity.

Urgent acceleration for adaptation finance is needed for rapidly declining climate conditions

Climate change is widely associated with the changes in weather patterns. Worsening climate conditions are likely to induce more frequent and/or more intense extreme weather events. In 2022, the impacts of climate change are felt deeply and widely around the world. Economic damage caused by some of the extreme weather events are highlighted in the Q3 Disaster Report issued by Aon:

HURRICANE IAN
>US$20B
US, Cuba

DROUGHT AND FLOODING
US$20.4B
China

DROUGHT
US$20B
Europe

FLOODING
US$7.5B
Australia

FLOODING
US$5.6B
Pakistan

These extreme weather events were exceptional but not unexpected. The Sixth Assessment Report published by the Intergovernmental Panel on Climate Change (IPCC) in 2022 has cautioned the policymakers there would be an increase in frequency and intensity of extreme weather events in face of rising greenhouse gas emissions. Although at least 84% of Parties to the UN Framework Convention on Climate Change (UNFCCC) have established adaptation plans and strategies for the worsening climate change situation, financing to realise these plans is not in place. According to the Adaptation Gap Report 2022 published by UNEP, international adaptation finance flows to developing countries are five to 10 times below estimated needs and the gap is widening. In face of the intensifying climate situation, there is an urgent need to call for significant acceleration in adaptation finance. Otherwise, adaptation actions could be outpaced by accelerating climate risks, which would form the vicious circle to further widen the adaptation implementation gap.

International coordination and collaboration is needed to avoid backstep on climate transition

The increasingly complicated geopolitical relations has posed an enormous obstacle in accelerating climate actions in 2022. The ongoing Russia-Ukraine Crisis has led to worsening relations between Russia and the European countries, which subsequently led to an unprecedented energy crisis. The shortage in power supply and raising energy prices have pushed the European governments to step back from climate goals. For example, some European countries like Germany are restarting coal plants to provide energy for the winter. Although the governments may argue such policy shift is temporary, it could delay if not derail the global climate efforts. More than ever, it is now crucial for governments to safeguard their commitments to the Paris Agreement and the Sustainable Development Goals (SDGs) while addressing its energy crisis in the short term.

In addition, the two largest emitters in the world, China and the United States suspended their climate talks over the Taiwan issue in August this year. Although the two countries agreed to resume climate talks and manage tensions after the Group of 20 (G20) Leaders' Summit, the relationship between the two nations remains complicated and how the two superpowers would like to collaborate will be instrumental in advancing the global agenda on climate change.

In view of the urgency for climate action, the world just cannot afford to let political differences dent the momentum any further. It is important for the country leaders to rebuild trust and provide political impetus to forge a shared path through the climate challenge.

The United Nations Climate Change Conference (COP 27): A step forwards but more actions are needed

In view of the urgency for climate action, the world just cannot afford to let political differences dent the momentum any further. It is important for the country leaders to rebuild trust and provide political impetus to forge a shared path through the climate challenge.
Following two weeks of negotiations in November, the COP27 delivered a breakthrough agreement to provide loss and damage funding for vulnerable countries in response to climate disasters. Governments around the world agreed to work together to establish a transitional committee to make recommendations on how to operationalize both the new funding arrangements and the fund at COP28 next year. In the next few months, countries will have to sort out a number of important questions, such as how much the US should pay into the fund and whether China will be part of the funding countries.

> **"We need all hands on deck for faster, bolder climate action. A window of opportunity remains open, but only a narrow shaft of light remains... We are getting dangerously close to the point of no return The global climate fight will be won or lost in this crucial decade – on our watch. One thing is certain: those that give up are sure to lose. So, let's fight together – and let's win."**

UN SECRETARY-GENERAL'S REMARKS TO OPENING OF COP27

Although the establishment of the loss and damage funding is a great step forwards towards social justice, there is a consensus that COP27 failed to push for critical commitments which are desperately needed to tackle climate change. No formal agreement has been reached to reduce the global use of fossil fuels and countries are still debating over the phaseout of all fossil fuels. The closing remarks given by the Executive Secretary of the UNFCCC also revolved around the recent report published by the UN Climate Change that implementation of current pledges by national governments put the world on track for a 2.5˚C warmer world by the end of the century. Although countries are making progress in cutting their greenhouse gas emission, the efforts remain largely insufficient and a lot more ambitious plans are required to meet the goals set in the Paris Agreement.

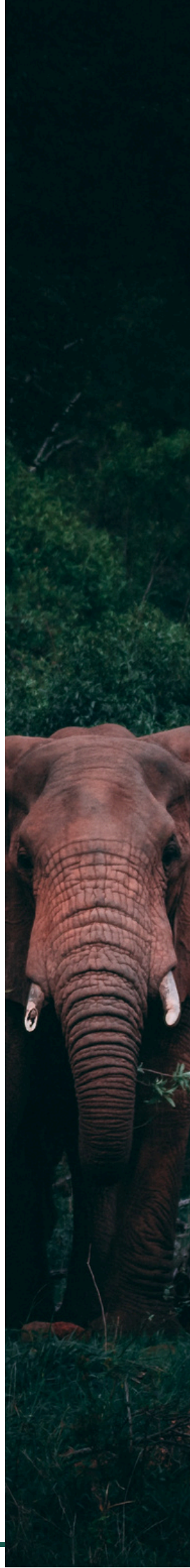
INCREASING FOCUS ON BIODIVERSITY & RECOGNITION OF INTERCONNECTEDNESS BETWEEN CLIMATE CHANGE AND BIODIVERSITY

While climate action is accelerating around the world, it is important to highlight that climate change and biodiversity loss are two interconnected environmental challenges that we cannot tackle one without another. According to the Living Planet Report 2022 published by WWF, there has been an average decline of 69% in monitored wildlife populations (including mammals, birds, fish, reptiles and amphibians) since 1970, and any further loss of nature will result in far-reaching consequences. This also poses significant financial risks not only to companies operating across highly sensitive industries (e.g. agriculture, forestry and fisheries), but also to the financial institutions that finance them.

Financial risks associated with continued loss of nature

With more than half of the world's economic output - US$44 trillion of economic value generation - moderately or highly dependent on nature, nature-related risks may translate into financial risks, impacting business' operations and financial returns. Many industries from agriculture to pharmaceutical industry are highly dependent on the conservation of biodiversity. For example, paddy rice production is a complicated ecosystem process, relying on a variety of plants, pollination, pest control, nutrient provision, genetic diversity and disease prevention control etc. Decreased biodiversity may lead to agricultural loss and increasing poverty and hunger around the world. In addition, decline in biodiversity may also hinder pharmaceutical breakthroughs or increase transmission of disease to humans.

Southeast Asia is one of the regions with the richest biodiversity in the world and at the same time, the region is among the most vulnerable places to declines in natural capital. A study conducted by the Academy of Sciences Malaysia estimated that nature's annual economic contribution to ASEAN member states to be approximately US$2.19 trillion, with the biggest beneficiary being Indonesia, followed by Philippines, Thailand, Cambodia, Malaysia, Myanmar, Laos, Vietnam, with the other smaller states at the end. Given the diverse social-economic progress across the countries, a country-by-country approach is likely to be required. However, considering that many countries in the region are at their early stage in understanding biodiversity-related risks, a lot more effort is required to work on fundamentals like building awareness around nature risks.



60%

of biodiversity loss is attributable to just seven countries, six of which are in the Asia Pacific.

63%

of GDP in the Asia Pacific region is at risk of disruption from nature loss.

99%

99 of the 100 cities at highest environmental risk are in the Asia Pacific.

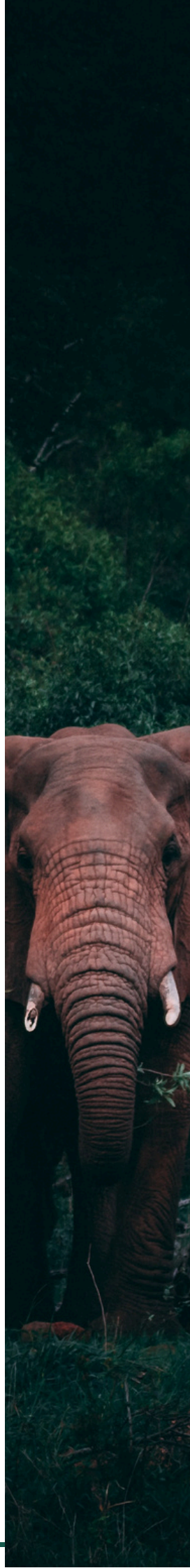
Source of data: Banking on Nature Capital - report in collaboration between Deloitte and WWF-Australia

For the wider Asia Pacific region, there is a growing interest in nature-positive investment. A study co-authored by Temasek, World Economic Forum and AlphaBeta identified 59 nature-positive business opportunities in the Asia Pacific region, bringing an annual business value of US$4.3 trillion and 232 million new jobs by 2030 - equivalent to 14% of the GDP of the region. Capital is moving quickly in the region to fill in the gap. For example, the Meloy Fund for Sustainable Community Fisheries is a blended finance fund that incentivises the development and adoption of sustainable fisheries through debt and equity investments in Indonesia and Philippines. By 2021, the fund's activities have focused on 4.3 million small-scale fishermen, producing 2.7 million tonnes of fish across 21 million hectares of critical marine habitat. US$4 billion in latent value in small-scale fisheries could potentially be unlocked.

Regulations & Standards are expanding to biodiversity

As the biodiversity loss continues, businesses, especially those in the more exposed sectors such as agriculture, forestry and fisheries, are increasingly aware of the business risks caused by the loss of natural resources. The Taskforce on Nature-related Financial Disclosures (TNFD) has released its draft framework in 2022 for consultation with market participants. The final TNFD recommendations are expected to be published in September 2023. The TNFD framework aims to provide guidelines to businesses to assess and disclose their nature-related risk, dependencies and opportunities. In addition, the Global Reporting Initiative (GRI) also joined forces with the European Financial Reporting Advisory Group (EFRAG) to work on their respective new biodiversity standards - the GRI Biodiversity Standard and the European Union Standard and respectively.

In December 2022, Parties to the UN Convention on Biological Diversity (CBD) also met to determine the post-2020 global biodiversity framework (GBF). The government-led framework aims to halt biodiversity loss by 2030 and achieve recovery by 2050 as well as the additional investment required for the ambitious goals.



Both the market-led and government-led frameworks work toward the common goal of halting and reversing the loss of biodiversity. Unlike climate change, the actions to protect biodiversity are still at a very early stage. Assessment and disclosure of nature-related risks is just the first step to build a nature-positive economy. More concrete actions are required to re-direct investment flows and guide commercial practices.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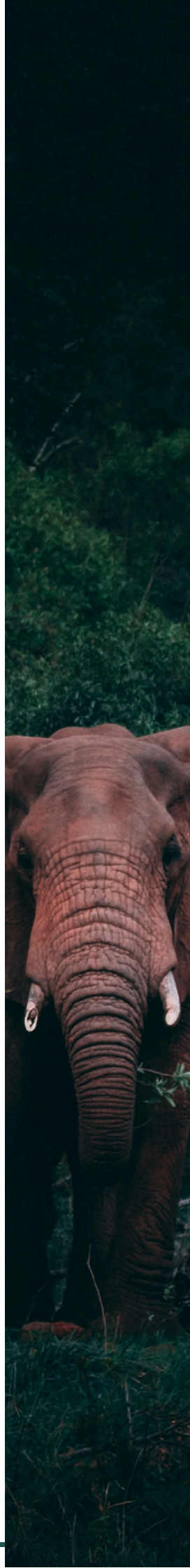

ACCELERATING MOMENTUM IN SUSTAINABLE FINANCE

Global: Convergence of Regulations and Standards

In August 2022, the IFRS Foundation completed the consolidation of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF) under the International Sustainability Standards Board (ISSB). The ISSB also released two exposure drafts this year, consolidating content from the TCFD, CDSB, SASB, Integrated Reporting, and the WEF IBC's stakeholder capitalism metrics into a coherent whole. In addition, ISSB also began work with GRI to coordinate work programmes and standard-setting activities. It is good to see that the standard setting bodies are working together to harmonise sustainability reporting standards and provide a more clear guidance to the market.

However, as we are standing at the critical point of converging different standards, it is important to review again the objectives of these standards. Under the proposed ISSB Standards, the disclosure requirements are based on the objective of disclosing sustainability-related financial information that is useful to the investors. The proposed ISSB Standards are investor-focused and adopt a "financial materiality" perspective, as opposed to the "double materiality" perspective that GRI and the European Union's Sustainable Finance Disclosure Regulation (SFDR) are trying to address. GRI and the EU's SFDR emphasise both the impact of the environment and society on companies as well as the companies' impact on the environment and social wellbeing. In the past and even present, the market often fails to internalise the negative externality caused by commercial activities on the environment and human health. As the standards are converging, it is once again worthwhile for all stakeholders to ponder whether sustainability reporting should just be investor-focused or it should take a broader view to take care of the long-term interest of the whole society.

In addition, at the forefront of taxonomy development, the EU-China Common Ground Taxonomy (CGT) has issued its latest version in June 2022, undertaking a comprehensive assessment of the existing EU and Chinese taxonomies. The CGT is taking the first step forward to improving the comparability and interoperability of taxonomies across jurisdictions. The International Standard Industrial Classification of All Economic Activities (ISIC) is used as the international reference classification for sector classification mapping. The methodology presented by CGT is going to provide a valuable tool to facilitate the interoperability of taxonomies worldwide in the near future.

Region: A Just and Orderly Climate Transition for ASEAN

Focusing on the ASEAN region, the Version 1 of the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) was launched for consultation at the end of 2021, which aims to provide a common language and an overarching guide to the ASEAN member states. Given the diverse economic development in the member states, the ASEAN Taxonomy provides a principle-based, tiered approach to encourage all member states to be on board and improve based on their country's status and needs. The Version 1 of the ASEAN Taxonomy is meant to be a live document that will continue to develop over time. Despite the non-conformance as compared to the EU, it is a continuous discussion topic for the region to contemplate how we can ensure we are not over-regulating the emerging markets and at the same time ensuring there is good regulation in place to guide market behaviour

The individual member states are also playing an active role in advancing sustainable finance in their own country. For example, the Financial Services Authority of Indonesia (OJK) launched the Indonesia Green Taxonomy Edition 1.0 as part of Sustainable Finance Roadmap Phase II. The taxonomy is expected to encourage innovation in developing green products, projects and initiatives, while preventing greenwashing practices in Indonesia.

In Malaysia, the Joint Committee on Climate Change (JC3), which was co-chaired by the Securities Commission Malaysia and Bank Negara Malaysia, published the Data Catalogue and Accompanying Report on data availability and data gaps in December 2022. Following the publication of the report, JC3 will focus efforts on working with relevant data providers to improve data availability and quality, in order to support better sustainability and climate-related disclosure.

Singapore: Getting ready for Net Zero 2050

In 2022, the Singapore government has finally ratcheted up its determination to set 2050 as its deadline to reach net zero emissions. As a financial hub, sustainable finance is a powerful driver to enable the country's transition. The country's financial regulator, Monetary Authority of Singapore (MAS) has been working closely with Singapore Exchange (SGX) and other financial institutions to support the transition. 2022 is going to be the first year for SGX and MAS to implement their respective disclosure requirements. As part of the phased approach introduced last year, starting from Financial Year 2022, SGX will require all issuers to implement climate reporting on a "comply or explain" basis. MAS also expected all financial institutions (including all banks, insurers and asset managers) to make climate-related disclosures from June 2022 onwards. MAS also suggested a move to the ISSB standard after it is being finalised.


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In terms of capital orientation, the country has also seen a rise in blended finance in funding sustainable projects. Blended finance refers to the use of catalytic fundings from the government, multilateral banks and philanthropic organisations to mobilise private sector capital in investing in sustainable projects. For example, HSBC and Temasek, with the support from Asian Development and Clifford Capital, have launched a debt financing platform, Pentagreen Capital. In the next five years, Pentagreen aims to scale up to US$1 billion of loans to support marginally bankable sustainability projects.

The privating banking sector in Singapore is also taking a lead in terms of sustainability integration. The Association of Banks in Singapore (ABS) launched the Sustainable Private Banking and Wealth Management Guidelines, with the technical support from WWF Singapore, in October. The Guidelines cover private banking activities ranging from wealth planning and investments to financing, providing guidance to private banks to integrate sustainability into their business models and investment approaches. At the same time, the Private banking Industry Group (PBIG), consisting of 14 major banks, launched a common industry training benchmark to update private banking relationship managers in the area of sustainability. It is exciting to see that the private banking sector in Singapore is developing momentum to transit towards a low-carbon economy.

ASFI 2022

HIGHLIGHTS

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STEERING CAPITAL FLOWS THROUGH REGULATIONS AND GUIDELINES

Regulations and guidelines play a key role in shaping the sustainable finance landscape and orienting capital towards sustainable development. In 2022, WWF-Singapore continued to work with the public and private sectors to provide financial institutions with clearer direction and help to level the playing field.

Sustainable Financial Regulations and Central Bank Activities (SUSREG)

In 2022, in addition to conducting an independent assessment on the regulators and supervisors in the banking industry, WWF-Singapore expanded its assessment to the insurance industry under its Sustainable Financial Regulations and Central Bank Activities (SUSREG) initiative. The new addition of the SUSREG Insurance Framework was launched in October 2022, covering

44
Jurisdictions

>88%
Global GDP

>72%
Of total greenhouse gas emission

11
Of the 17 most biodiversity-rich countries

The SUSREG Annual Report 2022 was published in December 2022, highlighting key findings, insights, good practices, as well as the recommended actions. It also featured interviews with selected central banks and financial supervisors.

The SUSREG 2022 assessment shows growing progress in the sustainable banking and insurance regulations as follows:

Regulations or supervisory expectations	Sustainable banking regulations or supervisory expectations have been issued and applied by 62% of all banking jurisdictions in the assessment in 2022, compared to only 35% in 2021. Around 62% of the insurance jurisdictions assessed also do so.
Business and risk strategy	Across the jurisdictions assessed, 84% are fully or partially integrating climate considerations into financial institutions' business and risk strategies.
Integration in policies and processes	Globally, 83% of banking supervisors and 74% of insurance supervisors included in the assessment have full or partial expectations for banks to integrate climate in their decision making and risk management processes and policies.
Disclosure in annual report	Around 70% of all assessed banking supervisors and 56% of all assessed insurance supervisors include at least a partial disclosure expectation around climate, environment and/or social matters.
Pricing incentives (specific to insurance)	17 jurisdictions (including 10 in Europe, Middle East and Africa (EMEA), thanks to initiatives in the European Union) are encouraging insurers to include underwriting and pricing incentives for their clients to mitigate Environmental and Social (E&S) risks.

However, there are still many gaps that remain to be addressed. Relevant policies, regulation, and supervisory guidance for the financial sector are being developed, but with a pace and a geographical and topical scope that is not commensurate with those of the ongoing climate and biodiversity crises. Expectations around strategy, governance and disclosures are being gradually introduced, but concrete incentives and prudential measures are still rare. Broader environmental and social expectations often lag narrower climate change-related issues. For the insurance sector specifically, there is more work to be done to ensure that both the investment and underwriting activities of insurers are subject to appropriate and consistent expectations.

While the integration of risk and impact considerations in policies and processes has started in some leading jurisdictions, much remains to be done to create a global level-playing field. Interestingly, some central banks and financial supervisors in developing countries have demonstrated meaningful progress and stronger commitments in environmental and social safeguards vis-a-vis more developed countries, implying that lesser economic and technological advancement may not necessarily be a barrier to achieving sustainable development. For more details on the findings, main gaps, and recommendations, please check out the SUSREG 2022 Annual Report available on the new SUSREG tracker online platform. Through this platform, users can access detailed assessments, assess current practices against the SUSREG framework, and benchmark individual institutions against their peers.

In the future, other financial sectors will be gradually integrated into the scope of these assessments, starting with asset management. Similar to the extension from 38 to 44 jurisdictions between 2021 and 2022, more jurisdictions may also be integrated into the SUSREG scope of assessments in the future. As has happened this year, the selected indicators will also be fine-tuned to reflect the latest advances and areas of focus in sustainable finance regulation.

Experience over the last year has shown that there is a great interest in SUSREG from central banks and financial supervisors. WWF-Singapore will continue its direct engagement with relevant parties through bilateral dialogue and workshops.

Joint Project with the Association of Banks in Singapore(ABS) to launch the Private Banking and Wealth Management Guidelines

According to the Bloomberg Billionaires Index, out of the 500 richest individuals in the world, one-third are in Asia-Pacific. With the rapidly rising Asian prosperity, the private banking and wealth management sector is riding the wave of wealth. Concurrently, we have also seen a growing demand from the next generation of Asian high net worth individuals to tackle environmental and social issues through their investments. This presents opportunities for the private banking business to promote sustainable investing and develop green solutions.

With this aspiration in mind, in October 2022, ABS launched the country's ABS Sustainable Private Banking and Wealth Management Guidelines, with technical advice from WWF-Singapore and inputs from MAS. The guidelines aim to provide private banks in Singapore with a set of principles to help develop and integrate approaches on key sustainability issues into the bank's business models. The guidelines cover private banking activities such as wealth planning, investments and financing. The guidelines are also aligned with the Environmental Risk Management Guidelines issued by MAS.

The guidelines also promote clarity and transparency between the private banks and their clients through the formulation of sustainable investing approaches. The approaches are outlined below:

Exclusion	Excluding and avoiding sectors, activities and/or companies from the investment universe, based on criteria such as norms and standards, business conduct or values/ethical principles.
Integration	Systematically and explicitly including ESG factors in investment analysis and decision making to optimise ESG risk management with return expectations.
Thematic	Investing to contribute to environmental or social factors with fundamental investment objectives considered.
Impact	Investing with the intention to generate positive, measurable social and environmental impact alongside a financial return.

"THE ABS AND WWF COLLABORATION CONTINUES TO BE FRUITFUL. IN 2022, WE WORKED WITH WWF-SINGAPORE TO LAUNCH THE ABS SUSTAINABLE PRIVATE BANKING AND WEALTH MANAGEMENT GUIDELINES THAT SET A BASELINE FOR THE INTEGRATION OF SUSTAINABILITY PRACTICES IN PRIVATE BANKS' BUSINESS MODELS AND PROMOTE GREATER CLARITY AND TRANSPARENCY AMONG PRIVATE BANKS AND THEIR CLIENTS BY ESTABLISHING A COMMON LANGUAGE FOR SUSTAINABLE INVESTMENT APPROACHES. WE ALSO LAUNCHED THREE E-LEARNING COURSES ON SUSTAINABLE FINANCE, AS PART OF A SERIES OF SIX COURSES. ABS WILL CONTINUE TO SUPPORT AND PARTNER ASFI IN THE LAUNCH OF ITS REMAINING COURSES TO EQUIP ASIA-BASED BANKERS ON THE BEST PRACTICES IN SUSTAINABLE FINANCE."

MRS. ONG-ANG AI BOON
ASSOCIATION OF BANKS IN SINGAPORE (ABS)

MOVING BEYOND TECHNICAL SUSTAINABLE FINANCE CAPACITY BUILDING

ASFI Academy: Powering the Sustainable Finance Sector through Capacity Building

ASFI Academy, ASFI's sustainable finance e-learning platform, first launched in late 2021, has seen significant growth and development during 2022 - developing new distribution channels, launching new courses and broadening the range of translated courses. Some of the key achievements are highlighted below:

6000
Finance professionals trained globally

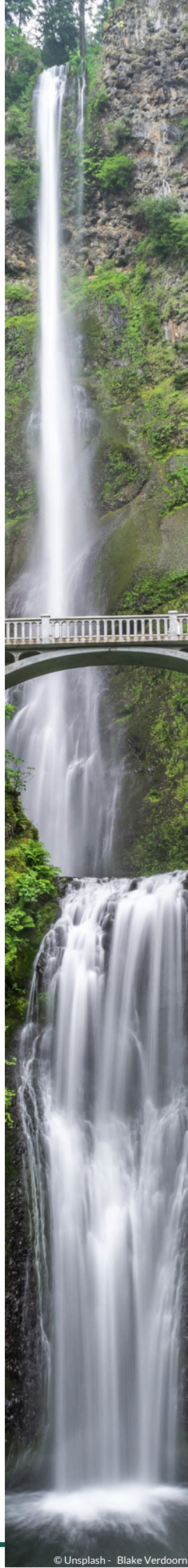
30+
Countries covered

20
English language courses

11
Translated courses available in 5 languages

The nature of ASFI Academy as a unique collaboration between civil society and industry means that we can be flexible and adaptive to the varied requirements of the target audience, and the opportunities presented in doing so. In line with our mission to make ASFI Academy e-learning courses available to upskill finance professionals at scale. During 2022, ASFI Academy consolidated its existing distribution model and developed a number of different distribution avenues. We also increased the range of translated courses available to enable us to access a wider target audience.

In Singapore, asset managers can access the courses through IMAS' iLearn portal and bankers through ABS' e-learning portal. ASFI Academy courses are also available on individual financial institutions' own internal LMS systems and other learners can access the courses directly on ASFI Academy's own LMS portal. ASFI Academy core courses are also IBF-STS accredited, ensuring that the content is geared towards upskilling finance professionals to meet the requirements of the overall Skillsfuture Framework introduced by the Singapore government.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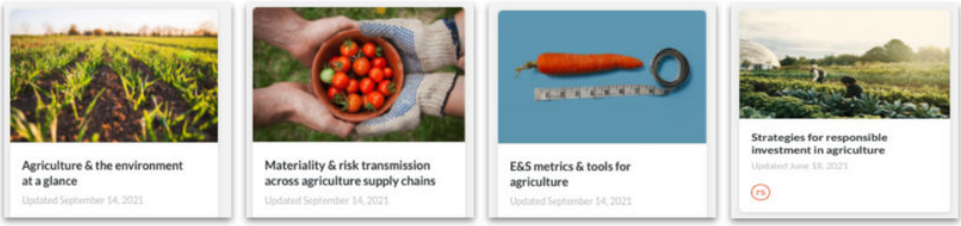
ASFI works closely with the extensive network of WWF offices in the region to distribute ASFI Academy courses both directly to financial institutions, as well as through the various national banking associations and other industry bodies. For example, in Malaysia, we expect to make ASFI Academy courses widely available on HRD Corp's newly developed e-learning system in early 2023, which will allow Malaysian FIs to benefit from available subsidies. Leveraging these improved distribution channels, in 2023, ASFI Academy expects to train at least another 10,000 finance professionals globally, with key focus in ASEAN.

ASFI Academy has also developed a number of tailored portals, including the Finance Flows Sustainable Banking Academy, which enables us to tailor access to a curated set of courses for a particular target audience. This flexibility allows us to leverage our reach when opportunities allow: we expect to launch our Spanish language portal through the WWF Academia de Finanzas Sostenibles portal in Chile, Bolivia and Peru in early 2023.

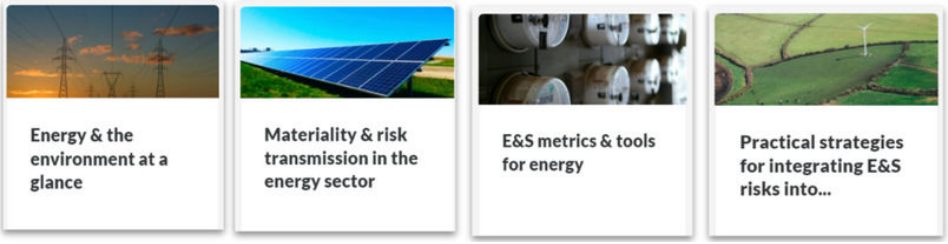
In addition, ASFI Academy also launched two more sector-specific courses in 2022, adding sustainable finance capacity building in two key sectors, namely Infrastructure and Energy, adding to the existing Sector Series on Agriculture, Forestry and Fisheries. Our Sector Series' aim to equip finance professionals with more in-depth knowledge on the E&S issues for financiers working in these three key sectors, which are so pertinent to securing development in the region which is constituent with low-carbon and nature-positive business models.

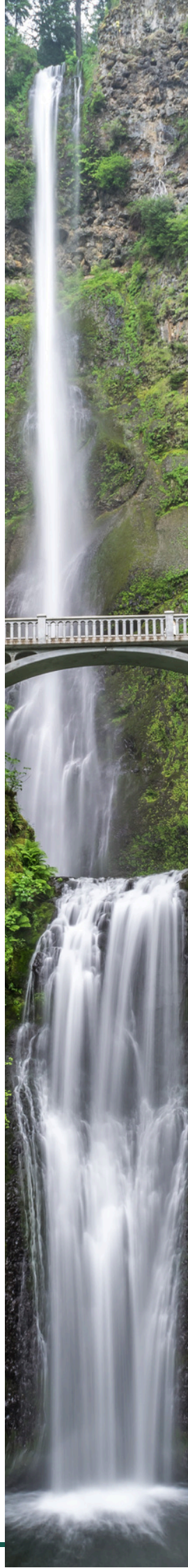
Agriculture, Forestry and Fisheries



Infrastructure

Energy





As with the current ASFI Academy courses, our newly developed courses benefit from the depth and breadth of the work and research of both the WWF network and the ASFI Knowledge Partners, as well as the input and advice of the ASFI Advisory group. These key collaborations ensure that ASFI Academy courses reflect the latest in sustainability science and thought leadership, as well as being relevant and decision-useful for practitioners.

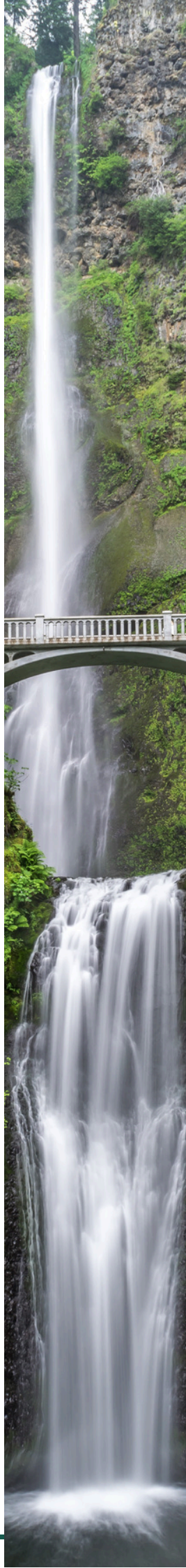
In 2022, ASFI Academy also translated some key courses (as presented below) into multiple Asian languages to broaden our outreach to a regional audience.

Coming up in Q1 2023, ASFI Academy will introduce two additional IBF-accredited courses: (i) An introduction to climate-risk for finance professionals and (ii) An introduction to nature-related risk for finance professionals. These courses address some fundamental questions around why finance professionals need to understand climate and nature-related risk, how they might impact their clients and organisation and what they can do to support their clients and organisations in managing climate and nature-related risk.

In line with the recent net zero commitment and decarbonisation plan, financial institutions are starting to engage with clients / representatives of the real economy. In addition to finance sector capacity building, ASFI Academy will broaden curriculum to cover corporations across various sectors, who need to take action through their operations and supply chains. Content will cover setting science-based targets, including guidance from Science-based Target Initiatives (SBTi).

ASFI Academy has also been soliciting feedback from stakeholders to ensure our 2023 curriculum best meets stakeholders' capacity building needs. Stay tuned for the new courses and associated workshops to be rolled out by ASFI Academy in 2023, which may include the following topics:

- climate target setting (including tools for net-zero target setting)
- decarbonisation pathways
- portfolio decarbonisation and client engagement
- taxonomies and transition finance
- sustainable finance regulatory developments.



To learn more, visit the ASFI Academy website or contact us at academy@asfi.asia.

In addition to the ASFI Academy, another capacity building programme organised by the Sustainable Finance Programme (SPF) from University of Oxford (i.e. ASFI Knowledge Partner) - the Public and Third Sector Academy - has trained 240 participants from the Asia region in 2022, including 47 participants from Thailand, 41 from Philippines and 33 from Indonesia. In 2023, WWF-Singapore and SFP planned to collaborate on collective capacity building and thought-leadership in Asia.

EDHECinfra: Creating a Science-based Risk and Impact Metrics for Infrastructure Investors

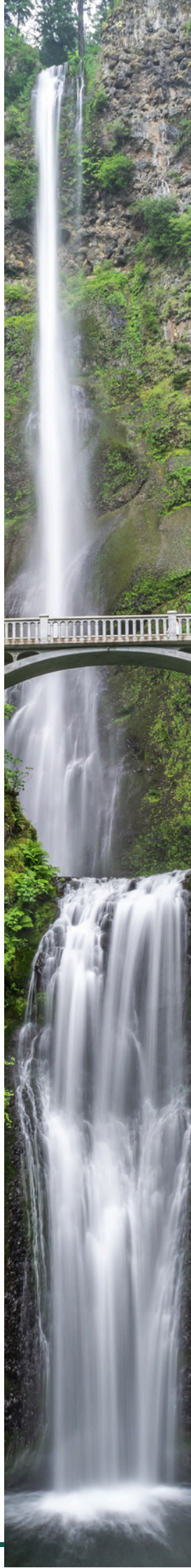
In 2022, the EDHEC Infrastructure Institute (EDHECinfra) advanced its $10m investment project launched last year, working towards creating a scientific climate and social risk and impact metrics for infrastructure investors. With the support of the MAS and Natixis, leveraging 6 years of experience collecting financial data and creating internationally recognized benchmarks for infrastructure investors, EDHECinfra is creating a new body of research and investment knowledge on sustainability and infrastructure investment.

The current focus of EDHECinfra's Green infra research project is to create ESG indices and benchmarks for the use of investors in infrastructure. EDHECinfra is focused on developing science-based "sustainability risk" and "sustainability impact" metrics for infrastructure assets across all sectors globally. These metrics will allow clients to report on and benchmark infrastructure investments in terms of ESG risks and impacts.

EDHECinfra's impact metric offerings will include measures of carbon emissions and carbon intensity metrics of all infrastructure asset classes, globally. Using parsimonious measures of asset characteristics, geospatial data as well as traffic information, combined with effective descriptions relying on emission factors, EDHECinfra aims to produce systematic and objective benchmarks and indices of climate impact.

EDHECinfra's risk metrics include social and physical risk indices. With the social indices, EDHECinfra aims to measure social risks that infrastructure assets face from social actors such as the public, customers, regulators, and employees. Relying on big data and machine learning techniques, EDHECinfra primarily uses sentiment analysis approaches to quantify the social acceptability of infrastructure assets from communities around the globe. The climate risk indices focus on using geospatial analysis and state-of-art climate modelling to quantify the exposure of global infrastructure assets to climate-driven physical risks of floods, temperature, storms, etc.

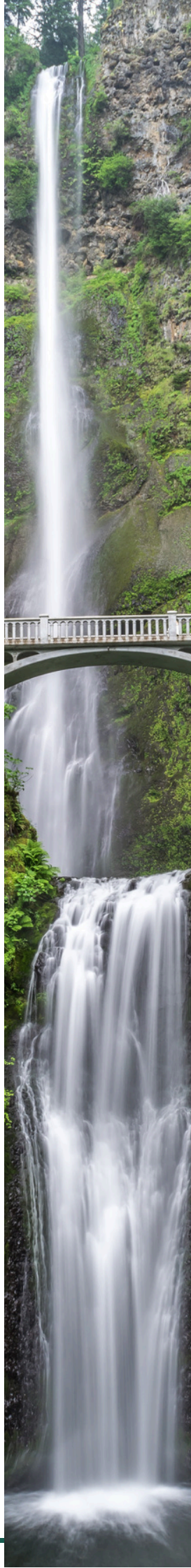
In addition to this, based on NGFS scenarios, EDHECinfra is working on including climate risks in projections of Leverage and Profitability at the firm level. Integrating these projections into EDHEC's Asset Pricing models, users will be able to predict and quantify potential climate change-driven shocks in asset prices.



WWF: Linear Infrastructure Safeguards into Natural Ecosystems

In 2022, WWF formally launched the multi-year Asia's Linear Infrastructure safeGuarding Nature (ALIGN) project, which aims to enhance the development and implementation of effective, high-quality safeguard measures and to avoid, lessen and/or mitigate adverse impacts from linear infrastructure (LI) development on people and natural resources in Asia. This is a collaboration between the WWF network (in particular the WWF Country Coordinators from India, Mongolia, Nepal, and the US, and in a supportive role, finance staff from Singapore) as well as various stakeholders, including the Center for Large Landscape Conservation (CLLC), Asian Development Bank, Conservation Strategy Fund, Institute of Management Consultants (IMC) Worldwide, International Federation of Consulting Engineers, Global Snow Leopard and Ecosystem Protection Program, Open Contracting Partnership, and Sustainable Infrastructure Foundation.

Linear infrastructure usually refers to man-made infrastructure such as roads and highways, electric power lines, railway lines and fences. On one hand, these infrastructures are critical to countries' economic development, providing convenience to people's lives and increasing connectivity between urban and rural areas. On the other hand, these linear infrastructures may create unintended, negative social and environmental impacts on the indigenous people and the ecosystems. Studies have shown that linear infrastructure intrusions have multiple adverse ecological effects that may take years to discover, such as habit loss and fragmentation, spread of invasive alien species, desiccation, fires, changes in animal behaviour and loss of ecosystem services.



The ALIGN project targets transportation - and energy-related linear infrastructure in Nepal, India, and Mongolia. There is an immense need and value in conducting such a project, due to the scale of challenges in safeguarding the natural resources in Asia. For example, 24,000 km of new roads are to be built in Asia's Tiger Conservation landscapes alone. In India, LI investments are driving forest, grassland and montane habitat fragmentation, curtailing the mobility of tigers, snow leopards, and elephants, and severely impacting Indigenous peoples whose livelihoods depend on local natural resources.

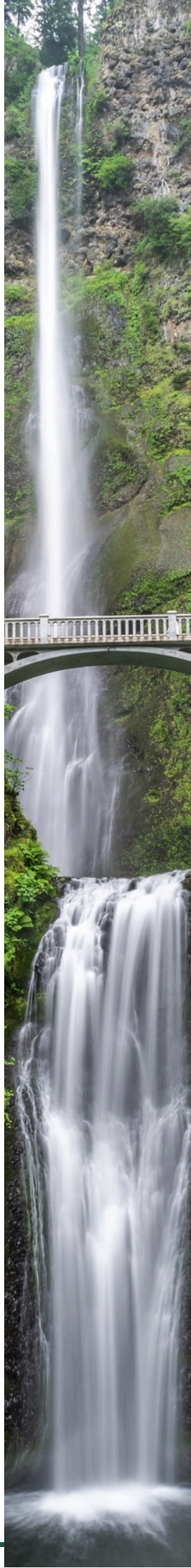
If implemented successfully, by year three, the project is expected to:

- Strengthen natural resource safeguards for LI implementation practices and related laws, policies, regulations, frameworks, and standards of government agencies, national and international financial institutions, and the private sector by aligning them with international best practices.
- Enhance partnerships with government agencies in Asia and the United States, donors, investors, private companies, civil society organisations, academia, and workforce training institutions. Together with partners, promote and support investment in and implementation of safeguards for linear infrastructure that contribute to biophysical conditions and adaptive capacity improvements.
- Increase the capacity of government agencies, national and international financial institutions, private companies, and civil society organisations to contribute to better management of natural resources by implementing high-quality natural resource safeguards for linear infrastructure and promoting and applying sustainable infrastructure development options.

WWF: Accelerating the Energy Transition for National Development Finance Institutions (NDFIs) in Asia

In 2022, WWF-Singapore supported capacity building and the empowerment of Asian financial institutions to shift finance to sustainable energy activities. The first output from this work was a baseline study of national development finance institutions (NDFIs) in Indonesia, the Philippines and Vietnam on the integration of environmental sustainability in their energy financing decision-making. The assessment framework comprises 10 pillars and 45 indicators that signify what WWF-Singapore considers to be robust integration of environmental and sustainability issues in the energy sector in the ASEAN region.

The study found that the NDFIs acknowledge the societal and economic risks and opportunities associated with climate change, but are in the early phases of engaging with energy sector clients on transition plans and have yet to establish comprehensive financing conditions that enforce accelerated decarbonisation efforts. Sector policies addressing the financing of activities that aligned with the 1.5°C scenario are still largely underdeveloped. Nevertheless, there are still encouraging signs that a few NDFIs committed to ending financing for coal, and one NDFI has even become a signatory to the UN Principles for Responsible Banking (PRB). All NDFIs provide specific green product lines and services, but most of them have yet to disclose their exposure to high-risk energy sub-sectors and/or the carbon intensity of their energy portfolios. Adopting TCFD recommendations, climate scenario analysis, and science-based target setting is still far away. Furthermore, linking executive remuneration and appraisal to sustainability progress, and offering specialised sustainable finance training to staff are not yet being implemented. There is, however, an increased appetite for training and capacity-building opportunities and this is an enormous opportunity to promote our ASFI Academy sustainable finance courses in the following year.



ADVANCEMENTS ON CLIMATE ACTION AND NET-ZERO AMBITIONS IN ASIA

UNEP FI: Building Momentum on the Path to Net Zero in Asia

In 2022, UN Environment Programme-Finance Initiative (UNEP-FI) welcomed 48 new signatories to the Principles for Responsible Banking (PRB), surpassing 300 signatories from 80 countries, representing US$86 trillion in assets or 47.9% of global banking assets. The Principles for Responsible Banking remain the world's foremost sustainable banking framework.

As a part of the Regional Programme for Asia Pacific, UNEP-FI and WWF-Singapore as well as other WWF network offices (such as China, Indonesia, Malaysia and Philippines) have been organising a tailored UN support programme on setting, measuring and implementing climate targets. More than 100 banks participating across the region have been part of these sessions, and while the regional sessions focused on the nuances that are specific to the Asia-Pacific region, country tailored sessions specifically for Chinese, Philippines and Indonesian banks were also organised. Peer exchanges as well as one to one capacity building support have also been made available as a part of this programme.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On Finance Day at COP27, the industry-led, UN-convened Net-Zero Banking Alliance (NZBA) published its first Progress Report. This report, which details the intermediate 2030 decarbonisation targets from over 60 member banks, demonstrates the first stage of progress since the NZBA launched in April 2021. The report highlights the regional distribution of the membership, which illustrates that more than half of the members are European banks, but the NZBA also has membership in Asia Pacific, North America, Latin America, and the Caribbean (LAC) and Africa. In Asia Pacific, three of the top ten largest banks are committed to the NZBA.

Besides the banks, WWF-Singapore also engaged closely with investors.The UN-convened Net-Zero Asset Owner Alliance (NZAOA) was first launched in 2019 and experienced rapid uptake in signatories. In 2022, as a partner to UNEP-FI, WWF-Singapore engaged six sovereign wealth funds and 15 insurers in Singapore, Malaysia and Japan to encourage them to participate in the NZAOA initiative. Following the engagement, WWF-Singapore also issued a report, providing insights into the common challenges faced by Asian asset owners who may be at the early stages of setting net zero targets for their investment portfolio. The release of the report also continued to spark market's interest in finding out more about the requirements to join NZAOA.

AIGCC: At the Forefront of Investor Engagement

The Asia Investor Group on Climate Change (AIGCC) recently set its 3-year strategy for 2023-2025, with a renewed vision of a climate-resilient economy that is on track by 2030 for a net zero emissions global economy by 2050. AIGCC's 3 key strategic pillars of activity are: 1) investor awareness and capacity building, 2) investor practice, and 3) policy advocacy and regulatory engagement.

Regionally, at the one-year mark, the investor-led Asia Utilities Engagement Program (AUEP), coordinated by AIGCC, expanded to include two more focus companies, Huaneng Power International (China) and PT Perusahaan Listrik Negara (Persero) (PLN) (Indonesia), bringing the total to seven. The Program also welcomed three new participating investors bringing the number of institutional investors and stewardship service providers to 16. The investor participants – all AIGCC members – are collectively responsible for $10 trillion in assets under management. The Asian electric utilities covered by the Program have been dedicating increased resources to decarbonisation strategies, indicating promising early results from the program's engagement. For example, CLP has committed to phase out coal by 2040, while Tenaga Nasional Berhad announced an aspiration to achieve net zero by 2050.

AIGCC has also increased the offering of its existing four online climate change training modules to include two new advanced modules on Corporate Engagement and Active Stewardship, and Advanced TCFD scenario analysis. These modules are available at cost to non-members. AIGCC remains committed to capacity building through other member activities including working groups, masterclasses, and webinars.

Globally, AIGCC is also a network partner of international initiatives to support members on their net zero goals including the Investor Agenda, Paris Aligned Investment Initiative (PAII), Net Zero Asset Managers Initiative (NZAM), and Climate Action 100+ (CA100+).

As part of the Investor Agenda, AIGCC supports its members in developing their Investor Climate Action Plans (ICAPs), which sets out a series of actions that investors can take to align with net zero ambitions in the areas of: 1) investment strategies, 2) corporate engagement, 3) policy advocacy, 4) investor disclosure, and 5) governance. This complements the work of PAII, NZAM, and CA100+. 3 AIGCC members have submitted case studies on their ICAPs.

On the policy advocacy front, AIGCC continues to support the Global Investor Statement to Governments on the Climate Crisis as one of the Investor Agenda's founding partners. The 2022 Global Investor Statement to Governments on the Climate Crisis has been submitted to governments before COP27 with 602 investor signatures representing US $42 trillion in assets under management.

Although there are no Asia-based asset owners signed up to PAII to date, AIGCC has 18 Asia-based asset managers as part of the 291 signatories with 66 trillion in AUM committed to NZAM. Globally, less than 2 years since NZAM launched, the total number of asset managers that have set initial targets to 169.

At Climate Action 100+, results from the net zero company benchmark for all companies were published in March and October respectively. As an engagement tool this has been instrumental in raising ambition amongst targets set by companies in the region. TCFD disclosures have picked up significantly whilst some companies in the oil and gas sector are beginning to share medium term targets in addition to net zero goals. The ongoing engagement exercises have continued to create opportunities for Asian investors to work with global peers.

2DII: Advancing Climate Action through Green Financial Solutions and Engagement

Low-income countries (LICs) are facing two challenges reinforcing each other in a doom loop:

- Many LICs are at high risk of debt distress, resulting from a long trend of debt increase and the negative impacts of Covid on GDP and governments revenue
- Most LICs are poorly resilient to climate change, due to both climate hazards being stronger in the Global South than in the Global North and to a lack of capacity of LICs to face them

Debt distress impedes LICs to invest in required adaptation measures, while lack of resilience to climate change fuels debt unsustainability. 2 Degrees Investing Initiative (2DII) observed a strong correlation between the risk of external debt distress of low-income countries and their lack of resilience to climate change impacts.

2DII is currently undertaking research on how debt of LICs could be swapped against investments in adaptation measures, to fight back both crises at the same time. So called Debt-for-Adaptation swaps are promising tools, under certain conditions, to free up fiscal space for adaptation investments. They also constitute a way to operationalise, in an efficient and timely manner, the Loss and Damage agenda which COP 27 put on the table.

In addition, continuing the work done in 2021, 2DII and WWF Malaysia also published the co-authored report on Climate Portfolio Alignment for Corporate lending in Malaysia in 2022, which documented the very real threat of climate change on the Malaysian financial system whilst contextualising Malaysian regulatory and policy environment as a source of future climate transition risk. The Paris Agreement Capital Transition Assessment (PACTA) is presented as a tool to aid Malaysian banks in measuring the portfolio alignment to climate goals and as a tool to better understand climate transition risk. A pilot study with a group of Malaysian banks shows that the gas and coal power generation portfolio is aligned with the Sustainable Development Scenario in Southeast Asia (i.e. maintaining temperature well below 2˚C). However, 8 out of the 10 climate critical technologies assessed are not aligned with the Paris Agreement. Recommendations are made for the implementation, improvement and actionability of PACTA for banks and supervisors in the Southeast Asia region with supporting illustration on just transition.

2DII and WWF Malaysia also expanded the scope of the PACTA and climate stress testing exercise to four Malaysian institutional investors (public pension funds and sovereign wealth funds). In doing so, 2DII and WWF Malaysia delivered climate alignment and climate risk analyses for the four public institutional investors, who collectively cover approximately US$366.5 billion of assets under management. In addition, 2DII and WWF Malaysia imparted technical and methodological knowledge to build capacity on climate-related finance metrics and the interactions between them. Leaving the public beneficiaries with additional skills in their toolkit to: 1) addressed financial climate change risks and 2) identified how financial institutions can aid in tackling climate change in the real economy.

CDP: Deepening Engagement Efforts in Southeast Asia

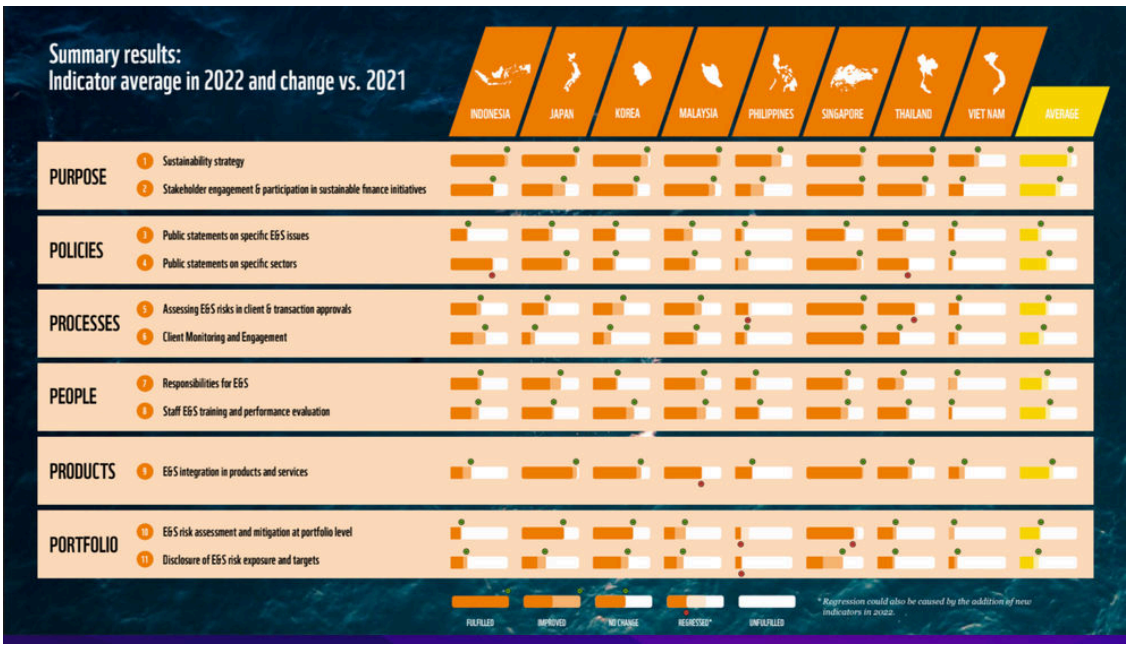
Meanwhile, CDP keep on seeing growth in the number of corporate disclosures, companies recognized by our global A List, memberships of CDP's investor and supply chain programs, as well as increased interest in TCFD-aligned reporting and ESG benchmarking from companies and financial institutions in the region. More than 18,700 disclosed environmental data through CDP in 2022, which is an increase of 233% since the Paris Agreement was signed in 2015 – this includes more than 6,000 companies across the Asia Pacific Region. CDP looks forward to seeing our region's business and policy leaders continue to lead the way in the transition to a net-zero, nature positive and equitable world.

CDP officially launched a new office in Singapore in March 2022. CDP has also continued to deepen its engagement efforts with high-impact financial institutions and regulators in Southeast Asia's key markets, as well as high-level consultancy and external partners in the region, which can be seen by the signing of Memorandum of Understanding (MoU) to further stimulate the growth of Task Force on Climate-related Financial Disclosures (TCFD)-aligned disclosure in Indonesia with The Indonesia Stock Exchange (IDX) as well as the MoU with The Monetary Authority of Singapore (MAS) which aimed to promote sustainability disclosures and access to quality ESG data across the financial sector and real economy.

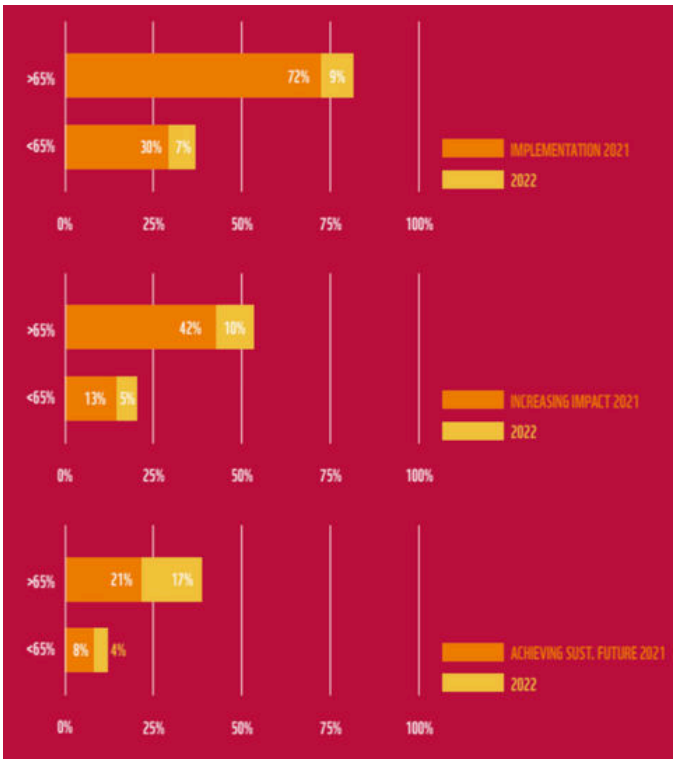
Sustainable Banking Assessment (SUSBA)

For the sixth consecutive year, WWF-Singapore has published its Sustainable Banking Assessment (SUSBA) covering the E&S integration performance of 36 ASEAN banks and 10 major Japanese and Korean banks. SUSBA aims to provide a decision-useful assessment framework that incorporates Environmental and Social (E&S) issues most relevant to the Asian region. The assessment framework comprises six pillars, 11 indicators and 76 sub-indicators that signify what WWF-Singapore considers to be robust ESG integration. The SUSBA framework also aligns with existing international frameworks, standards and initiatives, including GRI, TCFD, SASB, Sustainability Reporting Guidelines, and UNEP-FI PRB.

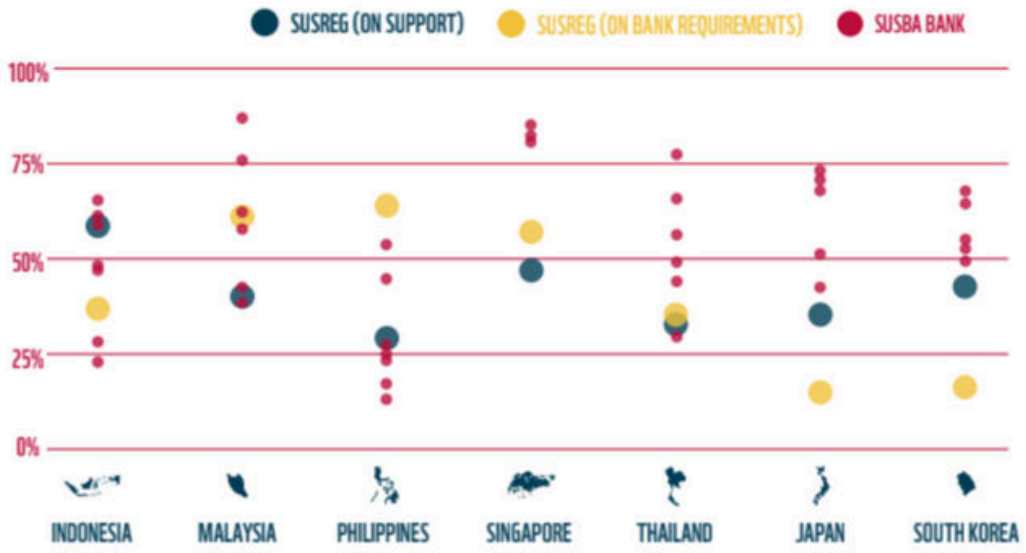
Beyond the general SUSBA assessment, there are sector-specific assessments conducted on energy, palm oil and seafood (i.e. a newly added sector) sectors this year. More details can be found in the table below.



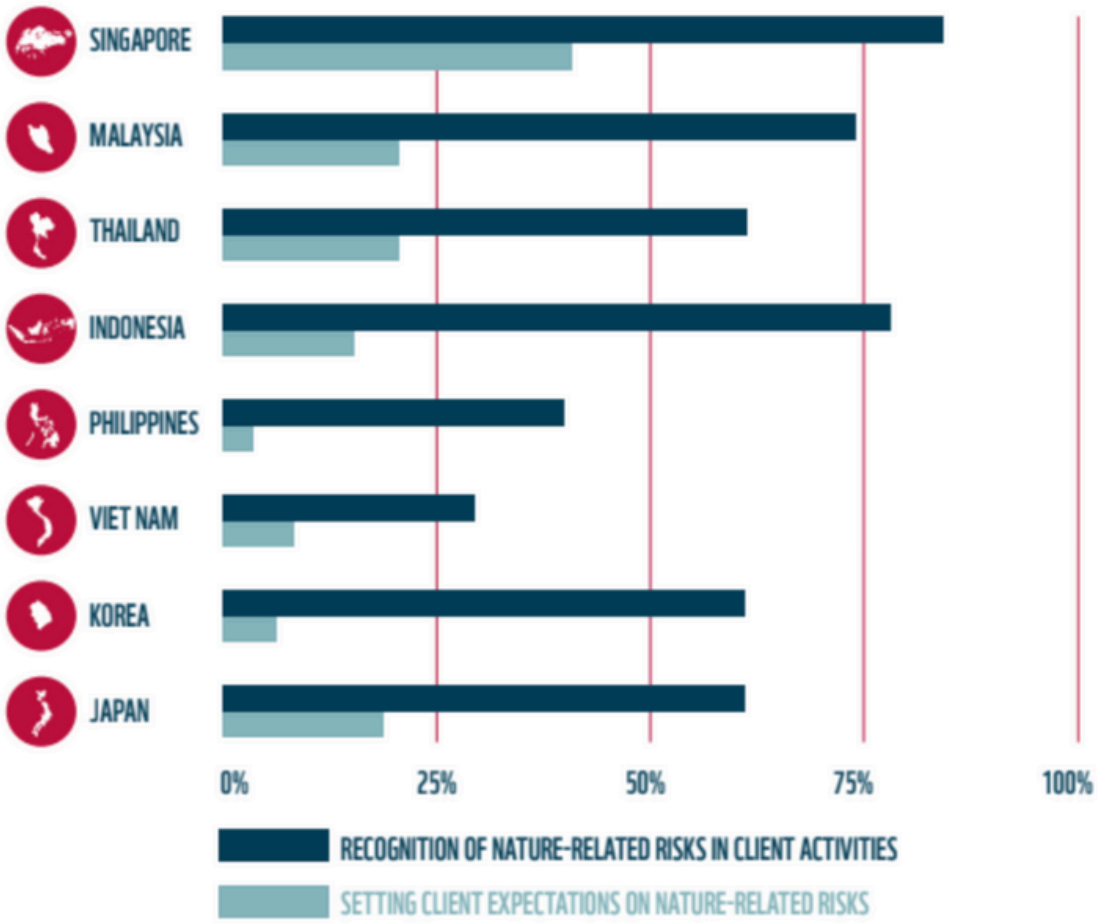
Increased Net-Zero Commitments	More Asian banks made commitments to achieve net-zero financed emissions by 2050, increasing from 15% of assessed banks in 2021 to 39% in 2022. A number of banks also published science-based targets by sector along with interim targets for 2030. Leading banks in Asia are making good progress on their E&S policy and implementation and are increasingly engaging clients to improve their E&S impact.
Laggard banks are losing momentum	While leading banks continued to enhance their E&S risk management policies and processes during 2022, over half of the banks assessed have made little to no progress since 2021 – many have not yet put basic E&S policies and procedures in place. As the chasm between leader and laggard banks in the region widens, laggard banks risk becoming disproportionately exposed to E&S risks. It is critical that all banks in the region rapidly progress so that we have a chance to achieve the 1.5˚C goal.



Regulatory Support Needed to Accelerate E&S Integration	Regulators also need to provide support for banks to implement E&S requirements. There is still wide variation in assessed banks' E&S integration performance both across the region and within most countries. Regulators are uniquely positioned to raise the bar, and level the playing field, by both aligning and enhancing ESG risk management requirements throughout the region. They can further help banks to meet these requirements by supporting capacity building.



Capacity Building on Nature-related Risks Needed	Our assessment observed that banks are recognising nature-related risks, however this recognition of risk is not reflected within banks' client expectations and policies on nature-related issues. In addition, with the upcoming launch of the Taskforce on Nature-related Financial Disclosures (TNFD) framework as well as various biodiversity standards and targets, banks need to develop capabilities to identify material nature-related risks at a client asset level and incorporate nature-related transition plans into their overall sustainability strategy.



More Efforts Required for Energy Transition	More banks need to implement policies and set science-based targets to transition their energy portfolios. In 2022, an increasing number of banks in Asia developed and disclosed specific energy sector policies (49% in 2022 vs 29% in 2021) and offered financial products and services to support sustainability improvements in the sector (70% in 2022 vs 54% in 2021). The main gap continues to be setting science-based targets, with only 11% of banks setting such targets, for the energy sector. An analysis of energy transition-related regulations also suggests that regulators are not yet requiring banks to set science-based targets and develop transition plans.

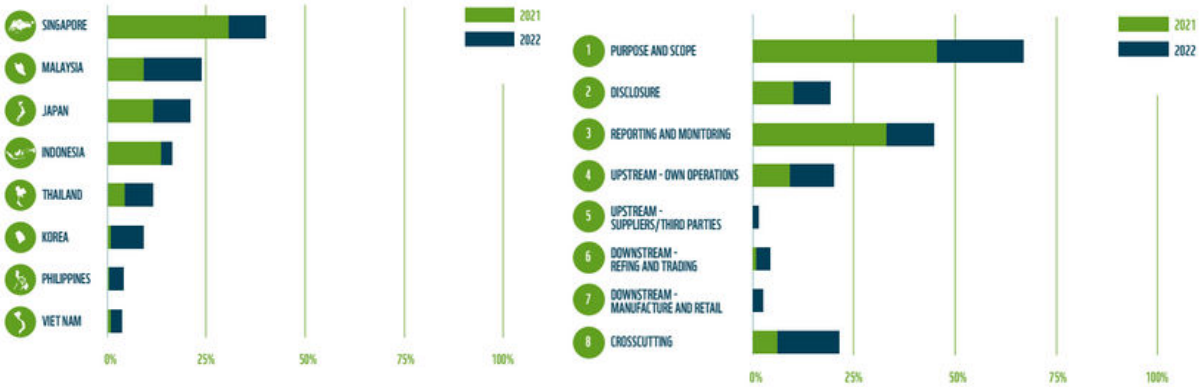
Improvement on supply chain traceability is required for palm oil and other soft commodities	Banks need to improve supply chain traceability for palm oil and other soft commodities. Palm oil sector policies for banks assessed typically do not cover clients across the entire value chain (from the upstream, midstream, and downstream players) and do not extend to cover clients' supply chains. Upcoming regulations to implement deforestation-free commodities in the EU and other similar laws in the US and UK will greatly impact Asian palm oil exporters. Banks need to help their clients improve certification and traceability through their supply chains to ensure sourcing of certified sustainable palm oil and compliance with new regulations.
Early stage in understanding and managing risks related to seafood	While many banks are aware of the need to manage E&S risks in the seafood sector, current policies –where they exist– are insufficient to prevent and manage their exposure to these risks. In this year's baseline assessment of banks' seafood sector policies, just over half of assessed banks publicly recognised that there are E&S risks associated with seafood; but only 20% have disclosed seafood sector policies. Of those, banks' expectations for wild-catch production clients are the most developed, while expectations for aquaculture production and downstream clients lack important details. Key steps to enhance risk management in the sector include: addressing seafood-related E&S risks in the context of broader thematic issues/policies; aligning client expectations with best-practice guidance; regularly assessing seafood client portfolios for potential exposure to E&S risks, and engaging with clients; extending financial crime policies and processes to include illegal, unreported, and unregulated (IUU) fishing; and, leveraging existing green finance frameworks to develop targeted "blue" financial products to support a transition towards more sustainable seafood.

NATURE RISING ON THE SUSTAINABILITY AGENDA

Improving Traceability and Transparency in Palm Oil Supply Chain

Deforestation is one of the key drivers of ecosystem loss in Asia, with agricultural commodities, mining, infrastructure and urbanisation contributing most to this issue. Palm oil is the world's most produced, consumed, and traded vegetable oil, and Malaysia and Indonesia produce 85% of the world's palm oil (according to data from the United States Department of Agriculture). Clearing land for palm oil is a specific challenge for Southeast Asia, as global demand for palm oil increases.

The sector-specific assessment conducted by WWF-Singapore under the sixth SUSBA assessment revealed that there was good progress in banks acknowledging palm oil as a key sector. Out of the 46 banks being analysed in ASEAN, Japan, and Korea, eleven banks disclosed palm oil policies in 2022 compared with only three in 2021. Moreover, banks in Singapore, Malaysia, and Japan made significant progress in 2022 with improvements in client expectations for upstream operations including requiring clients to commit to No Deforestation, No Peat and No Exploitation (NDPE) and be certified by Roundtable on Sustainable Palm Oil (RSPO).



However, the absolute scores for bank assessments in 2022 are still low with the leading banks in Singapore scoring only 40% across the 38 sub-indicators. The SUSBA assessment also shows that the main gap for banks is in (a) palm oil policies not covering clients across the value chain (plantations, refining, trading, manufacturing, retail) and (b) palm oil policies not extending coverage to client supply chains.

Upcoming regulations to implement deforestation free commodities in the EU, US, and UK are going to have a meaningful impact on Asian exporters of palm oil. Although banks in Singapore and Malaysia, which are large exporters to the EU, have started tightening their environmental and social policies, there is still a lot of work to be done. Palm oil exporters will have to ensure compliance with the new laws across the entire supply chain, which require increased certification of plantations as well as supply chain traceability solutions to identify and segregate palm oil sourced from certified plantations.

Over time, deforestation-free commodity laws are likely to extend to products containing palm oil and impact the larger downstream sectors including food and beverage, retail, and consumer goods sectors. An upcoming paper by WWF-Singapore analysing financial flows linked to the palm oil companies covered under WWF's Palm Oil Buyers Scorecard (POBS) takes a broader view of the palm oil supply chain, including large retailers, food and beverage, and consumer goods companies. The study, utilising assessment results from WWF's Palm Oil Buyers Scorecard (POBS), showed the potential risk financial institutions may face in their financing of the downstream sector. This includes increased pressure from external stakeholders for companies to ensure sustainable practices through their supply chain. There is therefore an urgency to increase the scope of palm oil policies to extend beyond upstream clients.

WWF strongly encourages financial institutions to make commitments to safeguard ecosystems, assess material deforestation and conversion risks in their portfolio, set client expectations to move towards sustainably sourced commodities and report transparently on their clients' progress. WWF-International also published a practical guide for financial institutions to take action against deforestation and conversion risks.

In addition, other ASFI Knowledge Partners are also working tirelessly on the issue of palm oil-driven deforestation. In 2022, Global Canopy and Stockholm Environment Institute continue to work very closely in Indonesia with Auriga Nusantara as well as researchers at the University of California Santa Barbara on Trase, a data-driven transparency initiative that maps the international trade and financing of agricultural commodities that drive tropical deforestation. Trase also provides free online tools and actionable intelligence for governments, companies, financial institutions and civil society to take practical steps to address deforestation.

In September 2022, Trase launched new data, providing insights to oil palm-driven deforestation in Indonesia. The data brought unprecedented transparency to supply chains for palm oil exports from Indonesia between 2018 and 2020, mapping these exports back to regions of production and assessing their deforestation impacts. This provided the first clear evidence of a link between zero deforestation commitments and improved performance by companies on deforestation.

The Rising Tide of Sustainable Seafood

The sustainable seafood movement has grown rapidly in recent years, as the seafood industry faces increasing challenges ranging from declining productivity to the destruction of the natural capital that it depends on. At the same time human rights abuses and illegal, unreported and unregulated (IUU) fishing expose the industry to significant reputational, market and regulatory risks. These risks – often hidden through complex, opaque, and transnational supply chains – feed through to financial institutions who provide capital to the companies that participate in the seafood industry.

Recognizing these risks to financial institutions, in 2022, WWF-Singapore introduced a new seafood sector analysis into its SUSBA framework. The new seafood sector framework was structured to align with the existing palm oil and energy transition sector policy frameworks, and assesses both:

1. banks overall approach and process for addressing E&S risks in seafood, and
2. the robustness of their client expectations laid out in seafood sector policies.

While many banks are aware of the need to manage E&S risks in the seafood sector, current policies –where they exist– are insufficient to prevent and manage their exposure to these risks. In this year's baseline assessment of 41 banks' seafood sector policies across 34 indicators, just over half of assessed banks publicly recognised that there are E&S risks associated with seafood; but only 20% have disclosed seafood sector policies. Of those, banks' expectations for wild-catch production clients are the most developed, while expectations for aquaculture production and downstream clients lack important details.

Looking at banks' current approaches to managing seafood-related E&S risks from a regional perspective, in general, European banks had the most robust policies and processes, while both North American and Asian banks lagged behind.

Taking a closer look at banks' performance within each section of the assessment framework highlights that the most pressing challenges for banks currently include:

- Turning recognition of risks into formal seafood sector policies and commitments
- Disclosing seafood sector policies, as well as metrics on sector-specific environmental impacts
- Aligning client expectations for E&S risk management with best practice sustainability guidance, particularly for downstream clients

Recommendations for banks:

To mitigate potential risks and identify nature-positive opportunities, banks can, and should:

1. Develop seafood sector policies that align client expectations with best-practice guidance and recommendations from the UNEP FI Sustainable Blue Economy Finance Initiative (SBE FI);
2. Consider addressing seafood-related E&S risks as a part of broader, bank-wide thematic policies related to biodiversity, climate, deforestation and human rights;
3. Regularly assess their seafood client portfolios for potential exposure to E&S risks and actively engage with clients to support sustainability improvements;
4. Consider extending their financial crime policies and processes to include illegal, unreported and unregulated fishing practices (IUU); and
5. Leverage their existing green finance frameworks to develop targeted "blue" financial products to support a transition towards more sustainable seafood

For more information about this assessment and the associated recommendations, please contact contact@asfi.asia.

Collaboration with A Consultancy on TNFD Pilot Testing Initiative in Asia Pacific Region

TNFD released its first beta version of its prototype risk management and opportunity disclosure framework in March 2022. In June and November 2022, TNFD continued to release its second and third beta versions for public consultation. Several ASFI Knowledge Partners - CDP, WWF and members of the Science Based Targets Networks - continue to play a key role in providing best in class scientific knowledge and establishing the TNFD framework. The Taskforce is now half-way through its two-year design and development phase building the TNFD framework and the complete recommendations (v1.0) is expected to be published in September 2023.

In 2022, WWF-Singapore participated in a TNFD pilot test led by an external consulting firm as a key technical advisor. The pilot test aims to apply the TNFD LEAP (Locate, Evaluate, Assess, Prepare) process to a number of relevant use cases for financial institutions (e.g.asset managers, banks and insurers) in the Asia Pacific region, covering industries arranging from agriculture, mining, hydropower to real estate. The pilot test conducted a deep dive into relevant use cases and identified data gaps and challenges on measurement approaches. The findings of the pilot test and the responses from the participants would hence contribute to the TNFD consultation results.

ASFI welcomes the Singapore Fintech Association to its Advisory Group

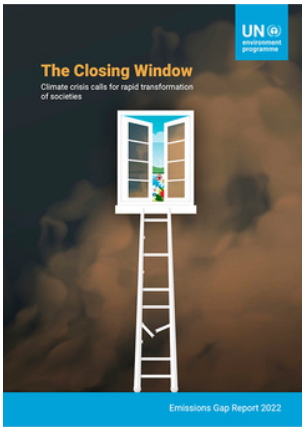
Fintech and sustainable finance have both risen to prominence in recent years, bringing transformative change to the finance industry. The convergence of these two areas, "green fintech", presents a unique opportunity for industry stakeholders to utilize the technological advancements of fintech to address the challenges in green finance. Singapore, as a leading fintech hub, is actively invested in this area, with the MAS launching "Project Greenprint" that aims to develop digital utilities that facilitate the efficient flow of trusted ESG data, to support financial institutions and businesses in mobilising capital to sustainable projects, monitoring commitments and measuring impact.

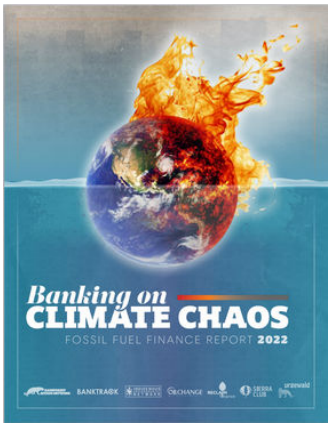
> **"WHILE THE WORLD IS IN A RACE TO FIGHT CLIMATE CHANGE, IT IS INCREASINGLY CLEAR THAT ASIA – ONE OF THE REGIONS MOST VULNERABLE TO CLIMATE SHOCKS – IS WHERE THE BATTLE WILL ULTIMATELY BE WON OR LOST. SUCCESS DEPENDS ON FACILITATING A MUCH GREATER MOBILISATION OF GREEN CAPITAL AT SCALE IN ASIA, WITH GREEN FINTECH SOLUTIONS BEING PIVOTAL IN CONNECTING ORGANISATIONS' SUSTAINABILITY EFFORTS WITH SUSTAINABLE FINANCIAL SERVICES. THE SINGAPORE FINTECH ASSOCIATION (SFA) IS HONOURED TO BE WORKING WITH THE ASFI TO FACILITATE GREATER CROSS-BORDER COLLABORATIONS AND CONTRIBUTIONS FROM THE GREEN FINTECH SECTOR TOWARDS ACHIEVING THIS KEY OBJECTIVE AND EMPOWERING SECTORS ACROSS ASIA FOR A NET-ZERO FUTURE."**

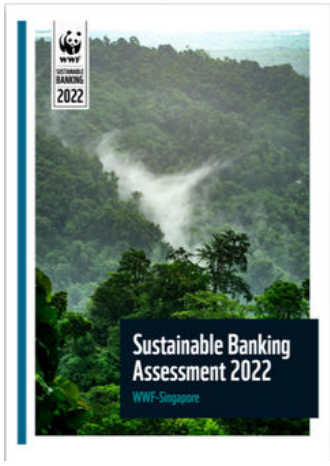
BENJAMIN SOH, CHAIRMAN OF THE GREEN AND SUSTAINABLE FINTECH SUBCOMMITTEE AT SFA, MANAGING DIRECTOR AT STACS

ASFI KNOWLEDGE HUB

2022 has come to an end. The ASFI community is grateful for the support provided by the public and private sector throughout this year and we will stay committed to our mission to harness and amplify the power of the finance sector to create low-carbon, climate resilient economies in Asia. For more resources and the latest reports related to sustainable finance, please visit the ASFI Knowledge Hub at https://kh.asfi.asia/.

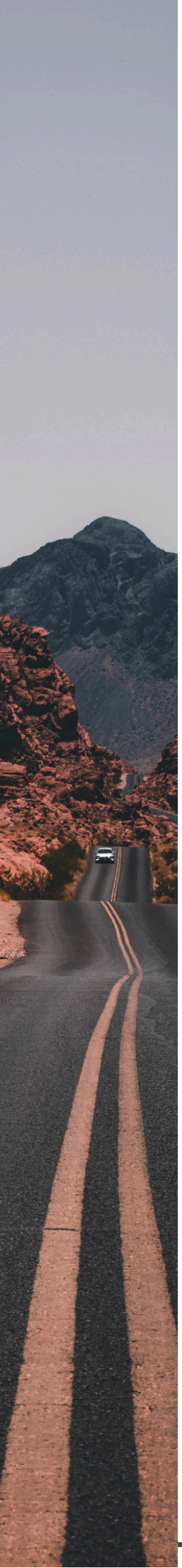






LOOKING FORWARD

Preparing for 2023



ASFI EVENTS IN 2023

The ASFI community looks forward to continuing our collaboration in the year ahead and to provide the public and private sector with meaningful thought leadership and capacity building on the sustainable finance landscape. These are some of the events lining up in 2023.

January

Launch of SUSBA 2022 Assessment Report

January

Launch of Seafood report for banks

January

Launch of white paper on energy transition

January

Launch of energy transition report for asset managers

February

Launch of a series of regulatory op-eds on climate-related financial risks in Asia Pacific

February

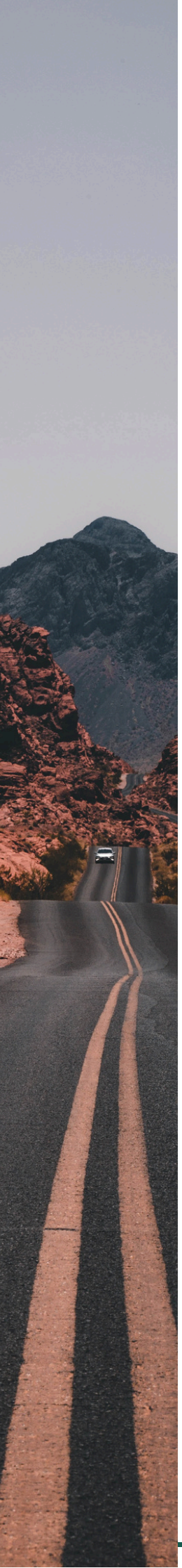
Launch of seafood report for asset managers

February - April

Capacity building: Introduction to Sustainable Finance Course by Sustainable Finance Programme - University of Oxford

March

Launch of RESPOND 2022 Assessment Report



ASFI EVENTS IN 2023

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March

Finance webinar on seafood

March

Annual analysis report on 2022 corporate climate change, water security and forests disclosure for companies based in the Southeast Asia region

March

Masterclass by EDHECinfra

April

Launch of Sustainable Private Banking Framework (SPRING)

April

Finance workshop on seafood

May

Asia Pacific Regional Roundtable 2023

June

Exposure profiles (reports) for all individual infrastructure asset classes

June

Research and Methodology: Physical Risk Assessment and Capacity Building Methodology

Q4 2023

ASFI Nature and Biodiversity Finance Conference

GLOSSARY

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Abbreviation

2DII	2° Investing Initiative
ABS	The Association of Banks in Singapore
ACGF	ASEAN Catalytic Green Finance facility
ADB	Asian Development Bank
ADFIAP	Association of Development Financing Institutions in Asia and the Pacific
AIGCC	Asia Investor Group on Climate Change
ALIGN	Asia's Linear Infrastructure SafeGuarding Nature
ASEAN	Association of Southeast Asian Nations
ASFI	Asia Sustainable Finance Initiative
AUM	Assets under management
CBD	UN Convention on Biological Diversity
CDP	Carbon Disclosure Project (formerly)
CDSB	Climate Disclosure Standards Board
CGT	EU-China Common Ground Taxonomy
CIX	Climate Impact X
COP15	2022 United Nations Biodiversity Conference
COP 27	2022 United Nations Climate Change Conference
COP 28	2023 United Nations Climate Change Conference
DFI	Development finance institution
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, social, and governance
E&S	Environmental and social
EU	European Union
FI	Financial institution
G7	Group of Seven
G20	Group of Twenty
GFANZ	Glasgow Financial Alliance for Net Zero
GFRi	Greening Financial Regulation Initiative
GRESB	Global Real Estate Sustainability Benchmark
GRI	Global Reporting Initiative
GtCO2	Gigatonnes of carbon dioxide
IBF	Institute of Banking and Finance Singapore
ICAP	Investor Climate Action Plans
IDX	The Indonesia Stock Exchange
IMAS	Investment Management Association of Singapore
IPCC	Intergovernmental Panel on Climate Change
ISIC	International Standard Industrial Classification of All Economic Activities
ISSB	International Sustainability Standards Board
IUCN	International Union for Conservation of Nature
JC3	Joint Committee on Climate Change
KP	Knowledge partner
LI	linear infrastructure
LIC	Low-income countries
MAS	Monetary Authority of Singapore
NBS	Nature-based Solutions
NDC	Nationally Determined Contributions
NDFI	National development finance institutions
NGO	Non-governmental organisation
NGFS	Network for Greening the Financial System
NZAOA	UN-convened Net-Zero Asset Owner Alliance

GLOSSARY

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Abbreviation

NZBA	UN-convened Net-Zero Banking Alliance
OECD	Organisation for Economic Co-operation and Development
PACTA	Paris Agreement Capital Transition Assessment
PAII	Paris Aligned Investment Initiative
PB	Private banking
PRB	UN Principles for Responsible Banking
PRI	Principles for Responsible Investment
RESPOND	Resilient Portfolios that Protect Natural Capital and Drive Decarbonisation
RI	Responsible Investment
SASB	Sustainability Accounting Standards Board
SBT	Science Based Targets
SBTi	Science Based Targets Initiative
SDGs	Sustainable Development Goals
SFA	Singapore Fintech Association
SFDR	European Union's Sustainable Finance Disclosure Regulation
SG	Singapore
SGX	Singapore Exchange
SPRING	Sustainable Private Banking Framework
SUSBA	Sustainable Banking Assessment
SUSREG	Sustainable Financial Regulations and Central Bank Activities
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UK	United Kingdom
UN	United Nations
UNFCCC	UN Framework Convention on Climate Change
UNEP FI	United Nations Environment Programme Finance Initiative
US/ USA	United States of America
VCM	Voluntary carbon market
VRF	Value Reporting Foundation
WEF	World Economic Forum

USEFUL CONTACTS

WWF Singapore, Sustainable Finance incubated and acts as ASFI's Secretariat, encouraging and coordinating cooperation between all partners.

We collaborate with banks, investors, regulators and stock exchanges to integrate ESG into mainstream finance and create a resilient financial system that supports the global sustainable development agenda. Work with us to harness the finance sector's collective power to create resilient and sustainable economies.

Website: www.wwf.sg/sustainable_finance
Contact: sustainablefinance@wwf.sg

The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity for investors to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy.

Website: www.aigcc.net

ADFIAP is the focal point of all development banks and other financial institutions engaged in the financing of development in the Asia-Pacific region. Its mission is to advance sustainable development through its members. Founded in 1976, ADFIAP has currently 87 member-institutions in 36 countries. The Asian Development Bank is a Special Member of the Association.

Website: www.adfiap.org
Contact: inquiries@adfiap.org

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Over the past 20 years we have created a system that has resulted in unparalleled engagement on environmental issues worldwide.

Website: www.cdp.net/en
Contact: hk.sea@cdp.net

SOAS University of London is the leading Higher Education institution in Europe specialising in the study of Asia, Africa and the Near and Middle East. SOAS is a remarkable institution. With our vast repository of knowledge and expertise on our specialist regions, we are uniquely placed to inform and shape current thinking about the economic, political, cultural, security and religious challenges of our world. Our programmes are taught by respected academics engaged in fieldwork and research which influences government policy and the lives of individuals across the globe.

Website: www.soas.ac.uk
Contact: info@soas.ac.uk

Climate Bonds Initiative is an international organisation working solely to mobilise the largest capital market of all, the $100 trillion bond market, for climate change solutions. We promote investment in projects and assets necessary for a rapid transition to a low carbon and climate resilient economy.

Website: www.climatebonds.net
Contact: cedric.rimaud@climatebonds.net

EDHEC*infra*, a venture of the renowned international EDHEC Business School, is an index data, benchmarks, analytics, and research provider for investors in the unlisted infrastructure universe. We have built the largest, most representative database of underlying infrastructure investments in the world.

Website: edhec.infrastructure.institute
Contact: sales@edhecinfra.com

Global Canopy is a data-driven think tank that targets the market forces destroying nature. We do this by providing innovative open-access data, clear metrics, and actionable insights to leading companies, financial institutions, governments and campaigning organisations worldwide. Our vision is of transparent and accountable markets that contribute to a more sustainable and equitable global economy.

Website: globalcanopy.org
Contact: info@globalcanopy.org

The 2° Investing Initiative (2DII) is an international, non-profit think tank working to align financial markets and regulations with the Paris Agreement goals. Globally focused with offices in Paris, New York, Berlin, London, and Brussels, 2DII coordinates some of the world's largest research projects on climate metrics in financial markets.

Website: 2degrees-investing.org
Contact: contact@2degrees-investing.org

The Centre for Governance and Sustainability (CGS), was established by the National University of Singapore (NUS) Business School in 2010. It aims to spearhead relevant and high-impact research on corporate governance (CG) and corporate sustainability (CS) issues that are pertinent to institutions, government bodies and businesses both in Singapore and Asia.

Website: bschool.nus.edu.sg/cgs
Contact: cgs@nus.edu.sg

OMFIF - the Official Monetary and Financial Institutions Forum - is an independent think tank for central banking, economic policy and public investment. A neutral platform for best practice in worldwide public-private sector exchanges.

Website: www.omfif.org
Contact: asia@omfif.org

SASB connects businesses and investors on the financial impacts of sustainability. SASB's mission is to help businesses around the world identify, manage and report on the sustainability topics that matter most to their investors.

Website: www.sasb.org
Contact: info@sasb.org

Sustainable Finance Programme at Oxford University is a world-leading centre for research and teaching. Established in 2012 we work to align finance with sustainability. The centre is multidisciplinary and works globally across asset classes, finance professions, and with different parts of the financial system.

Website: www.smithschool.ox.ac.uk/research/sustainable-finance
Contact: enquiries@smithschool.ox.ac.uk

United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. UNEP FI works with more than 350 members – banks, insurers, and investors – and over 100 supporting institutions – to help create a financial sector that serves people and planet while delivering positive impacts.

Website: www.unepfi.org
Contact: yuki.yasui@un.org

WRI is a global research organization that spans more than 60 countries. Our more than 1,000 experts and staff work closely with leaders to turn big ideas into action to sustain our natural resources —the foundation of economic opportunity and human well-being. Our work focuses on seven critical issues at the intersection of environment and development: climate, energy, food, forests, water, cities and the ocean.

Website: www.wri.org

WWF

ASFI ASIA SUSTAINABLE FINANCE INITIATIVE

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