



WWF

SUSTAINABLE
BANKING

2022

A high-angle photograph of a dense, green forest. A thick layer of white mist or low clouds fills the valley between the forested hills, creating a sense of depth and atmosphere. The trees in the foreground are more detailed, showing various shades of green and some larger tree canopies.

Sustainable Banking Assessment 2022

WWF-Singapore

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About WWF-Singapore

World Wide Fund for Nature (WWF) is one of the world's largest and most respected independent conservation organisations. WWF's mission is to stop the degradation of the earth's natural environment and to build a future in which humans live in harmony with nature. As one of WWF's international hubs, WWF-Singapore supports a global network spanning over 100 countries.

WWF Singapore works closely with local stakeholders towards a greener and more sustainable Singapore and the region around us. We work to address key conservation areas, such as climate change, sustainable finance, deforestation, illegal wildlife trade, marine conservation, and sustainable production and consumption, through collaboration, education and outreach efforts involving the community, businesses, and governments. For more information, please visit wwf.sg.

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CONTENTS

EXECUTIVE SUMMARY	1
SUMMARY RESULTS	7
KEY FINDINGS AND TRENDS	9
SECTORS ASSESSMENTS	21
SUSBA PHASE MATURITY: 2022 PROGRESS	35
BANKS ASSESSED	41
COUNTRY-LEVEL RESULTS	43
INDONESIA	43
JAPAN	45
KOREA	47
MALAYSIA	49
THE PHILIPPINES	51
SINGAPORE	53
THAILAND	55
VIET NAM	57
SUSBA FRAMEWORK SUB-INDICATORS	59
ASIA SUSTAINABLE FINANCE INITIATIVE	64
REFERENCES	65
ABBREVIATIONS	69
BANKS INCLUDED IN THE SEAFOOD POLICIES ASSESSMENT	70

EXECUTIVE SUMMARY

As an important global financial and trade hub,¹ the Asia Pacific region is as much a contributor to climate change and environmental degradation² as it is impacted by it. The region is among the most vulnerable to declines in natural capital,³ and is particularly vulnerable to the impacts of climate change and natural disasters.⁴

The science on this subject is clear: time is nearly running out for us to take action.⁵ Alongside governments, the financial sector shares a responsibility to accelerate sustainable outcomes by amplifying the effectiveness of national climate and environmental policies with private sector finance. Among others, banks have to align their investment and lending activities to net-zero and nature-positive goals and ensure their financial systems are able to withstand the impacts of climate change and nature loss.

Across Asia Pacific, environmental and social (E&S) issues are becoming an increasingly important topic for the financial sector. There is growing attention by banks in the region seen through the participation in piloting the upcoming disclosure framework such as the Taskforce for Nature-related Financial Disclosures (TNFD),⁶ increased regional participation in international initiatives such as the Net Zero Banking Alliance (NZBA)⁷ and Glasgow Financial Alliance for Net Zero (GFANZ)⁸, and the potential implications from EU, UK, and US regulations on deforestation-free commodities affecting main sectors of productions in the ASEAN economies. This is in addition to the increasing number of regulatory bodies in Asia Pacific issuing guidelines to help financial institutions manage the risks brought by the transition towards a lower-carbon economy, such as those in Singapore, the Philippines, and Malaysia.

In this sixth assessment, the Sustainable Banking Assessment (SUSBA) covers the E&S integration performance of 36 ASEAN banks and 10 major Japanese and Korean banks. This year we see the following trends:



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.

HOWEVER, BANKS NEED TO EXPAND THEIR CAPACITY TO MANAGE NATURE-RELATED RISKS.

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 TNFD as well as the recent Global Biodiversity Framework targets prompting countries to ensure that financial institutions disclose their impact and dependencies on biodiversity, 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.

LAGGARD BANKS ARE LOSING MOMENTUM, WHICH IS SPLITTING THE PLAYING FIELD. 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.

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.

In addition to assessing the E&S integration of banks, WWF-Singapore added sector-specific assessments for palm oil and energy to the SUSBA framework in 2020. In 2022, seafood was added as a third sector. Based on the sector assessments, we see the following trends:

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.

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.

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.



SUMMARY RESULTS

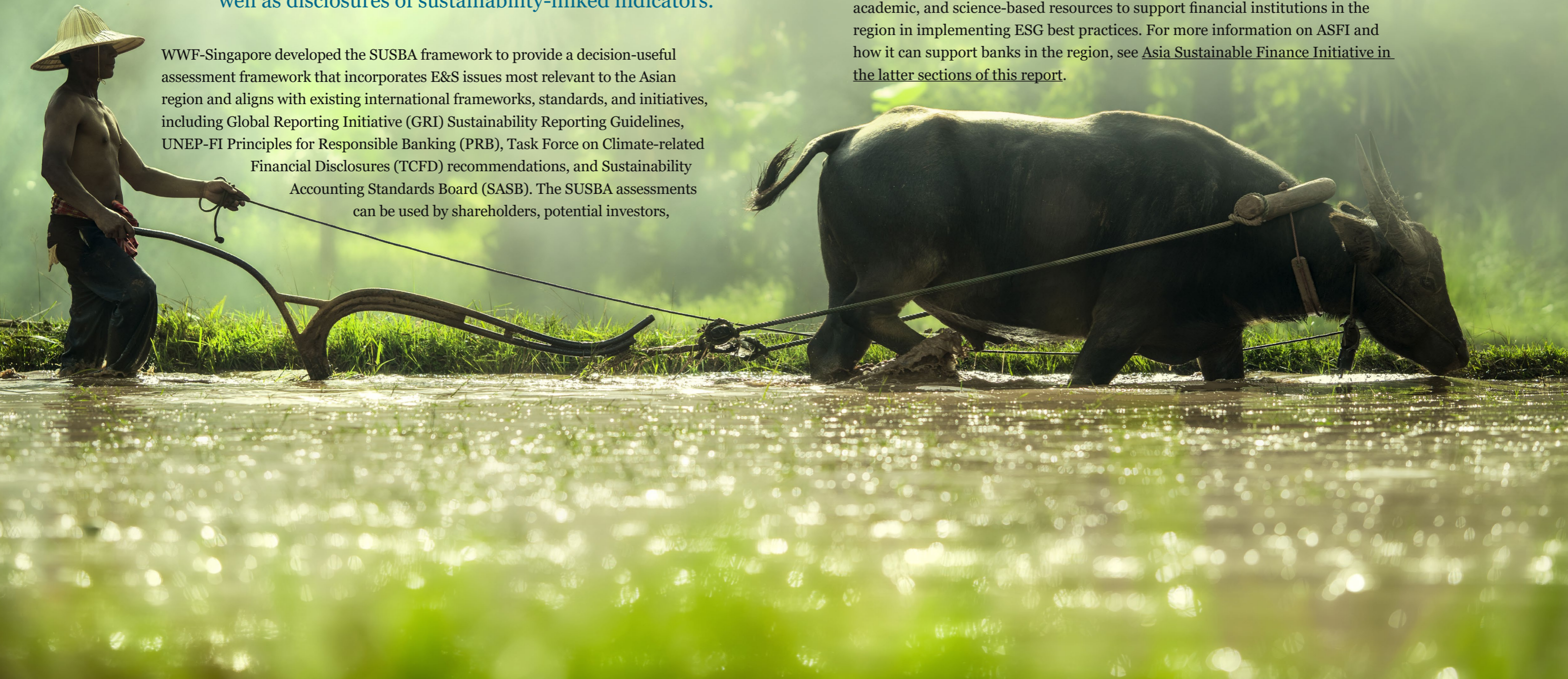
In this sixth assessment, the Sustainable Banking Assessment (SUSBA) covers the Environmental and Social (E&S) integration performance of 36 ASEAN banks and 10 major Japanese and Korean banks. The banks were selected based on market share within their respective home markets, international footprint within Asia, as well as disclosures of sustainability-linked indicators.

WWF-Singapore developed the SUSBA framework to provide a decision-useful assessment framework that incorporates E&S issues most relevant to the Asian region and aligns with existing international frameworks, standards, and initiatives, including Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, UNEP-FI Principles for Responsible Banking (PRB), Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and Sustainability Accounting Standards Board (SASB). The SUSBA assessments can be used by shareholders, potential investors,

regulators, and civil society representatives to track banks' progress and performance on Environmental, Social, and Governance (ESG) integration by analysing the evolution of results year-on-year. In addition, some banks have also used SUSBA to enhance their ESG strategy, roadmap, and action plans.

The assessment framework comprises six pillars and 11 indicators that signify what WWF-Singapore considers to be robust ESG integration. The assessment is performed against 76 sub-indicators,⁹ with "yes/partial/no" answers. The assessment takes into account only publicly available, English-language disclosures in the form of reports from the 2022 fiscal year including annual reports, sustainability reports, and information posted on corporate websites such as company policies, statements, and press releases.

SUSBA is part of WWF-Singapore's Asia Sustainable Finance Initiative (ASFI), a multi-stakeholder alliance, established to bring together global industry, academic, and science-based resources to support financial institutions in the region in implementing ESG best practices. For more information on ASFI and how it can support banks in the region, see [Asia Sustainable Finance Initiative in the latter sections of this report](#).



Summary results: Indicator average in 2022 and change vs. 2021



		INDONESIA	JAPAN	KOREA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIET NAM	AVERAGE
PURPOSE	1 Sustainability strategy									
	2 Stakeholder engagement & participation in sustainable finance initiatives									
POLICIES	3 Public statements on specific E&S issues									
	4 Public statements on specific sectors									
PROCESSES	5 Assessing E&S risks in client & transaction approvals									
	6 Client Monitoring and Engagement									
PEOPLE	7 Responsibilities for E&S									
	8 Staff E&S training and performance evaluation									
PRODUCTS	9 E&S integration in products and services									
PORTFOLIO	10 E&S risk assessment and mitigation at portfolio level									
	11 Disclosure of E&S risk exposure and targets									



* Regression could also be caused by the addition of new indicators in 2022.

KEY FINDINGS AND TRENDS

Over the past six years, banks in Asia have shown progress in incorporating sustainability-related issues into their financing decisions. The following trends were observed in the 2022 SUSBA assessment.

1. 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 (seven banks in 2021 vs. 18 banks in 2022).¹⁰ This brings our assessed countries broadly in line with UNEP FI's Net Zero Banking Alliance's (NZBA) global coverage of 40% based on banking assets.¹¹ The majority of banks assessed in Singapore, Japan, and Korea have committed to NZBA. A number of banks in Malaysia and Thailand have also made net-zero commitments, whereas few banks in Indonesia, the Philippines, and Viet Nam have done so.

Building on these commitments, leading banks in Asia are also making progress on implementing policies for managing climate risks and are increasingly engaging clients to improve their climate-related impacts. Many of these banks publish TCFD reports that have improved disclosures on financed emissions and the impacts of their climate-related initiatives. A number of banks, including DBS, UOB, and Shinhan Financial Group, have also published sector-based decarbonisation plans with interim 2030 targets.¹²

RECOMMENDATIONS FOR BANKS:

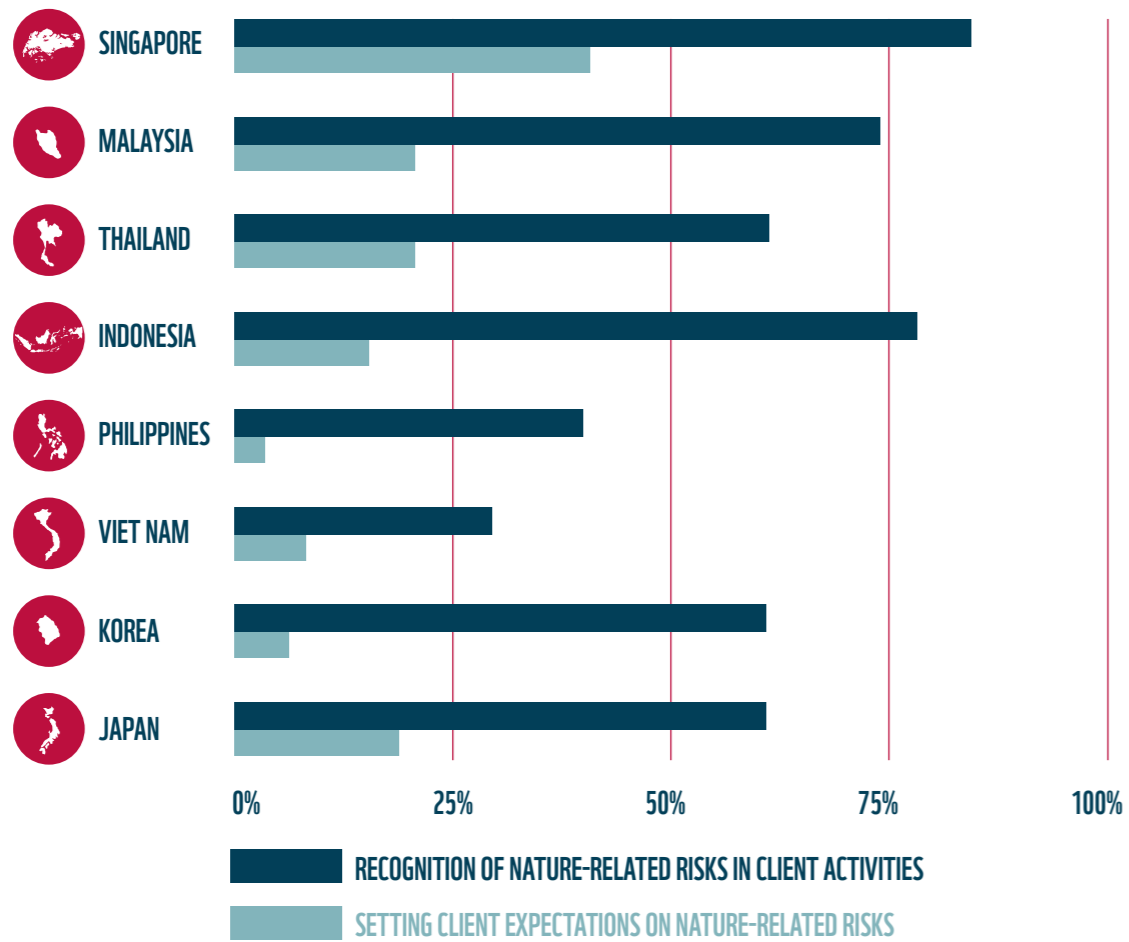
- 1 Remaining banks should commit to net-zero** and develop science-based targets, aligned with 1.5°C scenarios, to decarbonise their portfolios by 2050 along with credible transition plans. A recent report published by NZBA has shown global progress in the adoption of intermediate decarbonisation targets globally, exemplifying the direction of travel for the majority of the financial market.¹³
- 2 Develop and disclose a detailed, verifiable, and actionable science-based transition plan** that includes relevant climate, nature, and social issues.¹⁴
- 3 Banks that have made net-zero commitments should start to implement detailed sector-based decarbonisation plans** to ensure they meet their interim targets.

2. Banks need to expand their capacity to manage nature-related risks

As a global financial hub, financial institutions in Asia Pacific have a vital role to play in supporting the shift towards nature-positive economies. The Asia Pacific region is at the epicentre of the global nature crisis, hosting nearly half of the world's biodiversity hotspots, and with its economies largely dependent on services that nature provides. A study by Temasek and the World Economic Forum suggests that 63% of the region's GDP (US\$19 trillion) is at risk from nature loss, a higher share than the global average due to the significant economic contributions from sectors highly dependent on nature;¹⁵ a risk further exacerbated by climate change.¹⁶

Banks play an essential role in incentivising, mitigating and preventing the major drivers of biodiversity loss. However, while many banks across ASEAN, Japan, and Korea, recognise nature-related risks in their client activities, few banks have yet to integrate the management of these risks into their policies and processes. Recognition is the first step in integrating sustainability considerations into a bank's strategy/policy. Within SUSBA, we analyse whether the banks provide explicit recognition of the risks associated with environmental degradation, biodiversity loss, deforestation, marine degradation, and water scarcity in their client activities. Singaporean, Indonesian, and Malaysian banks, on average, meet at least 70% of the criteria on recognising nature-related risks (Figure 1); Thai, Japanese, and Korean banks meet around 50-60% of the criteria; followed by Philippine and Vietnamese banks who are in the 20-30% range.

FIGURE 1: BANK INTEGRATION OF NATURE-RELATED RISKS



X-axis represents criteria fulfilment for five SUSBA sub-indicators on recognising nature-related risks and four SUSBA sub-indicators on setting client expectations to manage those risks

Although banks are performing well in recognising nature-related risks in their client activities, this is not reflected in banks’ client expectations and policies. Within SUSBA, we analyse whether banks go beyond recognition of those risks and set client expectations in managing nature-related risks. For example, this includes the adoption of no deforestation and no conversion commitments, sustainability certification, avoidance of key biodiversity and protected areas in operations, and performing water stewardship. In this regard, there’s a stark contrast between banks’ recognition and integration of risks within their policies. On average, Singaporean banks meet 40% of the criteria for setting client expectations on nature-related risks, whilst other countries meet only 20% of the criteria or lower (see Figure 1).

Banks need to be ready for the upcoming wave of nature-risk standards, targets, and reporting. With recognition on biodiversity risks growing, key initiatives and frameworks for reporting on biodiversity are also being either overhauled or developed to support this area of work, including a revamped GRI Biodiversity Standard, development of the TNFD framework, an expansion of CDP’s climate change questionnaire to include more biodiversity-relevant questions, and increased number of financial institution commitments to the Finance for Biodiversity Pledge. In 2022, the Network for Greening the Financial System (NGFS) acknowledged that nature-related risks could have significant macroeconomic and financial implications. Banks should build capacity to address nature-related financial risks, request physical asset location data from their counterparties, enhance supply chain traceability, and develop innovative finance instruments for nature-positive activities.¹⁷ Notably in Malaysia, Bank Negara Malaysia has included biodiversity-relevant issues in its Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) framework and has started to assess the exposure of Malaysian banks to sectors highly vulnerable to nature-related risks.¹⁸ This signalling to the market that biodiversity is the next frontier in sustainable finance that banks in Asia need to prepare for.

In Asia, the question looms whether, given the lack of information available and complexity of nature-related issues, now is the right time for banks to dedicate resources to this issue instead of monitoring developments. The complexity of the topic warrants early attention by banks. Even before details for new disclosures are known, there are actions banks can take now in conjunction with or as part of their work on climate risk that would give them a head start on measuring and managing nature-related risks. For example, capturing more data from customers and thinking about how their operating model and data model could support this. As a first step, boards must understand how nature-related risks will impact their firm’s business and operations. From there, setting targets and changes to financing activities would follow.

RECOMMENDATIONS FOR BANKS:

1 Identify, understand, and recognise material risks: From what we see within the SUSBA results, recognition of risks extends only to a limited number of sectors that do not capture the full extent of relevant sectors at risk from nature loss in a country. To take action effectively, banks must develop a clear understanding of their risk profile. This involves understanding the extent of relevant regions and sectors that carry the highest risk, then mapping clients against this set of regions and sectors to identify probable exposure to nature-related risks. In Asia, several high priority sectors include those related to our (1) food, land, and ocean use systems, (2) infrastructure and built environment system, and (3) energy and extractives system.¹⁹ There are a number of guidance that can be utilised by banks for this step, including TNFD's LEAP framework,²⁰ UNEP FI's Beyond Business As Usual specifying priority sectors for attention,²¹ and WWF's guide to managing deforestation and conversion risks for financial institutions.²²

2 Develop an effective policy to manage nature-related risks:

Once risk exposure is understood, the next step is to develop a policy that effectively targets these risks. The policy needs to have:

- Sufficient policy breadth covering all financing, investments, insurance, and underlying financial products.
- An exclusion list that captures identified high-risk activities/sectors with high negative impacts on biodiversity (e.g. exclusion of financing activities in or near key biodiversity areas, non-certified operations for high-impact sectors).
- Guidance to clients by setting clear client expectations in the standards expected in managing nature-related risks and support in effectively implementing these policies (e.g. requirement to implement no deforestation commitments in line with HCV/HCS approaches, an expectation to follow sector guidelines/best practices).

A number of guidance exists on this topic including UNEP FI's guide in avoiding and mitigating E&S risk in the blue economy space,²³ PRB's Biodiversity Target Setting guide and WWF's guide in setting up an effective deforestation and conversion policy.²⁴

3 Set up processes and monitor progress: This can include setting up processes in screening to assess nature-related risk in client and transaction approvals (e.g., seeing the presence and strength of clients no deforestation or no conversion policy, demonstration of supply chain traceability, track record/capacity to manage nature-related risks), setting up client monitoring and engagement to evaluate progress and offer support, and at the portfolio-level, conducting risk assessment and mitigation and disclosing risk exposure and targets. Several guidance on this topic exist including Finance for Biodiversity's guide on engagement with companies,²⁵ the TNFD reporting framework,²⁶ and guidance on nature-related risk and opportunity registers.²⁷ Providing training on nature-related risks at all levels (board, senior management, and all staff) could further assist in ensuring processes, policies, and general management of risks are understood within the organisation.



3. Laggard banks are losing momentum, which is splitting the playing field.

The SUSBA 2021 report²⁸ categorised the 75 SUSBA sub-indicators into the following four phases that banks typically go through while implementing their E&S strategies:

Acknowledge

15 indicators

whether banks acknowledge the importance of sustainability and incorporate these issues into their strategies.

Implement

26 indicators

whether banks implement their E&S strategy across the organisation by developing detailed policies, procedures, and governance structures.

Increase impact

21 indicators

whether banks work closely with clients to improve E&S impact, whether banks' policies require clients to follow international best practice, and whether risk processes are improved to conduct scenario analyses to assess portfolio E&S risks.

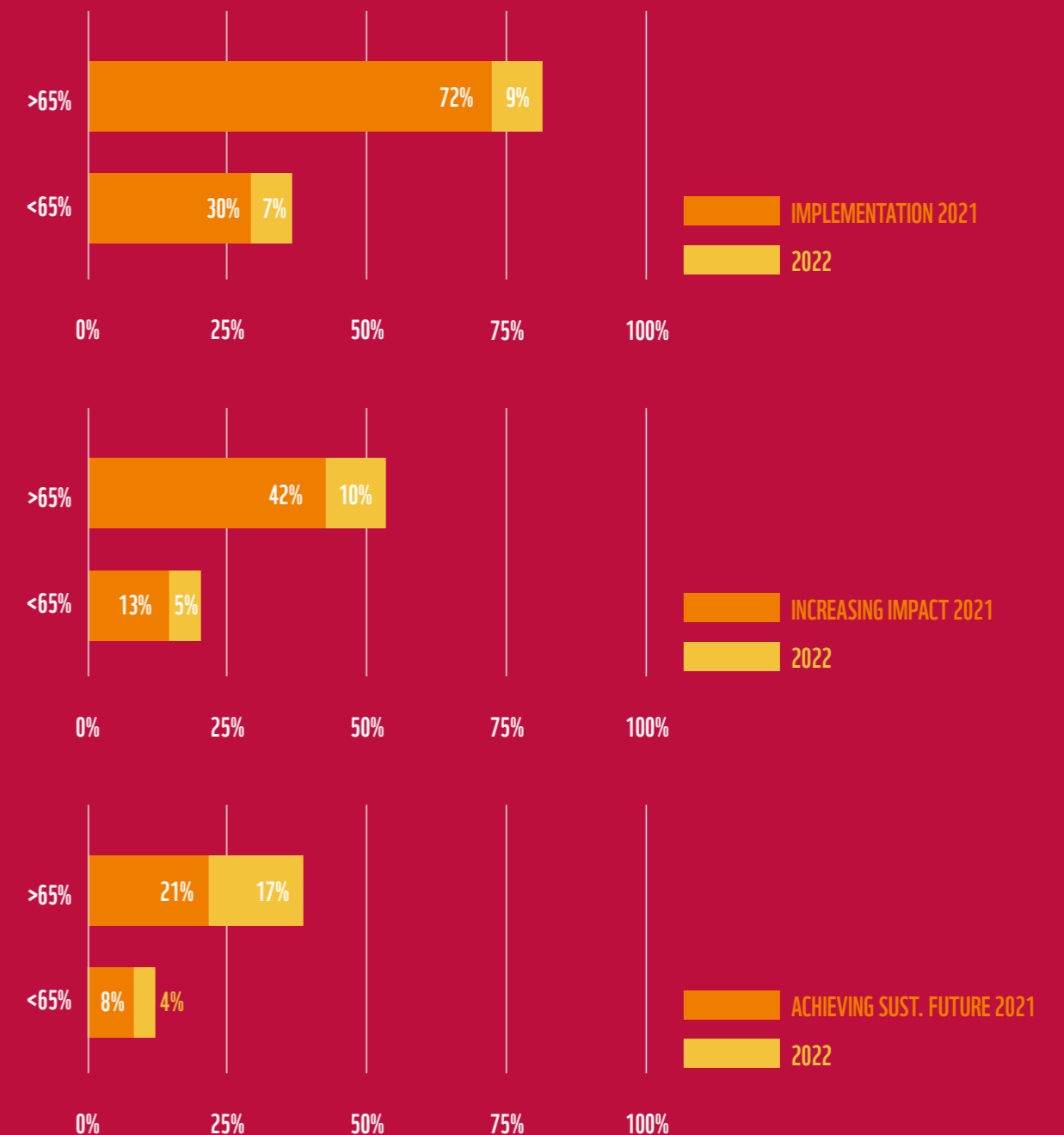
Achieve Sustainable Future

13 indicators

whether banks develop and implement science-based targets to achieve net-zero financed emissions by 2050 as well as whether banks have broadened the scope of commitments and targets to cover nature-related risks.

This year's analysis highlighted that while leading banks continue to progress in their E&S management, laggard banks remain stagnant. Over the past few years, banks that started implementing their E&S policies and procedures (Phase 2) rapidly improved their SUSBA scores and went on to implement more advanced indicators related to increasing impact and achieving a sustainable future (Phases 3 and 4).²⁹ However, in 2022, 20 banks with high implementation scores continued to progress, whereas 26 banks with low implementation scores did not improve as much as expected (Figure 2). As a result, the gap between these two cohorts is widening, especially for the more advanced indicators related to Phases 3 and 4.

FIGURE 2: PROGRESS FOR BANKS THAT HAVE SCORES FOR THE IMPLEMENTATION PHASE, ABOVE AND BELOW THE 65% THRESHOLD



These banks need to invest heavily in closing the gap with leading banks in the region, prompting also the need for a regulatory push to raise minimum standards. If there is a wide range of E&S standards within banks in the country, there is a possibility that high E&S risk assets will merely shift from one bank to another. Regulators should raise the mandatory baseline expectation for banks in their country by developing programs to build bank capabilities related to more advanced risk assessments and portfolio decarbonisation plans.

RECOMMENDATIONS FOR BANKS THAT ARE LAGGING BEHIND:

- 1 **Expand exclusionary principles** covering areas the bank will not support to include all climate- and nature-related risks (e.g. projects in Key Biodiversity Areas or World Heritage Sites, activities affecting endangered species, financing of new coal-fired power plants).
- 2 **Develop detailed sector policies for sensitive sectors** that include client expectations adhering to best international practice (e.g. No Deforestation, No Peat, and No Exploitation (NDPE) commitments, and adherence to certifications like the Roundtable on Sustainable Palm Oil (RSPO) for palm oil clients).
- 3 **Establish risk processes to evaluate E&S risks for all clients** (as opposed to only large clients or clients in sensitive sectors), incorporate E&S risks into client risk classification (as opposed to focusing only on exclusions), develop processes for periodic client monitoring and review of E&S risks, and engage with clients on action plans in case they are not fully compliant with bank policies.
- 4 **Start developing portfolio risk assessment capabilities**, including baselining of financed emissions data as well as developing physical and transition risk assessments of their portfolios.

A more detailed review of 2022 indicator trends by the four phases is presented in the following section: [SUSBA Phase Maturity: 2022 Progress](#).

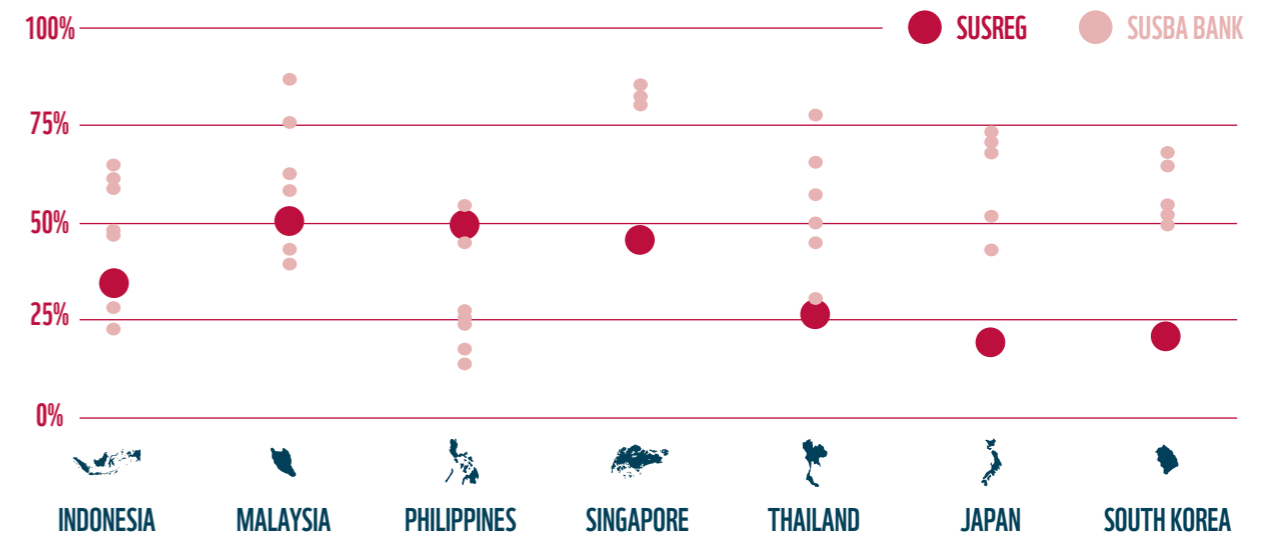
4. Regulators need to provide support for banks to implement E&S requirements

This year's results demonstrate that 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 enhancing and aligning ESG risk management requirements throughout the region. They can further help banks to meet these requirements by supporting capacity building efforts and raising the minimum requirements.

In a new analysis, we compare banks' 2022 SUSBA performance to their respective central banks and financial supervisors' performance on WWF's Sustainable Financial Regulations and Central Bank Activities ('SUSREG') 2022 tracker. The SUSREG tracker aims to assess the integration of E&S considerations in financial regulations, supervisory expectations, and monetary policy. A total of 87 indicators were deployed to assess the banking industry, organised around three key pillars: banking supervision, central banking, and enabling environment.

In comparing the SUSBA and SUSREG scores for seven countries in Asia,³⁰ banks' performance seems to be mostly market-led. In Figure 3, the spread of banks' performance for most markets are scattered with leaders and laggards with the exception of Singapore where banking scores are quite aligned. The central role of regulation can then act as a way to ensure alignment and minimum standards across the country, especially for banks that do not respond as strongly to market-led initiatives. Taking a strategic precautionary approach, regulators could also pave the way in addressing blindspots necessary to ensure economic/financial stability in the face of E&S risks (e.g., integration of nature-related/social risk, stress-testing, setting targets, etc.).

FIGURE 3: COMPARISON BETWEEN SUSREG AND SUSBA PERFORMANCE FOR 2022



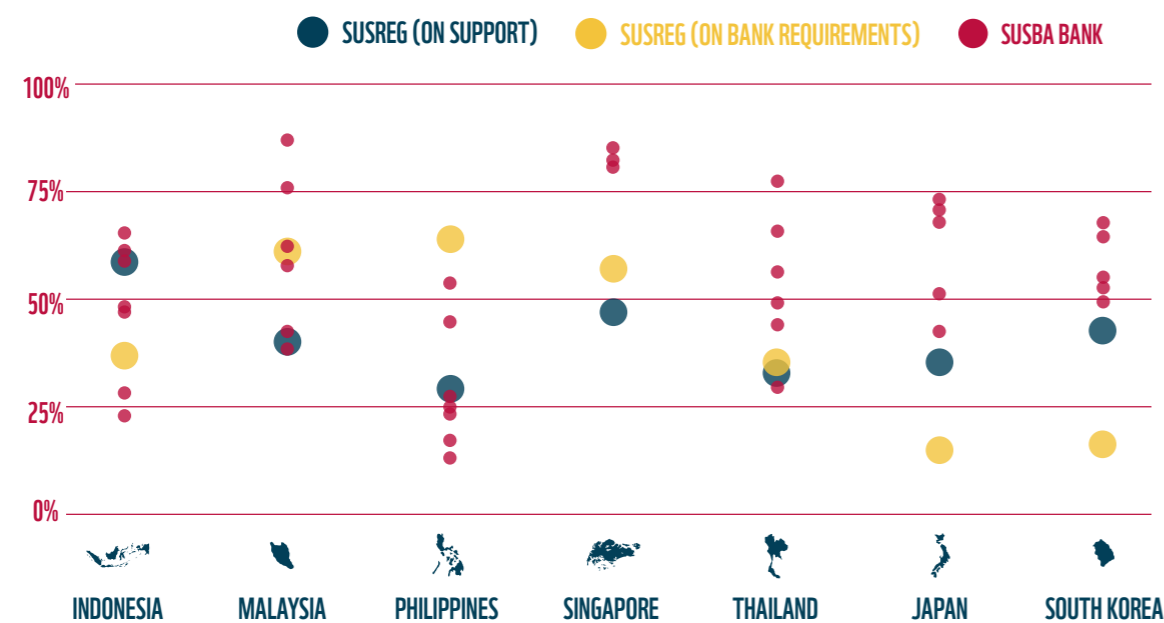
Y-axis represents percentage of criteria fulfilled from 87 SUSREG (for countries) indicators and 76 SUSBA sub-indicators (for banks)

When certain scores are broken down, we observed that there is an opportunity to increase supervisory expectations across Asia coupled with regulatory support. In Figure 4 below, we have used elements from two key pillars of SUSREG, banking supervision and enabling environment:

- 1. Supervision on bank practices (bank requirements):** The strength of microprudential supervision such as expectations for banks to integrate E&S considerations into their overall business strategy and governance, create sector-specific policies and processes, and analyse their portfolio-level exposure to risks.
- 2. Enabling environment (support):** This includes support from the regulatory body such as: (a) the supervisor actively supporting initiatives to address E&S data availability and quality issues; (b) the supervisor supporting capacity building efforts for the financial industry; and (c) existence of multistakeholder initiatives, taxonomies, or carbon pricing mechanisms.

The SUSREG results highlight that in Indonesia, Thailand, Japan, and South Korea, there is substantial room for regulators to strengthen their expectations for how banks manage E&S risks and opportunities. At the same time, in Malaysia, the Philippines, Thailand and Japan, regulators should also increase their support for banks' capacity building efforts to create a conducive enabling environment for enhancing and better aligning the performance of banks.

FIGURE 4: SUSREG PERFORMANCE ON SPECIFIC INDICATORS ON BANK REQUIREMENTS AND SUPPORT COMPARED TO SUSBA PERFORMANCE ACROSS SEVEN COUNTRIES IN ASIA PACIFIC



Y-axis represents percentage of criteria fulfilled from: 50 SUSREG indicators on regulatory requirements towards banks ("Bank Requirements"), 11 SUSREG indicators related on support provided by the regulatory bodies and the maturity of the environment required to fully support the transition to a low-carbon, resilient, and sustainable economy ("Support"), and 76 SUSBA sub-indicators ("SUSBA Banks")

From the two graphs above, the correlation between regulation and bank performance is not conclusive. This can be due to a variety of factors: (1) bank E&S performance is driven not only by regulation but could also include other factors such as participation in market-led initiatives, investor pressure, compliance with national environmental/sustainable development strategies, or the public increasingly expecting more information (e.g. Japanese and Korean banks following the countries national climate strategies and participation in NZBA, leading to an increased adoption of net zero commitments and the subsequent set up of the infrastructure to disclose progress of climate-related targets and policy implementation); (2) the methodology of SUSREG asks for regulatory performance across three different themes (climate, environmental, and social) for each of its indicators (e.g. Singapore performing behind Malaysia and the Philippines due to its low score on in integrating 'social' considerations); and (3) the regulation/guidelines may accord some degree of flexibility for banks to develop their sustainable finance action plan, thus explaining the "gap" between regulation and the pace of implementation by banks (e.g., the Philippines). Despite these limitations, there is evidence suggesting a positive relationship between the development of enabling policy frameworks and the depth of sustainable financial markets.³¹

RECOMMENDATION FOR BANKS

Banks should not wait for further formal and detailed supervisory guidance, let alone changes in prudential requirements. The vulnerability of banks towards physical and transition risks on climate change and nature loss will only increase with time. The future direction of regulation on E&S matters is evidenced by the Basel Committee on Banking Supervision guidance that has asked banks to include climate-related risks into credit, market, and liquidity requirements in a conservative and prudent manner.³² Given the current momentum in ESG initiatives, there are many frameworks and guidance documents that can assist banks in implementing their strategies. As upcoming regulations align with best practices from international standard setting bodies, scientific developments, and multistakeholder initiatives among others, staying up to date with the latest development and standards in the sector will ensure banks are well prepared for the ESG requirements coming up ahead.

SECTORS ASSESSMENTS

In 2020, WWF-Singapore added sector specific assessments to the SUSBA framework, starting with palm oil and energy. In 2022, seafood was added as a third sector.

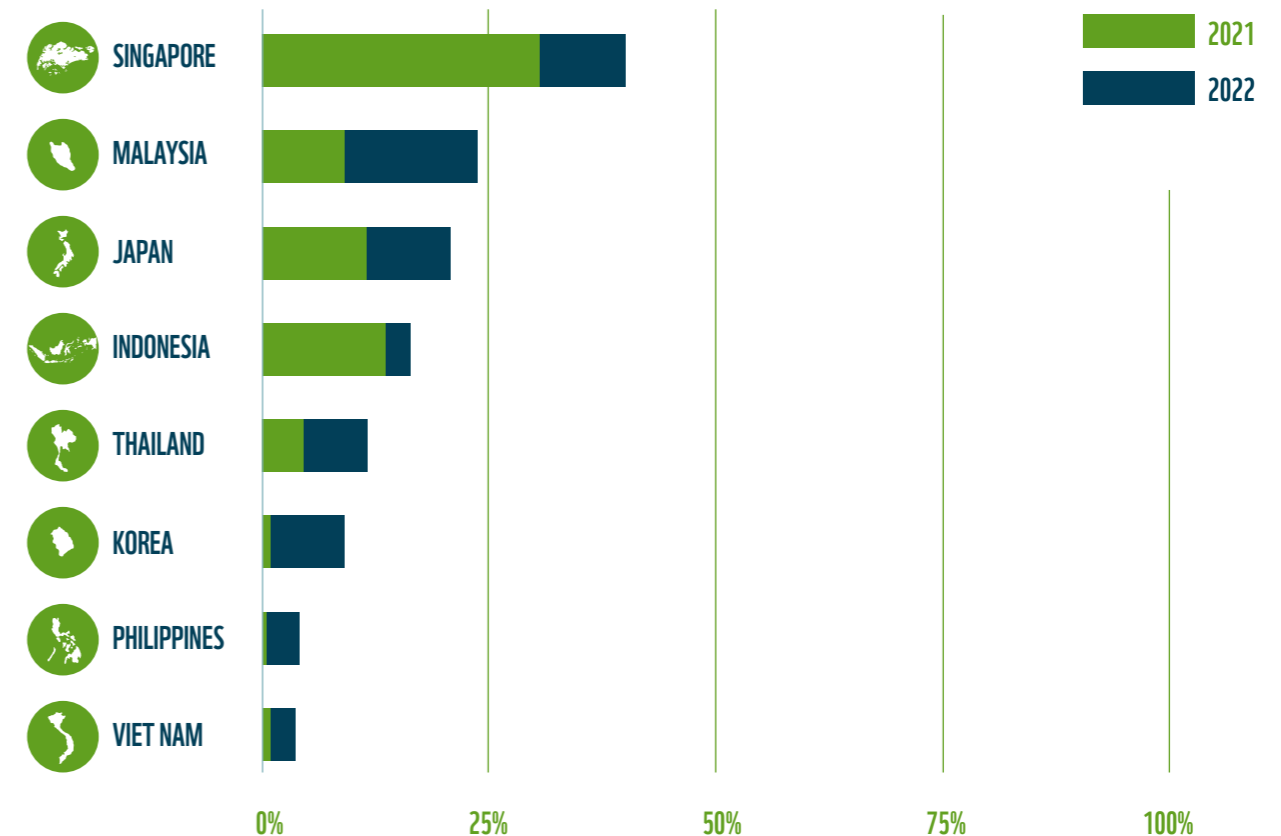
1. Palm oil: Banks need to improve supply chain traceability

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, accounting for 41% of global vegetable oil consumption and over 60% of annual vegetable oil trade.³³ As the world's population continues to grow, global demand for palm oil is forecast to increase from 76 million MT in 2019 to between 264–447 million MT by 2050.³⁴ Asia consumes 60% of the world's palm oil.³⁵ Additionally, Malaysia and Indonesia produce 85% of the world's palm oil. Clearing land for palm oil is a specific challenge for Southeast Asia, as global demand for palm oil increases. 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.³⁶

An analysis of 46 banks in ASEAN, Japan, and Korea in 2022 showed that there was good progress in banks acknowledging palm oil as a key sector. 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 (Figure 5) with improvements in client expectations for upstream operations including requiring clients to commit to NDPE and be certified by RSPO. However, as shown in Figure 5, 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.

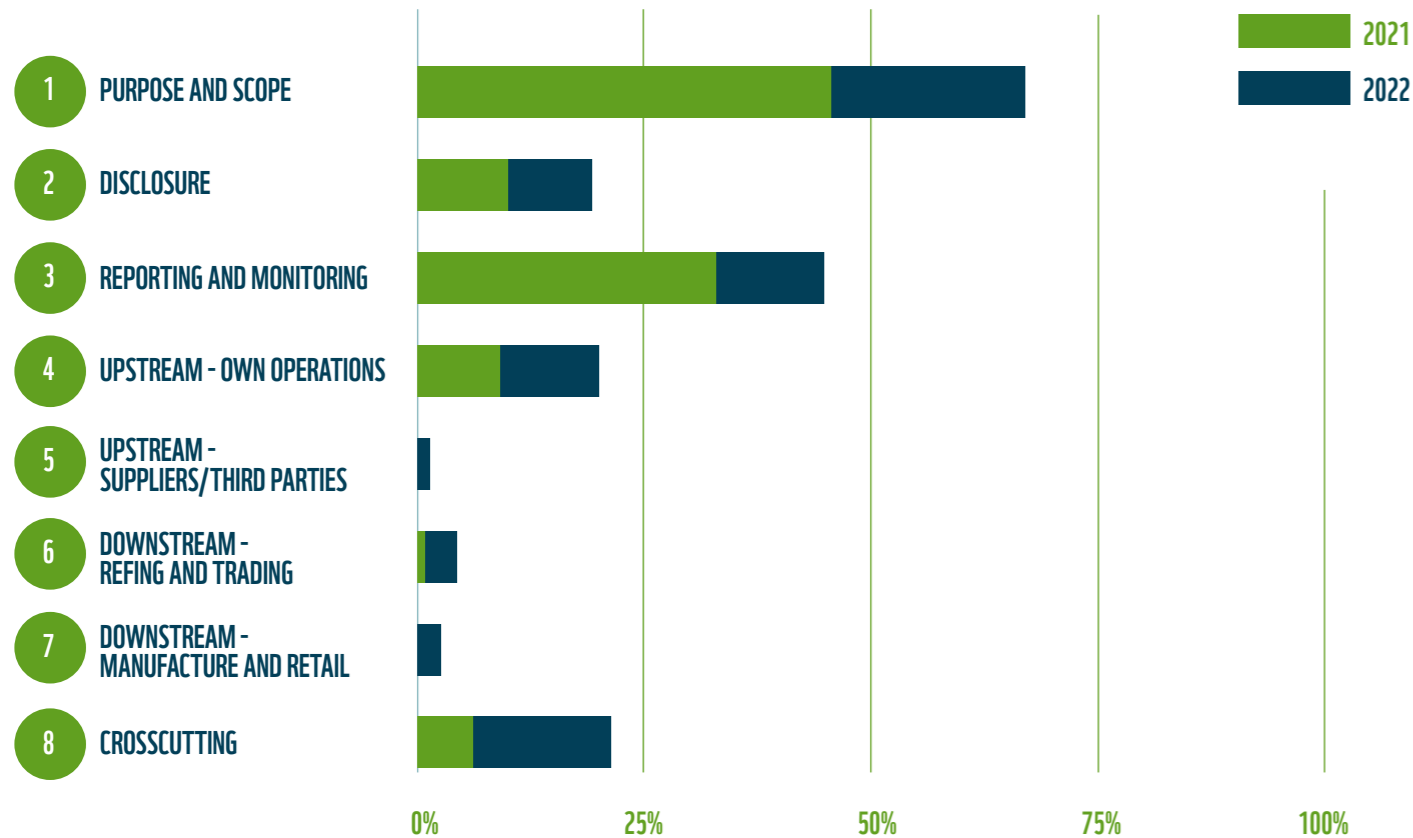


FIGURE 5: BANK PROGRESS ON 38 PALM OIL SUB-INDICATORS BY COUNTRY, COMPLIANCE WITH INDICATORS 2021-22



Exploring the performance across the SUSBA palm oil indicators³⁷ 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 (Figure 6). Together these sub-indicators account for 45% of the 38 sub-indicators and banks at an average meet only 3% of the criteria for these indicators.

FIGURE 6: BANK PROGRESS ACROSS EIGHT PALM OIL INDICATORS IN 2021-22 (ASEAN, KOREA, AND JAPAN, EXCLUDING BANKS IN THE PHILIPPINES AND VIET NAM)



Upcoming regulation to implement deforestation-free commodities in the EU is going to have a meaningful impact on Asian exporters of palm oil.³⁸ The proposed law in the EU, which was provisionally agreed recently,³⁹ mandates that commodities contributing to deforestation, including palm oil, are certified deforestation-free before entering the EU. The US and UK are implementing similar laws⁴⁰ through the Fostering Overseas Rule of Law and Environmentally Sound Trade act and Primary Legislation Environment act respectively. 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. A paper by WWF 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.⁴¹ 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.⁴² 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.

Lastly, increased import regulation also increases reputational risk for banks whose clients may get adverse media coverage in the event of getting banned from a jurisdiction due to non-compliance. This was evident when the U.S. blocked palm oil imports from Malaysia’s Sime Darby over forced labour allegations in late 2020.⁴³ Such incidents are likely to become more common unless banks and their clients act urgently.

RECOMMENDATIONS FOR BANKS:

- 1 Require palm oil growers, processors and traders to commit to NDPE and develop time-bound plans for RSPO certification.** Banks are also encouraged to join RSPO and be guided by the “shared responsibility rules” listed for banks and investors. In addition to environment-related policies on palm oil, banks should require clients to comply with the UN Guiding Principles on Basic Human Rights and ensure free prior and informed consent of communities affected by palm oil developments.
- 2 Help clients with tools to build supply chain traceability at the plantation level,** for clients’ own operations and third-party sources, in order to verify their product as deforestation and conversion free. Banks should also work with clients to encourage smallholder inclusion and certification.
- 3 Assess deforestation, biodiversity, conversion, and human rights risks within their portfolio** by developing location-based risk assessment capabilities at a client asset level.
- 4 Improve disclosures around client certification commitments,** client progress towards certification, and risk assessment results. Since RSPO certification requires a time-bound commitment to comply with policies, it is possible for certified clients to greenwash by not making progress on the ground and/or postpone the date of certification compliance. Therefore, it is critical for banks to track underlying improvements for clients in addition to certification rates.

2. Energy: Banks need to set targets to transition their energy portfolios

The energy sector represents the most impactful opportunity for decarbonising economies, but is also one of the main challenges as energy consumption contributes to over 75% of emissions worldwide.⁴⁴ While most of the 46 banks assessed in ASEAN, Korea, and Japan made improvements in 2022, the absolute progress is still relatively low (Figure 7). At an indicator level, banks show progress in developing their sector approach (Figure 8). For example, banks have increasingly developed and disclosed specific energy sector policies (49% of banks in 2022 vs 29% in 2021) and offered financial products and services to support sustainability improvements in the sector (70% of banks in 2022 vs 54% in 2021). Disclosures improved as well, particularly for financed greenhouse gas emissions (23% of banks in 2022 vs 5% in 2021). The main gap in disclosures continues to be setting science-based targets with only 11% of banks setting targets for the energy sector.

FIGURE 7: BANK PROGRESS ON 33 ENERGY SUB-INDICATORS BY COUNTRY, COMPLIANCE WITH INDICATORS 2021-22

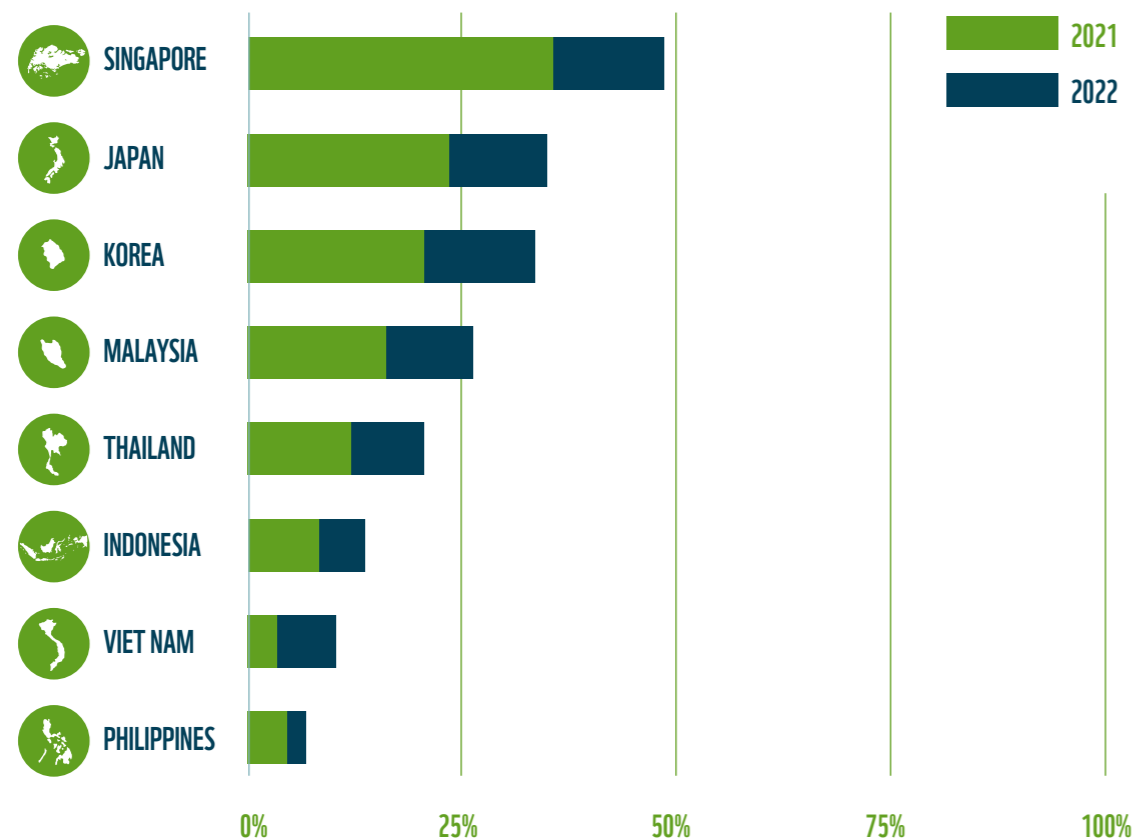
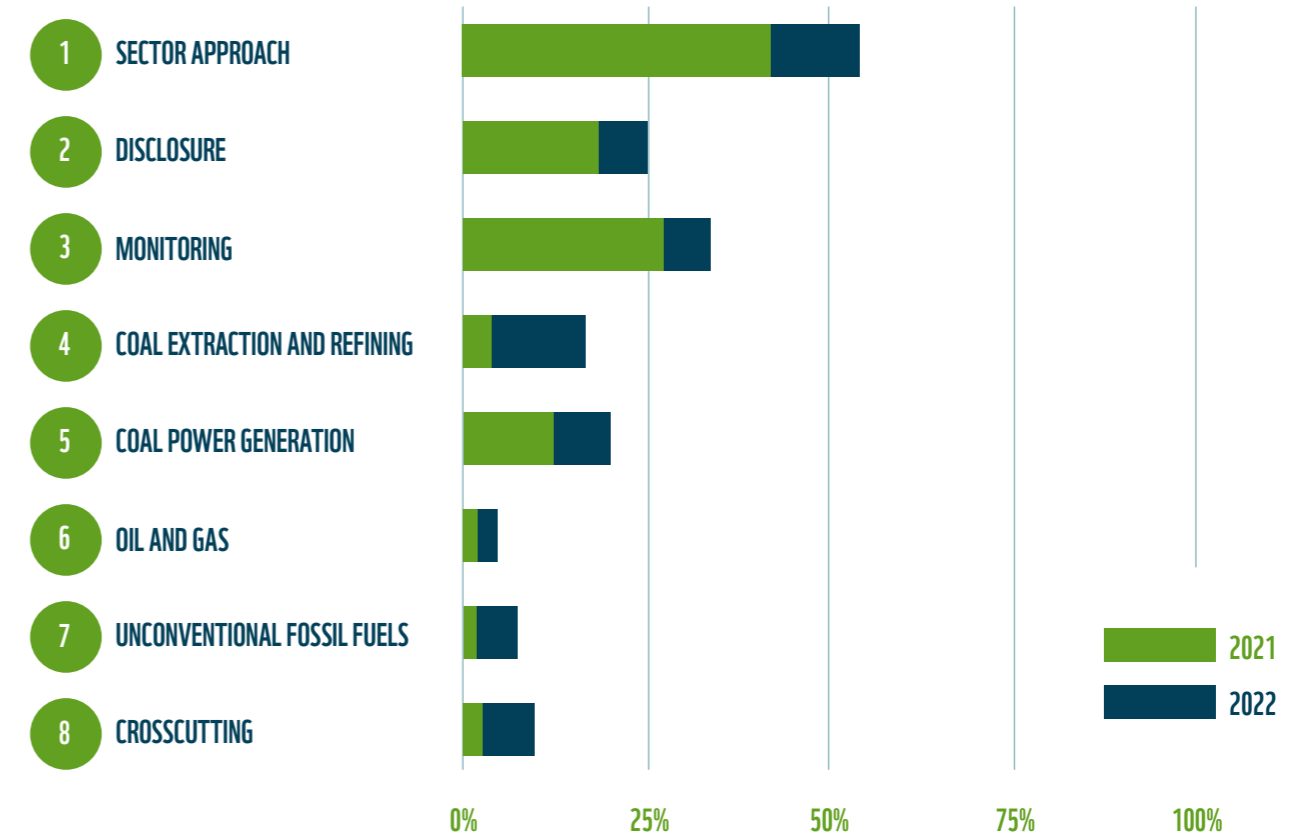


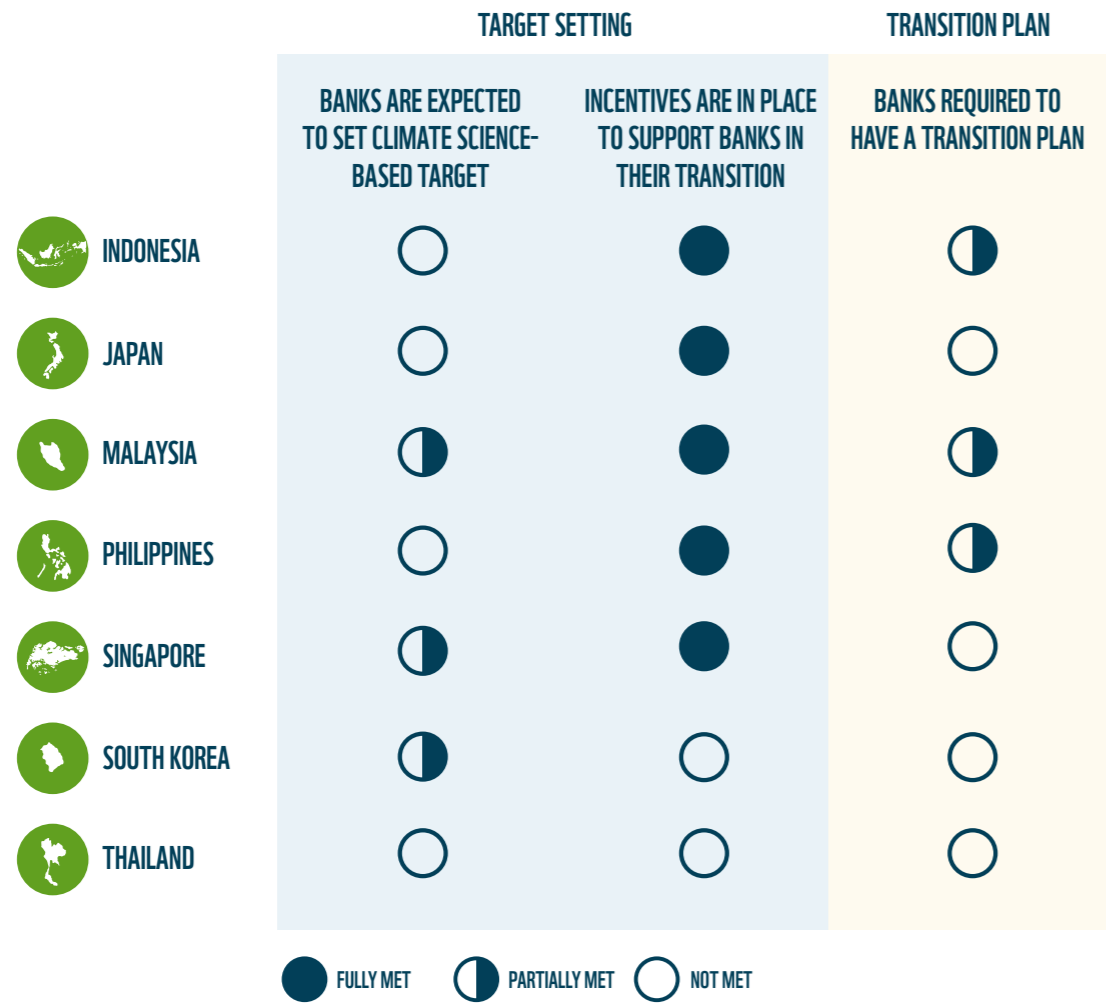
FIGURE 8: PROGRESS ACROSS EIGHT ENERGY INDICATORS IN 2021-22 FOR 46 BANKS IN ASEAN, KOREA, AND JAPAN



An analysis of energy transition-related regulations⁴⁵ shows that while regulators are providing banks with incentives to develop energy-transition plans, most are not yet requiring such plans, and none yet require banks to set science-based targets (Figure 9). This may explain why banks assessed have implemented products and services to support sustainability improvements in the sector but are relatively behind in setting science-based targets.



FIGURE 9: STRENGTH OF REGULATIONS TO ENCOURAGE ENERGY TRANSITION (BASED ON SUSREG 2022 RESULTS)



Client expectation indicators related to coal mining and coal-fired power plants improved, with 38% of banks prohibiting financial services to support new coal mines and 50% of banks prohibiting financial services to support new coal-fired power plants. This is an improvement from 16% and 45% respectively in 2021. Some banks have also prohibited financing for expansion of coal mines and coal-fired power plants (29% and 23% respectively). However, banks in Indonesia and Viet Nam are relatively behind in prohibiting financing for coal and coal-fired power plants. Banks need to urgently stop financing new coal-related projects as well as accelerate the transition of their coal portfolios if we are to meet the 1.5 °C climate goal.

The recent announcement at COP27 to mobilise USD20 billion for Indonesia to accelerate the transition from coal highlights the intent of governments to accelerate the energy transition.⁴⁶ Similar efforts are also being made in Viet Nam through the Just Energy Transition Partnership that aims to mobilise USD15.5 billion over the next three to five years to accelerate the decarbonisation of the electricity system in the country.⁴⁷ The Asian Development Bank (ADB), under its Energy Transition

Mechanism (ETM), also recently signed a memorandum of understanding with Cirebon Electric Power in Indonesia to explore the early retirement of the first coal-fired power plant owned by an independent coal producer.⁴⁸ Banks should align their policies accordingly and implement financing restrictions for coal and coal-fired power plants to avoid the risk of stranded assets.

Lastly, financing restrictions related to upstream oil and gas, including unconventional sources, continue to be low for the banks assessed with not much progress in 2022. The Ukraine war highlighted Europe’s fossil dependency, and is creating pressure on the Global South in search for natural gas exportation and the opening of new oil and gas frontiers. The opening of new production fields is incompatible with limiting global warming by 1.5°C.⁴⁹ If this goal is to be achieved, emissions from fossil fuels need to decline rapidly. Some banks, such as HSBC, have started announcing policies to stop financing new oil and gas fields⁵⁰ and we encourage all banks to implement similar restrictions.

RECOMMENDATIONS FOR BANKS:

- 1 Develop exclusion policies to prohibit financing of coal mines and coal-fired power plants** for new assets as well as expansion of existing assets. Banks should also develop plans for a managed phase-out of existing coal-related assets in line with best practices that are currently being developed.⁵¹
- 2 Develop policies to prohibit financing for oil and gas exploration** as well as development of oil and gas reserves beyond that which has already been sanctioned by January 2020.
- 3 Set science-based targets to decarbonise their energy portfolios.** This includes transition plans for fossil fuels as well as an acceleration of financing in renewable energy.
- 4 Ensure social impacts are considered in energy transition plans,** including addressing employment needs of people displaced due to early retirement of assets as well as the needs of communities affected by the large-scale deployment of renewable energy.

3. Seafood: Banks need to develop policies in line with best practice guidance

In 2022, seafood was added to the SUSBA sector analysis. The sector's growing importance as a key source of protein, paired with the growing ESG challenges it faces, positions it as a key source of both potential financial risk and opportunity.

Global fish production supports the livelihoods of more than 60 million people worldwide and serves as the primary source of protein for approximately 3 billion people. Seafood is also one of the most highly traded commodities globally, with annual seafood production worth approximately US \$406 billion in 2020.⁵²

As issues like climate change, overfishing, and biodiversity loss continue to impact the ocean's health and resilience, the seafood industry is facing 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 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 companies participating in the seafood industry.

As lenders to companies across the seafood value chain, banks are exposed to all of these risks. At the same time, they can also play a critical role in driving improvements in industry performance. WWF strongly encourages banks to make commitments to safeguard marine ecosystems, assess material ESG risks in their seafood portfolios (looking across the full value chain), set client expectations to move towards sustainably produced and sourced seafood, and report transparently on their clients' progress.

FRAMEWORK OVERVIEW:

The framework used to assess banks' seafood policies and overall approach was structured to align with the existing palm oil and energy transition sector policy frameworks. It is organised into two sections: (1) bank commitments and (2) client expectations.

BANK COMMITMENTS related indicators include:

- **Purpose and scope:** five sub-indicators assess whether banks publicly recognise E&S risks related to seafood, have seafood sector policies (and whether these apply to the full range of banks' activities (e.g., beyond lending) and to clients across the full sector value chain), provide incentives/financial products to support sustainable practices in the sector, and participate in commitment-based sustainable seafood initiatives.
- **Disclosures:** three sub-indicators assess the extent to which banks disclose their seafood sector policies and related performance and impact metrics at the sector level.
- **Reporting & monitoring:** two sub-indicators assess banks' approach to monitoring clients' E&S performance and managing non-compliance.

CLIENT EXPECTATIONS related indicators were developed to align with the [UNEP FI Turning the Tide Guidance](#)⁵³ and are divided into:

- **Production (wild-capture):** seven sub-indicators assess banks' expectations on sustainability certification, IUU avoidance, endangered species protection, harvesting control strategies, avoidance of shark finning and choice of fishing methods and gear.
- **Production (aquaculture):** seven sub-indicators assess banks' expectations on sustainability certifications, management of protected areas and areas of ecological sensitivity, administration of environmental impact assessments, risk management on non-native and genetically altered species, approach to sustainable feed sourcing and use, animal health management, and avoidance of harmful chemicals/antimicrobials/pesticides.
- **Downstream (processors, value-add, distribution, brands):** four sub-indicators assess banks' expectations on sustainability certifications, IUU avoidance, endangered species protection, and management of protected areas and areas of ecological sensitivity
- **Crosscutting:** five sub-indicators assess banks' expectations on human rights commitments, adherence to international labour standards, approach to addressing social and community impacts, efforts to achieve supply chain traceability, and disclosure of progress towards clean energy.



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KEY FINDINGS AND TRENDS:

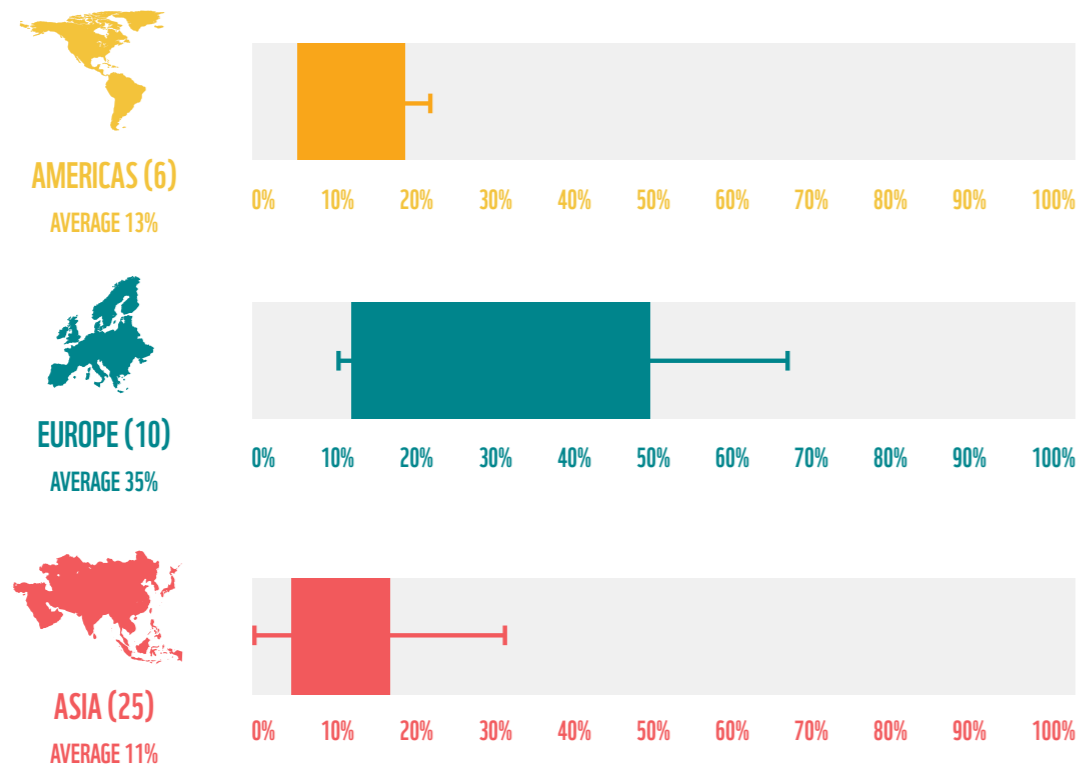
Our baseline assessment of 41 banks⁵⁴ seafood-related sector policies shows that while many banks are aware of the need to manage E&S risks in the sector, current policies – where they exist – are insufficient to prevent and manage their exposure to these risks. Just over half of

assessed banks publicly recognise 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 clients and downstream clients lack important details.

Looking at banks' current approaches to managing seafood-related E&S risks from a regional perspective, European banks generally had the most robust policies and processes, while both North American and Asian banks lagged behind. In fact, while seven of the ten European banks assessed publicly disclosed their seafood sector policies, only one of the 25 Asian banks assessed and none of the six North American banks assessed publicly disclosed such policies.

FIGURE 10: BANKS' SCORES BY REGION

Box and whisker plot



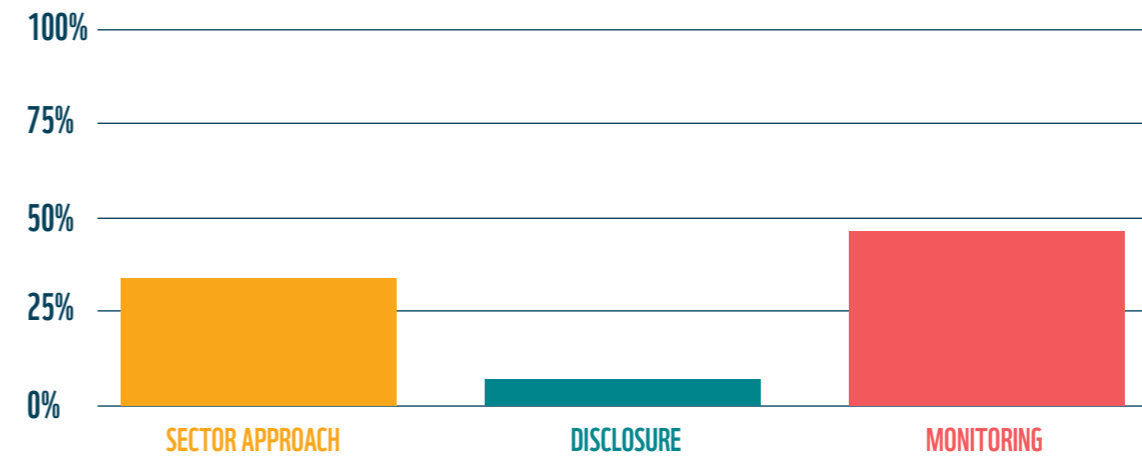
* The "whiskers" represent the maximum and minimum scores achieved; the lower bound of the box represents the lower quartile; the upper bound of the box represents the upper quartile; the line inside the box represents the average score.

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

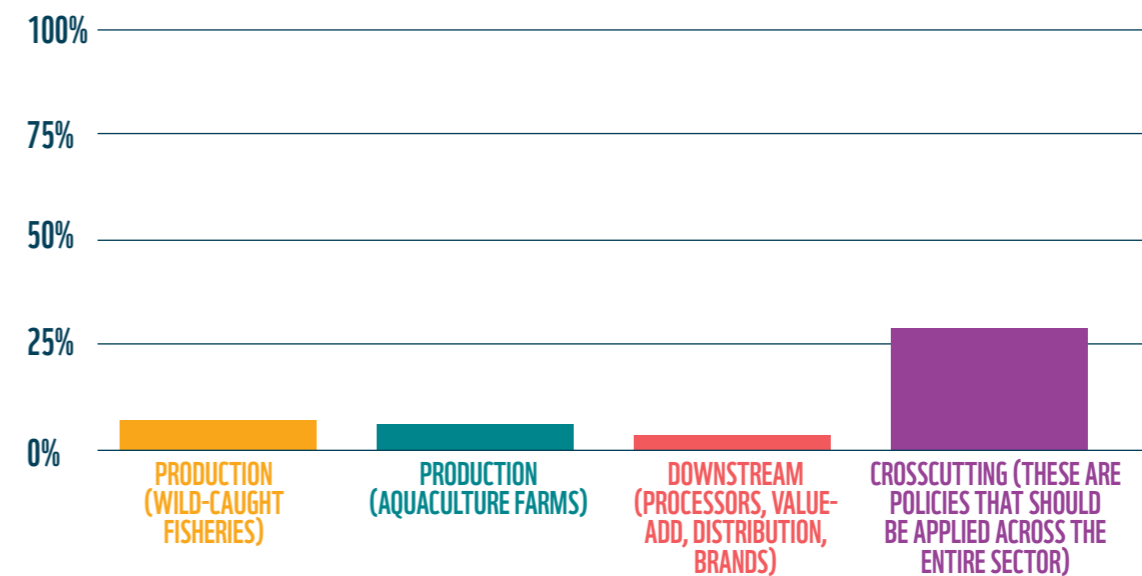
- Turning recognition of risks into formal seafood sector policies and commitments.
- Disclosing seafood sector policies, as well as metrics on sector-specific environmental impacts.
- Aligning client expectations for E&S risk management with best practice sustainability guidance, particularly for downstream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

FIGURE 11: BANK PERFORMANCE BY INDICATOR

Bank Commitments



Client Expectations

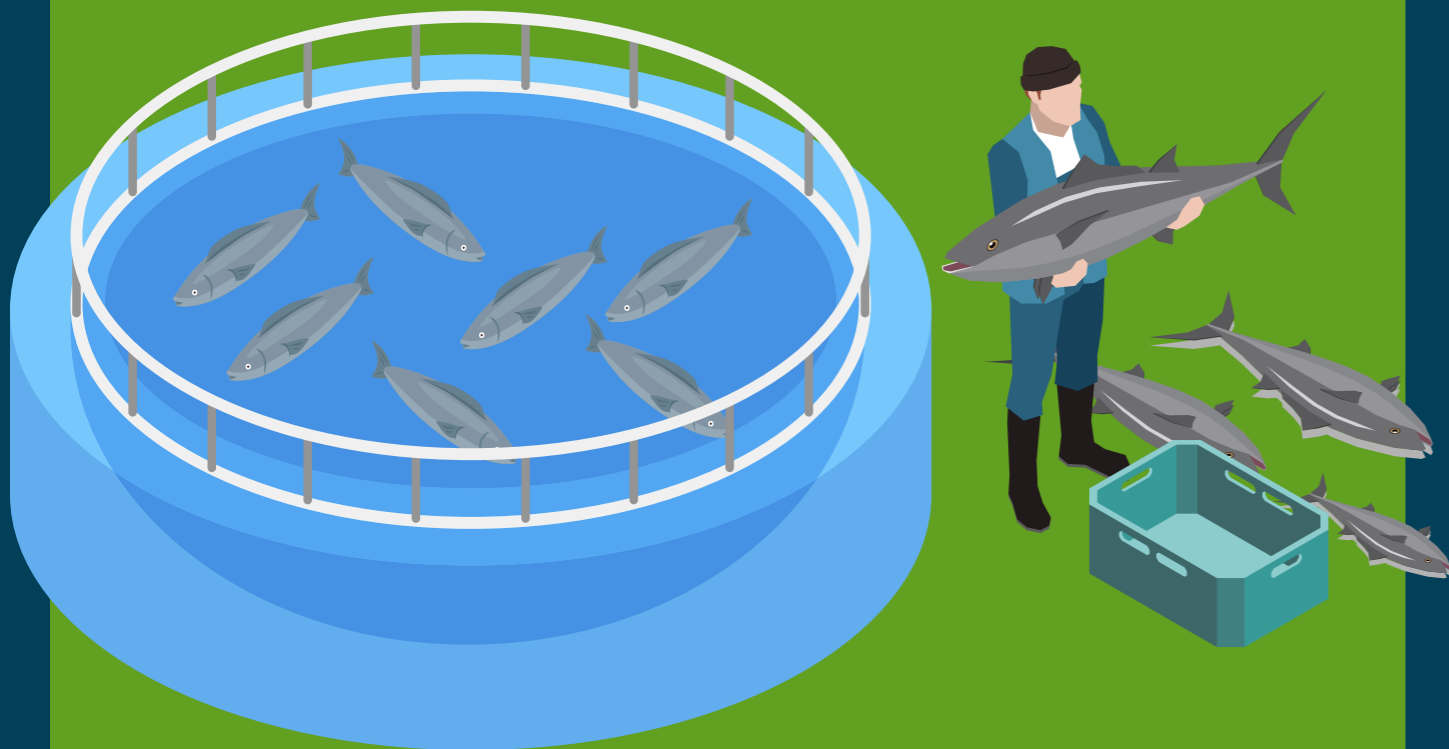


The next few years will be critical to accelerating the transition to a sustainable ocean economy if we are to meet the 2030 target for Goal 14 (life below water)⁵⁵ of the Sustainable Development Goal (SDGs). As momentum around managing climate⁵⁶ and nature-related⁵⁷ risks continue to grow, and more countries commit to protecting our marine resources through efforts, banks must ensure that they are effectively managing their own exposure to seafood-related E&S risks, and that they are proactively seeking out opportunities to invest in nature-positive solutions.

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



EXAMPLES OF BLUE FINANCIAL PRODUCTS



In 2021, Thai Union Group, received a **US\$400M loan** - its **first sustainability-linked loan** - from Mizuho Bank, MUFG Bank and Bank of Ayudhya (lead managers of the syndicated loan). The terms of the 5-year loan agreement contained the following **sustainability-related conditions**:

Loan agreement terms: In exchange for achieving predetermined targets (as below), lenders will lower the interest rate on the loan.

Sustainability metrics/targets/commitments:

- **Traceability:** metrics like % of raw materials (seafood) procured from suppliers whose fishing boats are equipped with surveillance cameras and GPS equipment
- **Sustainable fisheries management:** ongoing monitoring to ensure fisheries resources are not overexploited
- **Protection of human/labour rights:** ongoing monitoring to ensure there is no forced labour in supply chains, etc.
- **Inclusion in sustainability indices e.g. the Dow Jones Sustainability Index**

Read more [here](#).



In 2019, Chile’s leading salmon company (and the second-largest salmon producer in the world), received a **US\$100M loan** - **Chile’s first “green and social loan”**- from Rabobank. The terms of the 7-year loan agreement contained the following **sustainability-related conditions**:

- a commitment to reduce antibiotic use in salmon farming,
- a commitment to increase the number of ASC certifications and implement an aquaculture improvement program for production centres – to get 100 percent of its production sites actively trying to go towards ASC certification
- technical support and advice will be provided by non-profit WWF

For more information about this assessment of banks’ seafood sector policies, we encourage you to read **Above Board: 2022 Baseline Assessment of Banks' Seafood Sector Policies**.

SUSBA PHASE MATURITY: 2022 PROGRESS

Over the past years, banks in Asia have made significant progress in incorporating sustainability-related issues into their financing decisions.

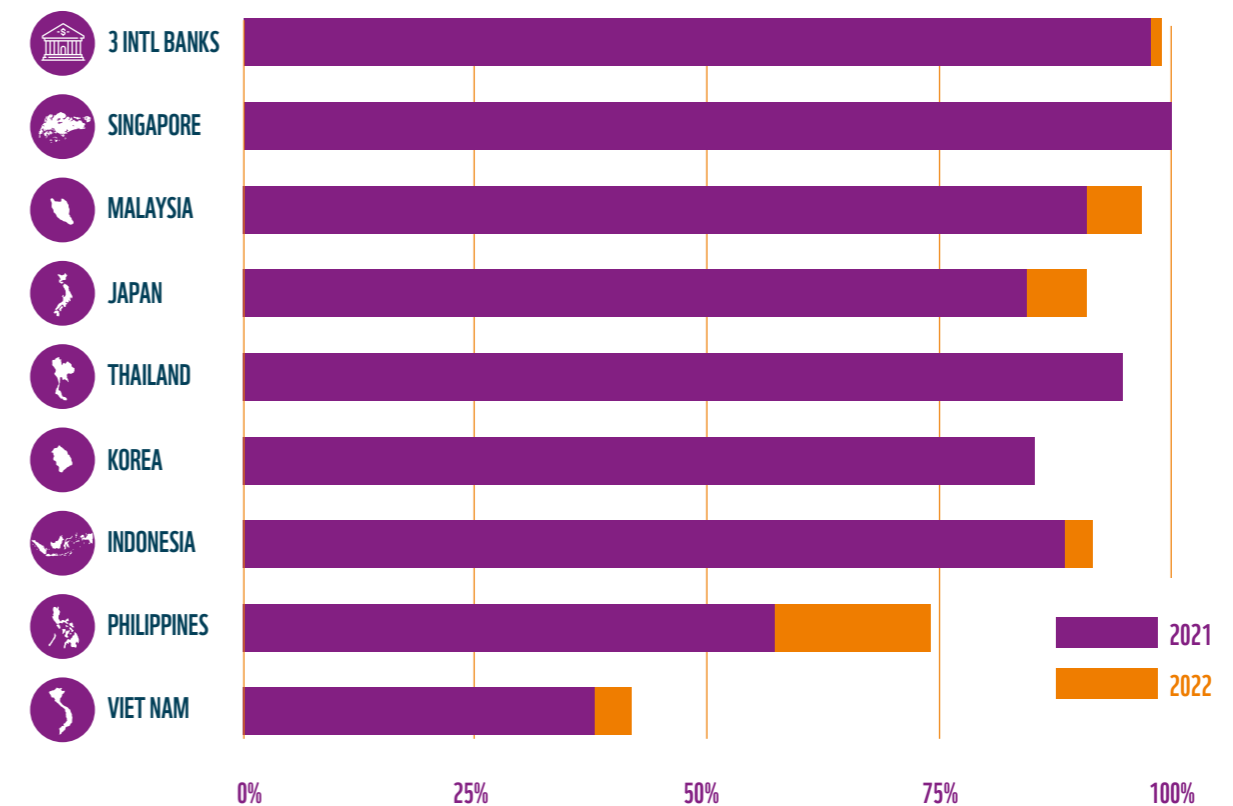
The SUSBA 2021 report⁵⁸ analysed this progress over four phases that first begins with acknowledging the importance of sustainability followed by increased levels of sophistication in target setting, policies, and processes as banks work towards achieving a sustainable future. The 2021 report categorised the SUSBA sub-indicators into these four typical phases and assessed the progress and next steps for banks in each phase. The Asian banks were also benchmarked against three international banks (BNP Paribas, Standard Chartered, and ING Group) that are more advanced in their sustainability practices.

As most of the key takeaways from the 2021 trend analysis are still relevant, the following update focuses on key trends and improvements in 2022 by phase.

Phase 1. Acknowledge (15 indicators):

At the beginning, banks acknowledge the importance of sustainability and incorporate these issues into their strategies. The United Nations SDGs are often referenced, although the initial focus tends to be on climate change and basic human rights. By issuing a strategy statement, senior management typically takes responsibility for developing and implementing their ESG strategy.

FIGURE 12: BANK PROGRESS IN ACKNOWLEDGING SUSTAINABILITY FROM 2021-2022

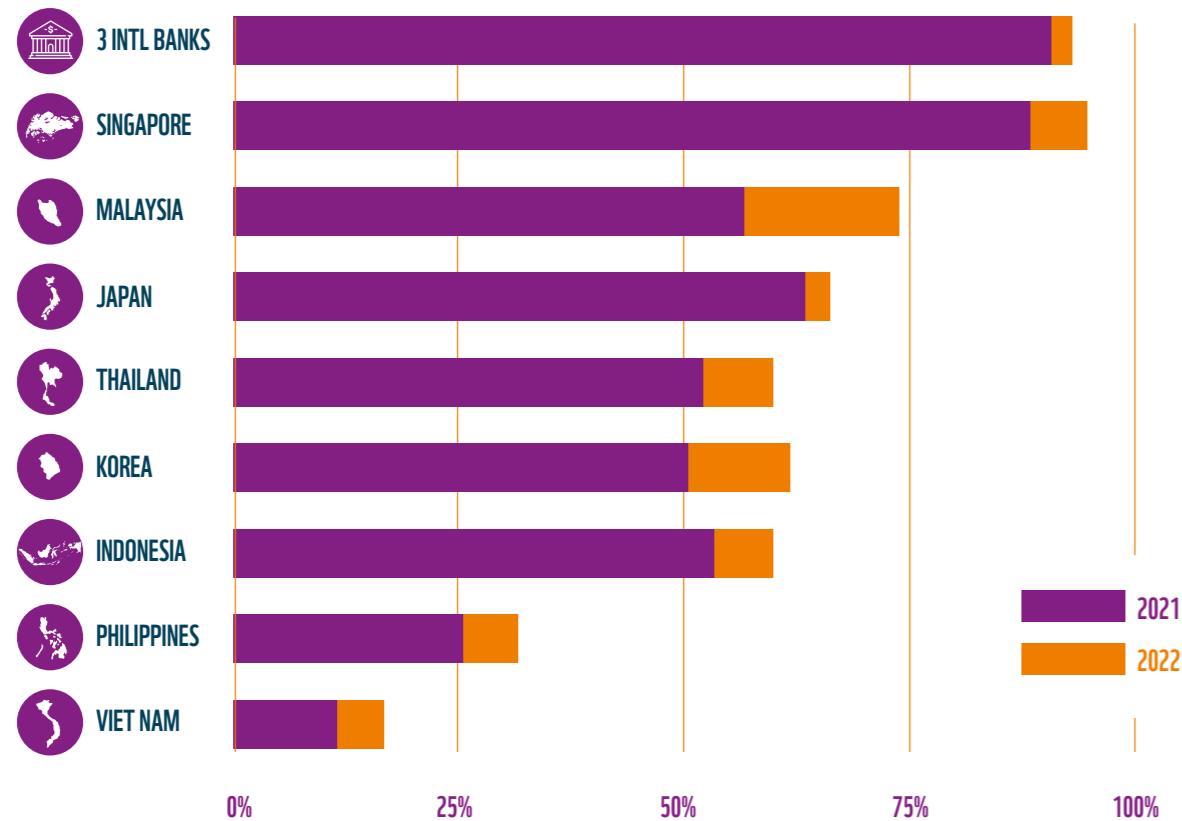


With the exception of banks in Viet Nam and the Philippines, Asian banks had already acknowledged the importance of E&S issues and integrated them into their respective bank strategies (Figure 12). In 2022, banks in the Philippines caught up with the remaining banks in Asia. While there was some improvement in Viet Nam based banks, there is still a gap in acknowledging E&S issues, integrating these issues into bank strategies and engaging with all related stakeholders.

Phase 2. Implement (27 indicators):

After acknowledging the importance of sustainability and incorporating it into their strategies, banks would begin to implement their strategies across the organisation. This is a rigorous process for banks that involves developing detailed policies and processes. In addition, implementation requires dedicated ESG-focused teams as well as training for all staff on E&S policies and processes. Policies in this stage typically focus on exclusions such as the financing for coal-fired power plants or projects linked to deforestation. To increase positive impact, banks also launch sustainability-linked products during this phase. Lastly, there is a wider acknowledgement of nature-related sustainability issues in addition to climate change issues.

FIGURE 13: BANK PROGRESS IN IMPLEMENT PHASE FROM 2021-2022



In 2022, Singapore and Malaysia based banks continued to make progress (Figure 13). Select banks in Thailand, Korea, and Indonesia made considerable progress as well. As progress for this phase is driven more by the mix of banks that are ahead or behind in their implementation journey, Figure 14 breaks out banks with low, medium and high implementation scores (<35%, 35-65% and >65% respectively). There were five banks that moved from the second cohort to the third cohort (see highlighted areas in Figure 14). Unfortunately, there was not much improvement in banks with the lowest implementation scores (<35%) with only two banks in Malaysia making it to the next cohort. In terms of indicators, there was a wider acknowledgement of environment and nature-related risks in client activities.

Phase 3. Increase impact (21 indicators):

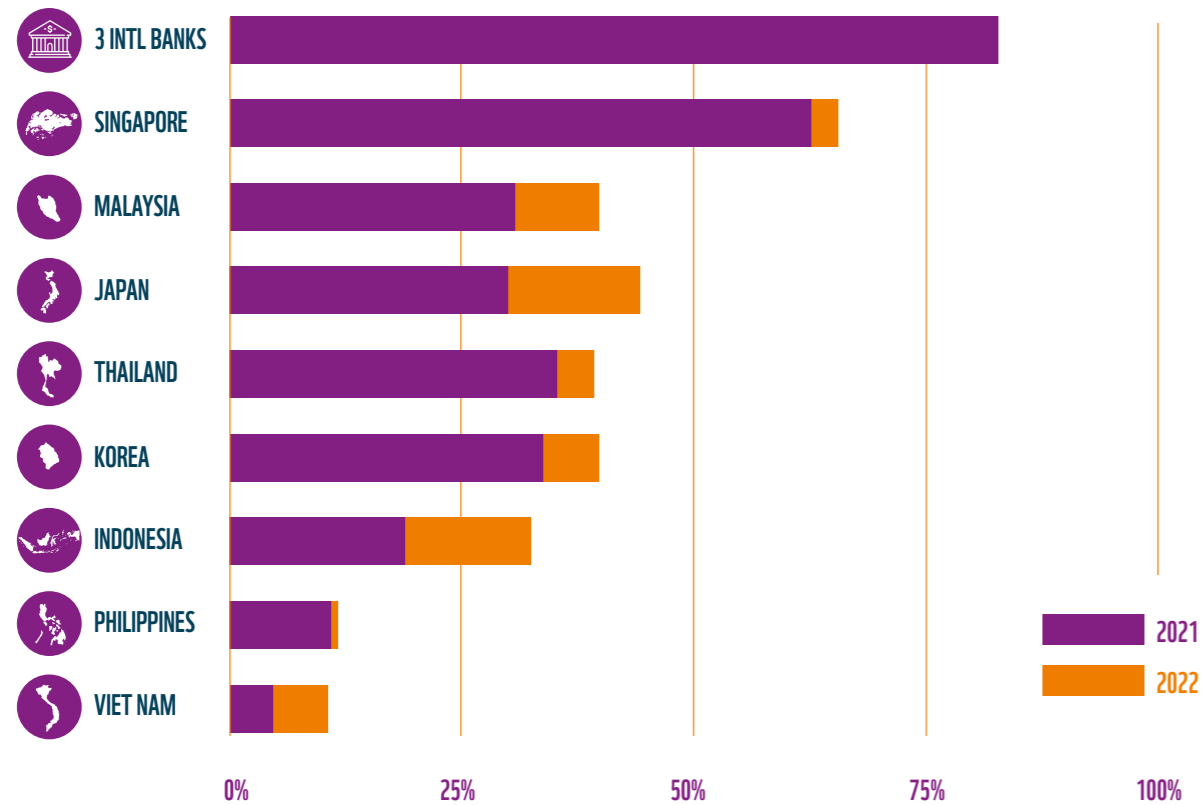
Subsequent to implementing sustainability-related policies and processes, banks started working closely with clients to improve E&S impact. This includes developing and monitoring client E&S action plans, escalation mechanisms for complex cases and the inclusion of E&S related clauses in loan documents. At a portfolio level, banks analyse high-risk sector exposure to climate-related physical and transition risks. Bank policies are often broadened to require clients to address nature-related issues such as deforestation and water stewardship. Policies are also strengthened to require clients to follow international best practices as opposed to just locally applicable laws. Banks work with clients to increase positive E&S impact through client outreach activities and allocate specific pools of capital to support positive impact. This phase is challenging as banks must balance incorporating international best practices on sustainability issues with local regulations, competition, and growth dynamics.

FIGURE 14: NUMBER OF BANKS WITH LOW (<35%), MEDIUM (35-65%) AND HIGH (>65%) IMPLEMENTATION-RELATED SCORES

	All banks	0-35%		35-65%		>65%	
		2021	2022	2021	2022	2021	2022
SINGAPORE	3	0	0	0	0	3	3
MALAYSIA	7	2	0	1	2	4	5
JAPAN	5	0	1	3	1	2	3
THAILAND	6	1	1	3	3	2	2
KOREA	5	0	0	4	3	1	2
INDONESIA	8	2	2	3	2	3	4
PHILIPPINES	7	5	5	2	1	0	1
VIET NAM	5	4	4	1	1	0	0
TOTAL	46	14	13	17	13	15	20



FIGURE 15: BANK PROGRESS IN INCREASING IMPACT FROM 2021-2022



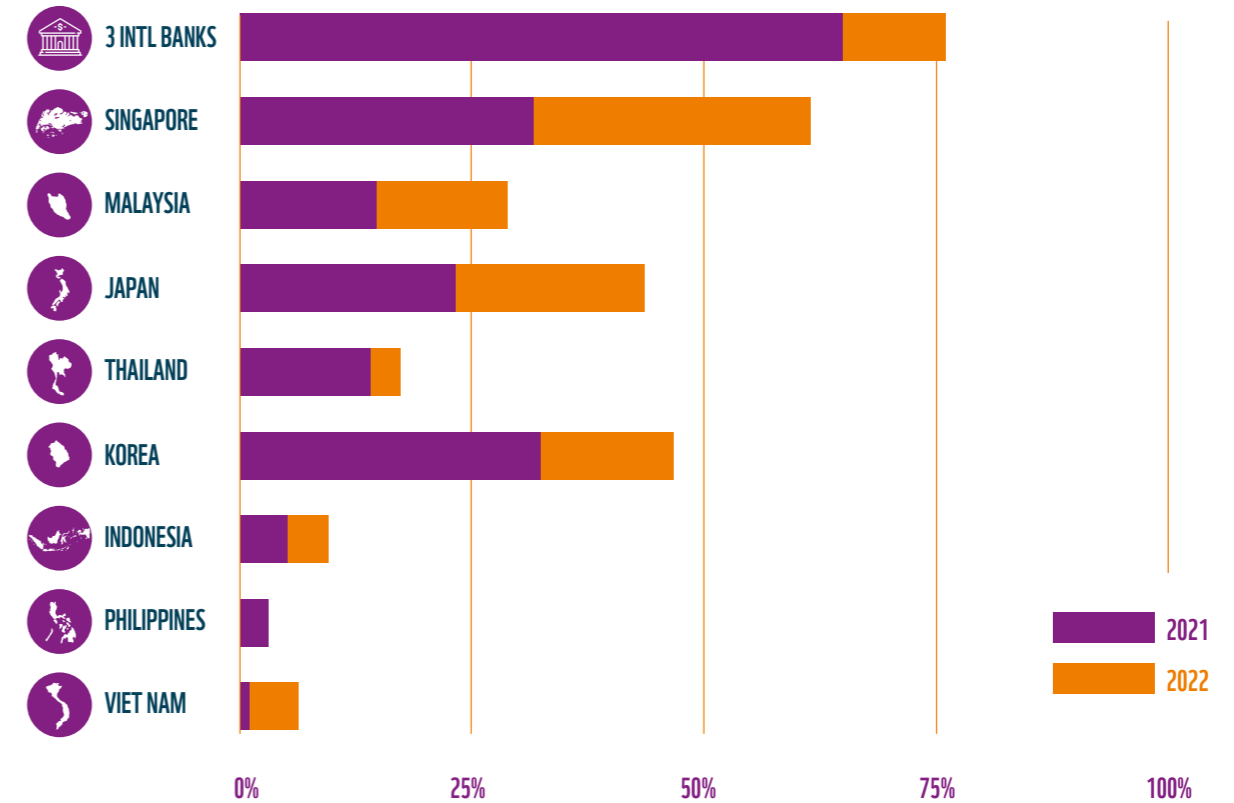
In 2022, banks in Malaysia, Japan, and Indonesia made considerable progress in the third phase of increasing impact (Figure 15). In terms of indicators, banks improved policies requiring clients to commit to “no deforestation” and comply with international standards on human rights. However, there is not much improvement in the client requirements to manage water and marine-related risks. On governance, banks increasingly incorporated E&S criteria in the appraisal process of senior managers and expanded the role of internal audit to include E&S procedures. Banks also improved their client outreach activities to help clients implement sustainable practices. Physical and transition risk assessment capabilities improved moderately, particularly for Singapore- and Malaysia-based banks. However, most banks in Indonesia, Viet Nam, and the Philippines are not yet assessing climate-related risks in their portfolios. Lastly, portfolio disclosures on sensitive sectors and soft commodity-related portfolios are still absent.

Phase 4. Achieve Sustainable Future (13 indicators):

Increasing impact is not enough to ensure that the climate- and nature-related commitments needed are met to achieve a sustainable future by 2050. Meeting these commitments will require banks to implement a credible plan for sustainability based on forward-looking scenarios. This starts with making net-

zero commitments and developing interim targets to achieve these commitments. Thereafter, banks need to set science-based targets and develop scenario analysis capabilities to shift their portfolios. Disclosures around emissions, metrics, and targets need to improve, in line with the TCFD, to demonstrate progress made by institutions. As bank leaders need to make informed decisions on sustainability issues based on increasingly complex forward-looking scenarios, their skills and incentives need to be aligned to include sustainability-linked criteria.

FIGURE 16: BANK PROGRESS IN INCREASING IMPACT FROM 2021-2022

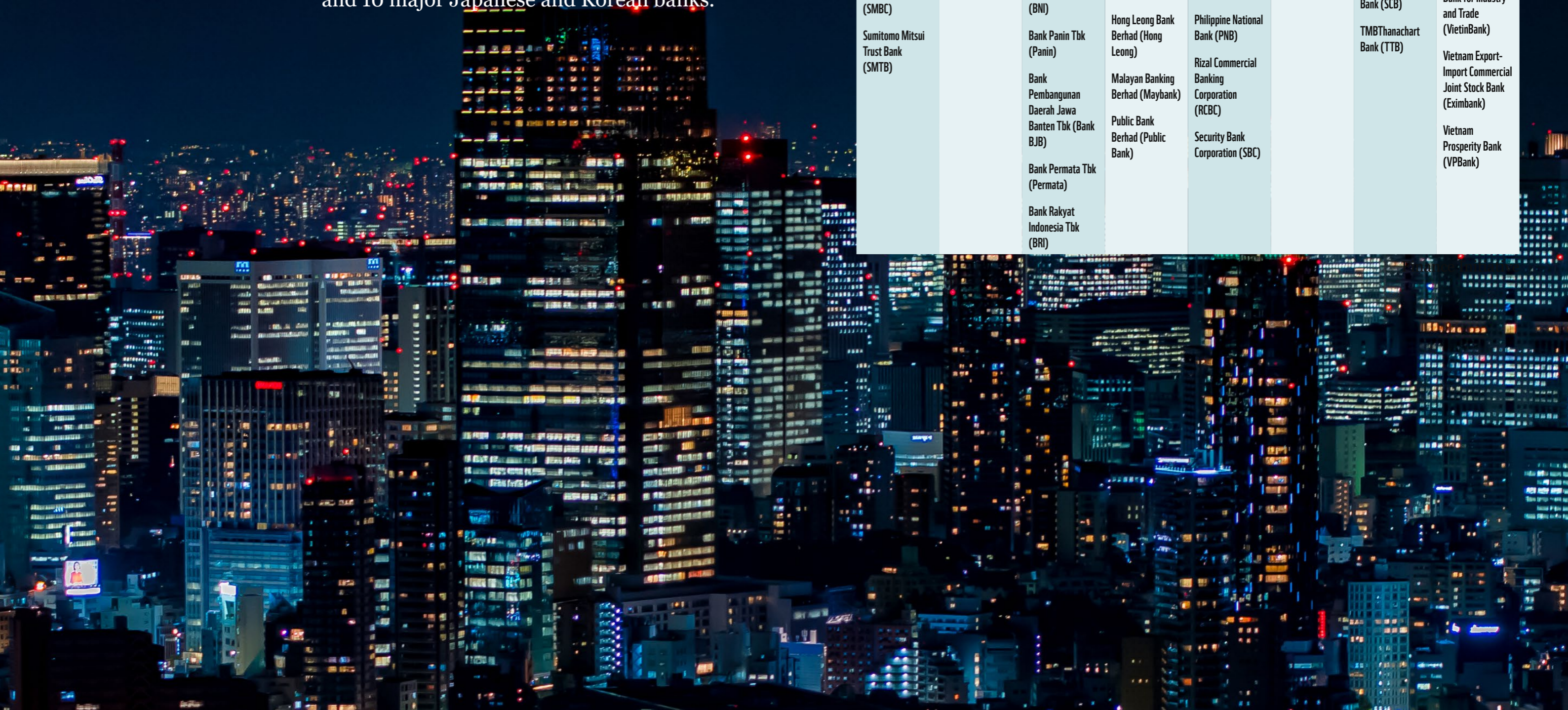


While most banks still score relatively low on indicators related to achieving a sustainable future, there was considerable progress in Singapore, Japan, and Korea based banks in 2022 (Figure 16). The main areas of improvement include banks making net-zero commitments by 2050 (18 of 46 banks assessed banks in 2022 vs seven banks in 2021) and implementation of TCFD recommendations. Bank TCFD reports have improved disclosures on financed emissions by sector and impact of their E&S initiatives. A number of banks have also published sector-based decarbonisation plans with interim 2030 targets. Banks that have recently committed to net-zero need to develop similar science-based targets by sector to decarbonise their portfolios.

BANKS ASSESSED

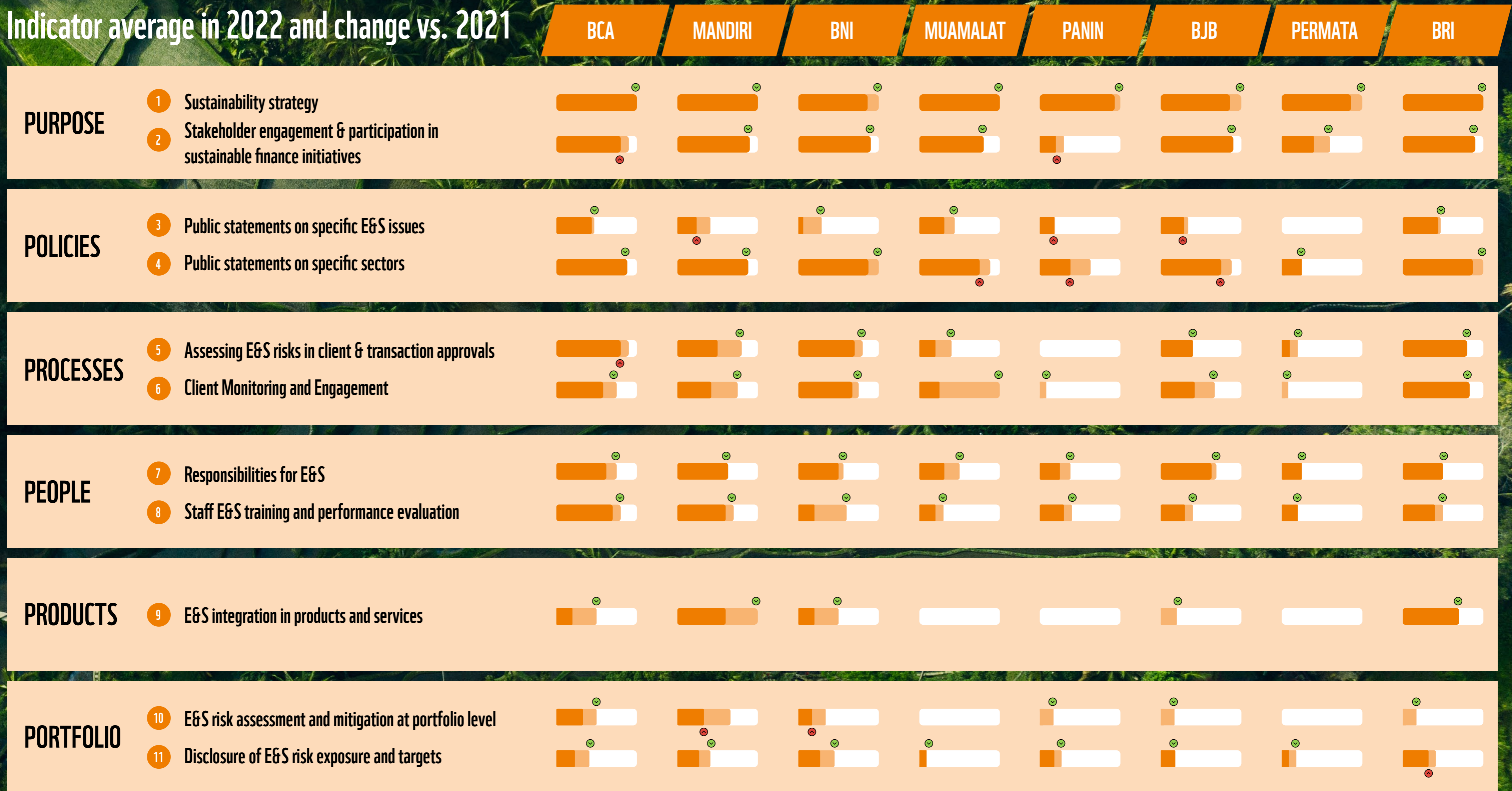
In this sixth assessment, SUSBA covers the E&S integration performance of 36 ASEAN banks and 10 major Japanese and Korean banks.

JAPAN	KOREA	INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIET NAM
Mizuho Bank (Mizuho)	Hana Bank (Hana)	Bank Central Asia Tbk (BCA)	AMMB Holdings Berhad (Ambank)	BDO Unibank, Inc (BDO)	DBS Group Holdings Limited (DBS)	Bangkok Bank (BBL)	Bank for Investment and Development of Vietnam (BIDV)
Mitsubishi UFJ Financial Group Bank (MUFG)	KB Kookmin Bank (KB)	Bank Mandiri (Persero) Tbk (Mandiri)	Bank Islam Malaysia Berhad (BI)	Bank of the Philippine Islands (BPI)	Oversea-Chinese Banking Corporation Limited (OCBC)	Bank of Ayudhya (Krungsri)	Joint Stock Commercial Bank for Foreign Trade of Vietnam (VCB)
Resona Bank (Resona)	Industrial Bank of Korea (IBK)	Bank Muamalat Indonesia Tbk (Muamalat)	RHB Bank Berhad (RHB)	China Banking Corporation (CBC)	United Overseas Bank Limited (UOB)	Kasikorn Bank (KBank)	Krung Thai Bank (KTB)
Sumitomo Mitsui Banking Corporation (SMBC)	Shinhan Bank (Shinhan)	Bank Negara Indonesia Tbk (BNI)	CIMB Group Holdings Berhad (CIMB)	Metropolitan Bank & Trust Company (Metrobank)		Siam Commercial Bank (SCB)	Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank)
Sumitomo Mitsui Trust Bank (SMTB)	Woori Bank (Woori)	Bank Panin Tbk (Panin)	Hong Leong Bank Berhad (Hong Leong)	Philippine National Bank (PNB)		TMBThanachart Bank (TTB)	Vietnam Export-Import Commercial Joint Stock Bank (Eximbank)
		Bank Pembangunan Daerah Jawa Banten Tbk (Bank BJB)	Malayan Banking Berhad (Maybank)	Rizal Commercial Banking Corporation (RCBC)			Vietnam Prosperity Bank (VPBank)
		Bank Permata Tbk (Permata)	Public Bank Berhad (Public Bank)	Security Bank Corporation (SBC)			
		Bank Rakyat Indonesia Tbk (BRI)					



INDONESIA

Indicator average in 2022 and change vs. 2021



* Regression could also be caused by the addition of new indicators in 2022.

JAPAN

Indicator average in 2022 and change vs. 2021

		MUFG	MIZUHO	RESONA	SMBC	SMTB
PURPOSE	1 Sustainability strategy					
	2 Stakeholder engagement & participation in sustainable finance initiatives					
POLICIES	3 Public statements on specific E&S issues					
	4 Public statements on specific sectors					
PROCESSES	5 Assessing E&S risks in client & transaction approvals					
	6 Client Monitoring and Engagement					
PEOPLE	7 Responsibilities for E&S					
	8 Staff E&S training and performance evaluation					
PRODUCTS	9 E&S integration in products and services					
PORTFOLIO	10 E&S risk assessment and mitigation at portfolio level					
	11 Disclosure of E&S risk exposure and targets					



* Regression could also be caused by the addition of new indicators in 2022.

KOREA

Indicator average in 2022 and change vs. 2021

		SHINAN	WOORI	KB	HANA	IBK
PURPOSE	1 Sustainability strategy					
	2 Stakeholder engagement & participation in sustainable finance initiatives					
POLICIES	3 Public statements on specific E&S issues					
	4 Public statements on specific sectors					
PROCESSES	5 Assessing E&S risks in client & transaction approvals					
	6 Client Monitoring and Engagement					
PEOPLE	7 Responsibilities for E&S					
	8 Staff E&S training and performance evaluation					
PRODUCTS	9 E&S integration in products and services					
PORTFOLIO	10 E&S risk assessment and mitigation at portfolio level					
	11 Disclosure of E&S risk exposure and targets					



*Regression could also be caused by the addition of new indicators in 2022

MALAYSIA

Indicator average in 2022 and change vs. 2021

		AMBANK	BI	CIMB	HONG LEONG	MAYBANK	PUBLIC	RHB
PURPOSE	1 Sustainability strategy							
	2 Stakeholder engagement & participation in sustainable finance initiatives							
POLICIES	3 Public statements on specific E&S issues							
	4 Public statements on specific sectors							
PROCESSES	5 Assessing E&S risks in client & transaction approvals							
	6 Client Monitoring and Engagement							
PEOPLE	7 Responsibilities for E&S							
	8 Staff E&S training and performance evaluation							
PRODUCTS	9 E&S integration in products and services							
PORTFOLIO	10 E&S risk assessment and mitigation at portfolio level							
	11 Disclosure of E&S risk exposure and targets							

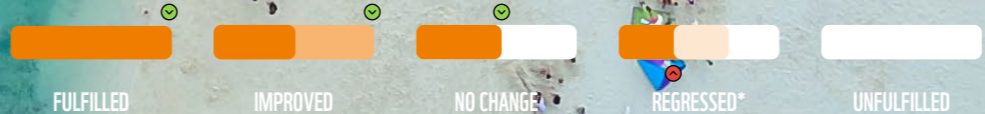


* Regression could also be caused by the addition of new indicators in 2022.

PHILIPPINES

Indicator average in 2022 and change vs. 2021

		BDO	BPI	CBC	METRO	PNB	RCBC	SBC
PURPOSE	1 Sustainability strategy							
	2 Stakeholder engagement & participation in sustainable finance initiatives							
POLICIES	3 Public statements on specific E&S issues							
	4 Public statements on specific sectors							
PROCESSES	5 Assessing E&S risks in client & transaction approvals							
	6 Client Monitoring and Engagement							
PEOPLE	7 Responsibilities for E&S							
	8 Staff E&S training and performance evaluation							
PRODUCTS	9 E&S integration in products and services							
PORTFOLIO	10 E&S risk assessment and mitigation at portfolio level							
	11 Disclosure of E&S risk exposure and targets							

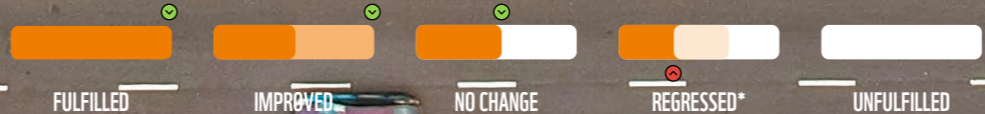


*Regression could also be caused by the addition of new indicators in 2022.

SINGAPORE

Indicator average in 2022 and change vs. 2021

		DBS	OCBC	UOB
PURPOSE	1 Sustainability strategy			
	2 Stakeholder engagement & participation in sustainable finance initiatives			
POLICIES	3 Public statements on specific E&S issues			
	4 Public statements on specific sectors			
PROCESSES	5 Assessing E&S risks in client & transaction approvals			
	6 Client Monitoring and Engagement			
PEOPLE	7 Responsibilities for E&S			
	8 Staff E&S training and performance evaluation			
PRODUCTS	9 E&S integration in products and services			
PORTFOLIO	10 E&S risk assessment and mitigation at portfolio level			
	11 Disclosure of E&S risk exposure and targets			

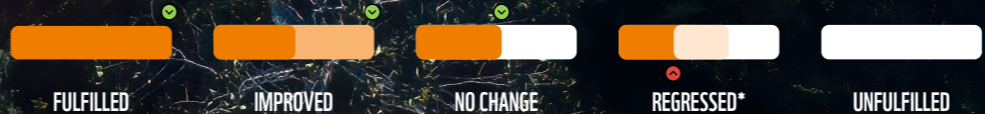


* Regression could also be caused by the addition of new indicators in 2022.

THAILAND

Indicator average in 2022 and change vs. 2021

		BBL	KRUNGSRI	KBANK	KTB	SCB	TTB
PURPOSE	1 Sustainability strategy						
	2 Stakeholder engagement & participation in sustainable finance initiatives						
POLICIES	3 Public statements on specific E&S issues						
	4 Public statements on specific sectors						
PROCESSES	5 Assessing E&S risks in client & transaction approvals						
	6 Client Monitoring and Engagement						
PEOPLE	7 Responsibilities for E&S						
	8 Staff E&S training and performance evaluation						
PRODUCTS	9 E&S integration in products and services						
PORTFOLIO	10 E&S risk assessment and mitigation at portfolio level						
	11 Disclosure of E&S risk exposure and targets						



* Regression could also be caused by the addition of new indicators in 2022.

VIET NAM

Indicator average in 2022 and change vs. 2021

		BIDV	VCB	VIETINBANK	EXIMBANK	VPBANK
PURPOSE	1 Sustainability strategy					
	2 Stakeholder engagement & participation in sustainable finance initiatives					
POLICIES	3 Public statements on specific E&S issues					
	4 Public statements on specific sectors					
PROCESSES	5 Assessing E&S risks in client & transaction approvals					
	6 Client Monitoring and Engagement					
PEOPLE	7 Responsibilities for E&S					
	8 Staff E&S training and performance evaluation					
PRODUCTS	9 E&S integration in products and services					
PORTFOLIO	10 E&S risk assessment and mitigation at portfolio level					
	11 Disclosure of E&S risk exposure and targets					



* Regression could also be caused by the addition of new indicators in 2022.

SUSBA FRAMEWORK

SUB-INDICATORS

PURPOSE

SUSTAINABILITY STRATEGY

- 1.1.1.1 Is there a clear reference to sustainability in the bank’s strategy and long-term vision?
- 1.1.1.2 Does the bank clearly recognise that its E&S footprint includes the indirect effects arising from its business activities (e.g. financing, underwriting, advising) and portfolio?
- 1.1.1.3 Does the leadership statement make reference to the integration of E&S factors in the bank’s business strategy?
- 1.1.1.4 Is there a clear reference to sustainable development goals (SDGs) in the bank’s strategy or vision?
- 1.1.1.5 Does the bank explicitly acknowledge the societal and economic risks associated with climate change?
- 1.1.1.6 Does the bank explicitly acknowledge the societal and economic risks associated with environmental degradation?
- 1.1.1.7 Has the bank identified responsible financing/lending and/or other key E&S issues as material?

STAKEHOLDER ENGAGEMENT AND PARTICIPATION IN SUSTAINABLE FINANCE INITIATIVES

- 1.1.2.1 Does the bank disclose the types of stakeholders it engages with on E&S issues?
- 1.1.2.2 Does the bank engage with civil society and/or non-governmental organisations to understand the E&S impacts of its business activities?
- 1.1.2.3 Does the bank disclose the frequency and mode of communication with stakeholders engaged on E&S issues?
- 1.1.2.4 Does the bank engage with regulators and policy makers on E&S integration and/or sustainable finance topics?
- 1.1.2.5 Does the bank participate in relevant commitment-based sustainable finance initiatives such as RSPO, PRB, EP, SBTi, or SBEFP?

POLICIES

PUBLIC STATEMENTS ON SPECIFIC E&S ISSUES

- 1.2.1.1 Does the bank have exclusionary principles covering activities the bank will not support, taking into account E&S considerations?
- 1.2.1.2 Does the bank require clients highly exposed to climate-related risks to develop a mitigation plan and ultimately align their activities to the objectives of the Paris Agreement?
- 1.2.1.3 Does the bank prohibit the financing of new coal-fired power plant projects?
- 1.2.1.4 Does the bank acknowledge biodiversity loss and/or deforestation risks in its clients’ activities?
- 1.2.1.5 Does the bank require clients in sectors highly exposed to deforestation (e.g. soft commodities, infrastructure, extractives industry) to adopt “no deforestation” commitments in both their own operations and supply chains, in accordance with the High Conservation Value or High Carbon Stock approaches?
- 1.2.1.6 Does the bank require clients in sectors highly exposed to conversion of natural ecosystems (e.g. soft commodities, infrastructure, extractives industry) to adopt “no conversion” commitments in both their own operations and supply chains, in accordance with the principles of the Accountability Framework Initiative?
- 1.2.1.7 Does the bank recognise negative impacts on the marine environment as risks in client’s activities?
- 1.2.1.8 Does the bank require clients in marine-related industries to obtain certification from or otherwise support relevant multistakeholder sustainability standards (e.g. ASC, MSC, SuRe) to ensure the sustainable use of oceans, seas and marine resources?
- 1.2.1.9 Does the bank have a commitment not to provide financial products and services to projects or companies located in, or having negative impacts on, key biodiversity and protected areas, including UNESCO World Heritage Sites, IUCN Category I-IV Protected Areas and Wetlands of International Importance designated under the Ramsar Convention on Wetlands?
- 1.2.1.10 Does the bank recognise water risks (flooding, scarcity, and pollution) as risks in its clients’ activities?
- 1.2.1.11 Does the bank require clients in high-risk sectors and geographies to perform water risk assessments and commit to water stewardship?
- 1.2.1.12 Does the bank recognise human rights risks, including those related to local communities, in its clients’ activities?
- 1.2.1.13 Does the bank require clients to commit to respecting human rights, in line with the UN Guiding Principles on Business and Human Rights?
- 1.2.1.14 Does the bank recognise labour rights violations as a risk across all sectors?
- 1.2.1.15 Does the bank require clients to adhere to international labour standards equivalent to the ILO Fundamental Conventions?
- 1.2.1.16 Does the bank have policies and procedures in place in order to seek to identify exposure to illicit activity involving wildlife and environmental crimes?
- 1.2.1.17 Are the bank’s E&S requirements applicable to financial products and services beyond lending (i.e. capital markets, advisory)?

PUBLIC STATEMENTS ON SPECIFIC SECTORS

- 1.2.2.1 Does the bank have sector policies for environmentally or socially sensitive industries, e.g. agri commodities, energy, oil & gas, mining, seafood, infrastructure?
- 1.2.2.2 Does the bank disclose its policies for environmentally or socially sensitive sectors?
- 1.2.2.3 Do the bank's sector-specific E&S policies include minimum requirements or recommendations based on internationally recognised standards for best E&S practices (e.g. IFC Performance Standards, RSPO, FSC, etc.)?
- 1.2.2.4 Does the bank periodically review its E&S policies or stated that the last date of review was within the past 2 years?

PROCESSES

ASSESSING E&S RISKS IN CLIENT & TRANSACTION APPROVALS

- 1.3.1.1 Does the bank use standardised frameworks for E&S due diligence (e.g. tools, checklists, questionnaires, external data providers) when reviewing clients or transactions subject to its policies?
- 1.3.1.2 Does the bank assess its clients' capacity, commitment, and track record as part of its E&S due diligence process?
- 1.3.1.3 As part of the approval process does the bank classify its clients and transactions based on E&S risk assessment?
- 1.3.1.4 Is there an escalation mechanism for more complex or controversial cases?
- 1.3.1.5 Do the E&S risk assessment outcomes influence transaction and client acceptance decisions?

CLIENT MONITORING AND ENGAGEMENT

- 1.3.2.1 Does the bank seek the inclusion of clauses (e.g. covenants, representations & warranties) related to E&S issues in the loan documentation for bilateral and syndicated credit facilities?
- 1.3.2.2 Does the bank require clients that are not fully compliant with its E&S policies to develop and implement time-bound action plans?
- 1.3.2.3 Does the bank monitor its clients' compliance with the agreed E&S action plans?
- 1.3.2.4 Does the bank perform periodic review or state how frequent it reviews its clients' profiles on E&S?
- 1.3.2.5 Does the bank disclose the process to address non-compliance of existing clients with the bank's policies or with pre-agreed E&S action plans?
- 1.3.2.6 Does the bank periodically review its internal E&S procedures or stated that the last date of review was within the past 2 years?

PEOPLE

RESPONSIBILITIES FOR E&S

- 1.4.1.1 Is senior management responsible for the implementation of the bank's ESG strategy?
- 1.4.1.2 Do senior management's responsibilities include management of climate change risks and opportunities relevant to the bank's activities?
- 1.4.1.3 Does the bank describe the roles and responsibilities of the various departments, committees or teams involved in developing and implementing its E&S policies?
- 1.4.1.4 Has the bank put in place an internal control system with three lines of defence to manage E&S issues?
- 1.4.1.5 Do the terms of reference of the Nominating committee include sustainability-related criteria for the appointment of new Board members?
- 1.4.1.6 Do the terms of reference of the Remuneration committee include sustainability-related criteria for the assessment of performance and remuneration levels for senior management?
- 1.4.1.7 Do the terms of reference of the Audit committee require sustainability-related matters to be included in internal control and audit processes?
- 1.4.1.8 Does the bank implement periodic audits to assess implementation of E&S policies and procedures?

STAFF E&S TRAINING AND PERFORMANCE EVALUATION

- 1.4.2.1 Does the bank have a dedicated ESG team to implement E&S policies and procedures?
- 1.4.2.2 Does the bank train its staff on E&S policies and implementation processes?
- 1.4.2.3 Does the bank provide specific training for its senior management, covering sustainability issues?
- 1.4.2.4 Are sustainability-related criteria part of the staff appraisal process and/or integrated into their KPIs?
- 1.4.2.5 Are sustainability-related criteria part of the senior management appraisal process and/or integrated into their KPIs?

PRODUCTS

E&S INTEGRATION IN PRODUCTS AND SERVICES

- 1.5.1.1 Does the bank proactively identify clients in environmentally or socially sensitive sectors to support them in reducing negative or enhancing positive impacts?
- 1.5.1.2 Does the bank offer specific financial products and services (e.g. green bonds, sustainability-linked loans, impact financing) that support the mitigation of E&S issues, e.g. climate change, water scarcity and pollution, deforestation?
- 1.5.1.3 Has the bank allocated specific pools of capital or increased the share of its financing that supports activities with a positive E&S impact?
- 1.5.1.4 Does the bank hold client outreach activities to raise awareness and share on good E&S practices (e.g. through workshops, seminars)?
- 1.5.1.5 Has the bank published frameworks for its sustainable financial products & services, e.g. a green bond framework, which are aligned with credible international standards?

PORTFOLIO

E&S RISK ASSESSMENT AND MITIGATION AT PORTFOLIO LEVEL

- 1.6.1.1 Does the bank periodically review its portfolio exposure to E&S risks (e.g. deforestation, water scarcity, or human rights violations)?
- 1.6.1.2 Does the bank periodically review its portfolio exposure to climate-related physical and/or transition risks, using scenario analysis, and disclose the results and methodology used?
- 1.6.1.3 Does the bank have a strategy to manage and mitigate climate-related risks across its portfolio?

DISCLOSURE OF E&S RISK EXPOSURE AND TARGETS

- 1.6.2.1 Does the bank disclose its credit exposure by industry sector?
- 1.6.2.2 Does the bank disclose the composition of its lending portfolios in the power generation (e.g. coal, gas, renewable energy) or energy (e.g. conventional vs. unconventional oil & gas, coal) sectors?
- 1.6.2.3 Does the bank disclose the GHG emissions or carbon intensity of the main carbon-intensive sectors in its portfolio (eg. agriculture, mining & metals, energy, etc.)?
- 1.6.2.4 Does the bank disclose statistics on the implementation of its E&S policies (e.g. number of transactions assessed, escalated, approved, declined, approved with conditions)?
- 1.6.2.5 Does the bank disclose the percentage of its soft commodities clients that have time-bound plans to achieve full certification of their operations against credible, multi-stakeholder sustainability standards?
- 1.6.2.6 Does the bank disclose the percentage of clients or total credit exposure covered by its E&S policies on sensitive sectors?
- 1.6.2.7 Does the bank have targets in place to reduce negative E&S impacts or increase positive impacts associated with its business activities, beyond direct impacts from its own operations, and disclose progress of achieving these targets?
- 1.6.2.8 Has the bank set science-based targets to align its portfolio with the objectives of the Paris Agreement, and disclosed progress of achieving these targets?
- 1.6.2.9 Has the bank committed to achieve net-zero greenhouse gas emissions in its lending portfolio by 2050, with defined interim milestones, and disclosed progress of achieving these targets?
- 1.6.2.10 Does the bank conduct external assurance of its ESG-related disclosures?
- 1.6.2.11 Does the bank disclose the positive and negative impacts associated with its business activities, beyond direct impacts from its own operations?

ASIA SUSTAINABLE FINANCE INITIATIVE

The Asia Sustainable Finance Initiative (ASFI) was established to bring together global industry, academic, and science-based resources to support financial institutions in the region in understanding and incorporating material ESG risks and opportunities into financial decision making.

ASFI works across six focus areas, including standards, research and tools, engagement, green financial solutions, regulations and guidelines and capacity building. Some of the key ASFI initiatives include the benchmarking tools RESPOND, SUSBA, and SUSREG, as well as ASFI Academy, which focuses on capacity building in the region.

ASFI Academy is a suite of e-learning courses developed by WWF-Singapore and the ASFI Knowledge Partners, designed to upskill financial professionals with the knowledge and skills required to support sustainable financial decision making. The current curriculum includes introductory level courses on sustainable banking and investments, as well as more in-depth sector-specific courses covering key issues in sustainable finance in the Agriculture, Forestry and Fisheries, Infrastructure and Energy sectors. Translated courses are also available to allow increased penetration to our target markets in the region. For more information visit www.asfi.asia/asfi-academy or email us at academy@asfi.asia.



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- 53 This version of the Seafood Sector indicators focused on aligning with the Turning the Tide "avoid" and "challenge" indicators specifically.
- 54 The 2022 seafood baseline assessment included 41 banks identified as leading lenders to key seafood companies across production, midstream and downstream. While there was some overlap with the 46 banks included in the full 2022 SUSBA assessment, about half of the banks assessed on seafood (21) were non-SUSBA banks. The full list of banks whose seafood policies were assessed can be found in [list of banks included in the seafood policies assessment](#) in the latter sections of this report. Details on the methodology for selecting this group of banks can be found in [our standalone report](#).
- 55 The Global Goals (n.d.). Goal 14: Life below water. https://www.globalgoals.org/goals/14-life-below-water/?gclid=CjwKCAiApvebBhAvEiwAe7mHSFix_48LskR7iage7NorXqyxTtVbKwxku1wyTCaWpoIkkZrpqFgrSxoCORUQAvD_BwE
- 56 TCFD (n.d.). About. <https://www.fsb-tcfd.org/about/>
- 57 TNFD (n.d.). TNFD Framework [version v0.3 Beta Release]. <https://framework.tnfd.global/>
- 58 WWF-Singapore (2022). Sustainable Banking Assessment 2021. https://www.asfi.asia/_files/ugd/23a920_ba927d3eca9b43ad9f2cb2532fb9685a.pdf

ABBREVIATIONS

ADB	Asian Development Bank
ASC	Aquaculture Stewardship Council
ASEAN	Association of Southeast Asian Nations
ASFI	Asia Sustainable Finance Initiative
CDP	Carbon Disclosure Project
E&S	Environmental and Social
ESG	Environmental, Social, and Governance
ETM	Energy Transition Mechanism
FPIC	Free, Prior and Informed Consent
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gas
GRI	Global Reporting Initiative
IUU	Illegal, Unreported, and Unregulated (Fishing)
MSC	Marine Stewardship Council
NZBA	Net-Zero Banking Alliance
NDPE	No Deforestation, No Peat, and No Exploitation
PRB	Principles for Responsible Banking
RSPO	Roundtable on Sustainable Palm Oil
SASB	Sustainability Accounting Standards Board
SBE FI	Sustainable Blue Economy Finance Initiative
SBTi	Science Based Targets initiative
SDGs	Sustainable Development Goals
SUSBA	Sustainable Banking Assessment
SUSREG	Sustainable Financial Regulation and Central Bank Activities
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Task Force on Nature-related Financial Disclosures
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
VBIAF	Value-based Intermediation Financing and Investment Impact Framework

BANKS INCLUDED IN THE SEAFOOD POLICIES ASSESSMENT

North America:

- Bank of America
- Citigroup
- Goldman Sachs
- JPMorgan Chase
- Morgan Stanley
- Wells Fargo

Asia

- Agricultural Bank of China
- Bank of China
- Bank of Communications
- China Construction Bank
- China Development Bank
- Industrial and Commercial Bank of China
- JBIC
- Kyushu Financial Group
- Mitsubishi UFJ Financial
- Mizuho Financial
- Nomura
- Norinchukin Bank
- Shizuoka Bank
- SMBC Group
- Sumitomo Mitsui Trust
- CIMB Group
- Malayan Bank

- DBS
- OCBC
- UOB
- Fubon Financial
- Bangkok Bank
- Kasikornbank
- Krung Thai Bank
- Siam Commercial Bank

Europe

- Barclays
- BNP Paribas
- Credit Suisse
- Deutsche Bank
- HSBC
- ING Group
- Rabobank
- Société Générale
- Standard Chartered
- UBS

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