

# Nature financing presents business opportunities for financial institutions: MAS-backed association

Reversing the negative impacts of human activity on nature and restoring it can unlock US\$10 trillion in global business opportunities and create 395 million jobs by 2030



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Published Sun, Apr 27, 2025 · 08:41 PM

**Nature-Related Financial Disclosures**

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The white paper notes that the challenges of nature degradation requires coordinated effort from the government, regulatory bodies, companies in the real economy, and the financial sector. PHOTO: BT FILE

[SINGAPORE] Financial institutions should incorporate nature into their financing strategies, as investing in the protection and restoration of nature will bring about significant economic opportunities.

This view was published in a recent white paper by the Singapore Sustainable Finance Association, a sustainable finance industry group supported by the Monetary Authority of Singapore.

Economic opportunities can be found in areas such as the circular economy, the protection of water and marine resources, as well as waste and pollution prevention – but financial institutions need to expand their definitions of nature financing to

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include corporate activities that either reduce their negative impacts on nature, or create positive ones.

Citing statistics from the World Economic Forum, the paper noted that nature transition, which refers to plans to reverse negative impacts and restore nature, could unlock US\$10 trillion in global business opportunities. It could also create 395 million jobs by 2030.

And out of these figures, US\$4.3 trillion and 232 million jobs could go to Asia.

The paper's call to finance nature also arises from the serious risk that a loss of natural capital will pose to the economy as company revenues come under threat, or if they have to incur additional costs from new regulations or increased consumer scrutiny. By extension, the portfolios of financial institutions will be exposed to such risks as well.

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The paper said: “Risks to the real economy equate to risks in financing portfolios, while investment needed for transition represents an opportunity for the financing sector. The scale of both problem and opportunity make nature transition a material issue for the financial sector.”

### How can banks start?

Financial institutions can approach nature financing in a way similar to what they have done for climate financing, given their close relationship, the paper indicated.

They can first start by establishing a governance structure for nature financing, and assess the materiality of nature within their portfolios.

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Financial institutions can then channel financing towards activities that support nature or engage clients, to identify nature-related risks and opportunities, as well as integrate nature considerations into their operations and business models.

“For financial institutions, the climate-nature nexus has important practical implications. Financial institutions that have incorporated climate transition across their operations will have the necessary infrastructure in place to do the same for nature,” said the report.

The paper detailed a broad sector-level materiality assessment, which identified the following sectors in South-east Asia which are most dependent on nature: agriculture, forestry and fishing, mining and quarrying, accommodation and food service activities, manufacturing, and built environment.

Agriculture, forestry and fishing, as well as mining and quarrying, were found to have the most impact on nature.

### **Challenges in nature financing**

However, the white paper recognised that the financial sector alone cannot achieve the transition needed for nature, given the scale of investments required.

Drawing from the experience of climate financing, the paper noted that the challenges of nature degradation require coordinated effort by the government, regulatory bodies, companies in the real economy, as well as the financial sector.

On this front, it noted that international talks on nature are shaping up to be similar to international climate talks; the landmark Global Biodiversity

Framework was agreed to at an annual United Nations-led meeting on biological diversity in 2022, known as COP15.

With global targets to protect at least 30 per cent of the world's land, coastal and marine areas by 2030, this framework set in motion a process by which countries can formulate policies for nature, as their governments form national biodiversity strategies and action plans.

The Taskforce on Nature-related Financial Disclosures has also created reporting standards for financial institutions and companies that are directly comparable with climate reporting.

However, the paper noted that there is a need for further action by all stakeholders.

Governments can establish environmental, fiscal and industrial policies that protect and ensure the provision of ecosystem services. Policy direction will then determine which economic activities are bankable.

Financial regulators can consider how existing regulation and guidance on reporting, risk management, governance and planning may be improved to increase the focus on nature.

Sectoral pathways developed by scientific teams and industry groups for target-setting on nature is underway. More work is needed to ensure widespread adoption, including the definition of appropriate metrics, and will require joint consultation among the government, corporate and financial sectors.

The white paper noted that the financial sector can engage relevant industry groups in material real-economy sectors, to understand their nature considerations, challenges and financing requirements.

“This would raise awareness of nature risks and opportunities, and potentially encourage real economy sectors to think more about nature in their business operations,” it said.

Given that nature is location-specific and can be measured using different dimensions, the paper also said that standardising and simplifying the most relevant nature metrics at industry level would be

crucial in measuring progress and accelerating the target-setting process.

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