# FORESTS AND FINANCE MALAYSIA

BANKING ON BIODIVERSITY COLLAPSE: MALAYSIAN EDITION

SAHABAT ALAM MALAYSIA

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CONTENTS

# EXECUTIVE SUMMARY

Environmental, Social and Governance (ESG) frameworks are fast dominating the sustainability discourse. Many Malaysian financial institutions have also started to announce their responsible investment and financing policies including ESG and No Deforestation, No Peat and No Exploitation (NDPE) policies.

Civil society organisations in Malaysia and around the world are still battling with destructive projects that pose high environmental and social risks. While the social and environmental harms related to the expansion of forest-risk commodities are already widely documented; finance continues to flow with impunity. Private financial flows to activities that harm biodiversity is much greater than public investments in conservation.[1]

The six commodities sectors, namely beef, soy, palm oil, pulp and paper, rubber and timber, were selected based on scientific research that identifies these sectors as main drivers of tropical deforestation, within the soft commodities sectors. These six sectors are known as forest risk commodities.

Forests & Finance (F&F) data reveals that Malaysia is the forest-risk country with the second largest investment holdings of bonds and shares (USD 6.9 billion or 64%) in companies operating in the tropical forest-risk commodity sectors.

The main Malaysian investors include Permodalan Nasional Berhad (PNB) (USD 4.4 billion), Employees Provident Fund (EPF)(USD 2.6 billion), Lembaga Kemajuan Tanah Persekutuan (FELDA) (USD 0.96 billion) and KWAP Retirement Fund (USD 0.88 billion). The top three Malaysian institutional investors (PNB, EPF and KWAP) are active in Indonesia, through their investments in Malaysian conglomerates with palm oil and rubber operations in Indonesia. *

In terms of credit, Malaysian financial institutions are significant actors, ranking seventh overall. Although the Malaysian financial sector is largely exposed to forest-risk commodity sectors through investment, its banks ranked seventh globally, providing a total of USD 16.4 billion in loans and underwriting services in the period 2016-June 2024. This is different to Indonesia, which provides little investment, but ranks second for credit to these sectors.

The 2023 F&F global policy assessment, which evaluates the quality and robustness of the financial institutions' policies based on a set of 38 environmental, social, and governance (ESG) criteria, concludes that, globally, financial institutions' policies are woefully inadequate. Globally, financial institutions received an average overall score of just 17%, while the average score for Malaysian financial institutions was slightly higher in comparison at 23%.

CIMB Malaysia scored the highest (49%) in Malaysia and also globally, even slightly better than French banking group BNP Paribas (47%) and agriculture-focused Dutch banking cooperative Rabobank (45%). Malayan Banking (Maybank) also started to adopt policies with clearer expectations for clients and ranked second after CIMB with a score of 43%.

The policy score of the EPF also stands out with a score of 45%. This is much stronger than that of its Malaysian peer PNB, which scored 17%.

[1] Forests and Finance, "Regulating Finance: A Precondition to Implementing the Global Biodiversity Framework," n.d., https://forestsandfinance.org/wp-content/uploads/2024/05/FF-2024-Financial-regulations-and-biodiversity-briefer-EN.pdf.

In general, compared to the 2022 policy assessment result which showed majority of the Malaysian Financial Institutions lacking disclosure and transparency in their policy commitments, the 2023 policy assessment saw some improvements with 6 more financial institutions, namely RHB Banking, Public Bank, PNB, KWAP Retirement Fund and EPF, Hong Leong Group adopting some forms of policy, though most of the policies are still inadequate to address harmful activities.

However, a closer look at the palm oil sector with relatively more detailed policy expectations compared to other sectors among the Malaysian financial institutions, finds that CIMB Group, EPF, Malayan Banking and RHB Banking had the highest score (7.0 out of 10) but still not robust enough to avoid being engaged in financing deforestation activities.

Finance provided by Malaysian banks to Indonesian conglomerates and other companies operating in Indonesia adds another dimension to the transboundary haze crisis. For the period 2016-June 2024, 60% of the loans and underwriting services provided by Malaysian financial institutions were attributable to forest-risk operations in Malaysia, and 38% to Indonesia. In terms of investment, about 99.9% (USD 3 billion) of the investment that F&F tracked goes into the palm oil sector in Indonesia. The top 5 investors in the Indonesian palm oil sector are PNB (49%), EPF (28%), KWAP Retirement Fund (9%), Lembaga Kemajuan Tanah Persekutuan (FELDA) (4%) and Public Bank (4%); while the top 4 financiers identified are Malayan Banking (49%), CIMB Group (40%), AmBank Group (5%) and RHB Banking (5%).

CIMB, EPF, Malayan Banking and RHB Banking have adopted policies that categorically prohibits the use of fire for land clearing, requires clients not to establish plantations in areas prone to fire, and includes the obligation to fight fires in the palm oil and pulp and paper sectors. Their policy performance stood at 7 out of 10. A full score requires the financial institutions to extend their policy coverage to the direct and indirect suppliers of the company they are financing. Another top financier, AmBank Group and other top investors including Permodalan Nasional Berhad, KWAP Retirement Fund and Lembaga Kemajuan Tanah Persekutuan (FELDA) have yet to disclose their policy commitment at the time of the policy assessment conducted in August 2023.

As for the policy performance on key social criteria to respect the rights of indigenous peoples and local communities, the 2023 policy assessment finds that majority of the financial institutions do not yet have a policy or lack adequate policy that requires companies and their suppliers to respect the rights of indigenous peoples and local communities to give or withhold Free, Prior, and Informed Consent (FPIC).

To conclude, the 2023 F&F policy assessment shows incremental yet encouraging improvements among the financial institutions in Malaysia. However, the overall policy performance does not yet reflect the urgency and scale with which we must address climate change, biodiversity loss and social issues.

The Central Bank of Malaysia (Bank Negara Malaysia - BNM) should set mandatory, consistent, and stringent Value-Based Impact Assessment Framework (VBIAF) standards that financial institutions must comply with, and focus attention on addressing drivers of biodiversity loss and encroachment of the indigenous customary land rights in the financial system and limiting greenwashing.

Binding financial regulation is a pre-condition for implementing the objectives of the Global Biodiversity Framework. Voluntary standards have a limited ability to address the drivers of deforestation and biodiversity losses.

The Malaysian Financial Institutions must also define how their sustainability policy works to prevent transboundary haze. There is also a need to increase transparency, public disclosure and conduct meaningful consultation with civil society organisations and community-based organisations. The financial institutions should disclose: (a) the name of the project and company (or company group) they are financing, including financial intermediaries; (b) their full impacts on biodiversity with methods that allow data to be publicly and independently verified, and scrutinised; (c) complaints they face about their biodiversity and human rights impacts. There should also be a mechanism to hold financial institutions accountable for the adverse impacts they have caused or contributed to in their financing and investment.

# 1. INTRODUCTION

Malaysia is one of the 17 megadiverse countries in the world. As a party to the Convention on Biological Diversity (CBD), Malaysia has been reporting on its national biodiversity strategies and actions to the CBD and also aligned the National Policy on Biological Diversity (NPBD) 2022 – 2030 with the 2022 Kunming Montreal Global Biodiversity Framework (KMGBF) where the policy aims to guide Malaysia's biodiversity aspirations until 2030. At the Rio Earth Summit in 1992, Malaysia committed to maintaining at least 50% of its land mass as forest and tree cover and this pledge has since been reiterated by the respective government throughout the years and on various occasions, domestically and internationally.

The climate emergency and biodiversity loss are high on the global agenda and Environmental Social and Governance (ESG) frameworks and "sustainable finance" are fast dominating the sustainability discourse, especially within the financial sector. However, civil society organisations are still battling with destructive projects that pose high environmental and social risks in Malaysia and around the world.

The 2019 Global Assessment Report on Biodiversity and Ecosystem Services by Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) warned the current accelerating rate of biodiversity loss and that the current trends in loss of biodiversity and ecosystem services would undermine progress toward 80% of the assessed Sustainable Development Goals.[2]

Although social and environmental harms related to the expansion of forest-risk[3] commodities are already widely documented; finance continues to flow with impunity to

[2] IPBES, "Summary for Policymakers of the Global Assessment Report on Biodiversity and Ecosystem Services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services" (Bonn, Germany, 2019), https://doi.org/10.5281/zenodo.3553579.

[3] The six commodities sectors, namely beef, soy, palm oil, pulp and paper, rubber and timber, were selected based on scientific research that identifies these sectors as main drivers of tropical deforestation, within the soft commodities sectors. See for example research by Pendrill et al 2019. These 6 sectors are known as forest risk commodities.

agribusiness and logging companies driving these harms.[4] As concluded by the State of Finance for Nature report published by the UN in December 2023, the private financial flows to biodiversity conservation are less than 1% of private financial flows spent on activities that harm biodiversity, while harmful public financial flows are 10 times greater than public investments in conservation.[5]

Forests & Finance (F&F) data revealed that banks have provided USD 395 billion in credit (2016 - 2024 June) to 300 forest-risk commodity companies[6] operating in the world's three largest tropical forest regions.[7] Further, institutional investors are facilitating the expansion of agribusiness with USD 41 billion in shares and bonds as of July 2024.[8]

F&F also conducts policy assessments to evaluate the quality and robustness of the financing and investment policies that financial institutions have adopted to avoid getting involved in, or contributing to, deforestation and related environmental, social and governance issues.

This report, the Malaysian edition of the F&F global report on "Banking on Biodiversity Collapse", focuses on the forest-risk credit and investment trends in Malaysia and evaluates the quality and robustness of the financing and investment policies of the Malaysian financial institutions based on the latest Forests & Finance Policy assessment in 2023. Following the publication of the 2022 policy assessment brief for Malaysian financial institutions, this report continues to spotlight the lack of robust financing and investment policies to prevent transboundary haze.

The scope of this report focuses only on the voluntary responsible investment and financing policies by presenting key findings from the Forests and Finance Policy assessment in 2023, with some recommendations for the financial institutions and policymakers.

Further assessment and critical analysis of the financial regulations, such as the Value Based Intermediation Assessment Framework (VBIAF), Climate Change and Principle-based Taxonomy (CCPT), Sustainable and Responsible Investment Taxonomy would provide a more complete picture of the opportunity for strengthening the financial regulations to protect forests and uphold community rights in Malaysia.

Ultimately, civil society organisations would like to see the financial sector taking social and environmental issues seriously through robust policy commitments and due diligence by: (1) avoiding financing companies that create social and environmental harms and (2) putting pressure on existing clients to change practices that uphold community rights and protect the environment.

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[4] Forests and Finance, "Banking on Biodiversity Collapse: Tracking the Banks and Investors Driving Tropical Forest Destruction 2023," December 2023, https://forestsandfinance.org/banking-on-biodiversity-collapse/.
[5] Forests and Finance, "Regulating Finance: A Precondition to Implementing the Global Biodiversity Framework."
[6]While not all of the companies selected for the website are engaged in harmful operations. However, all are engaged in large scale operations in tropical forest regions that have a high risk of causing deforestation and associated social impacts. Banks that do business with these companies are therefore highly susceptible in contributing to deforestation risks.
[7] Forests and Finance, "Banking on Biodiversity Collapse: Tracking the Banks and Investors Driving Tropical Forest Destruction 2024," October 16, 2024, https://forestsandfinance.org/wp-content/uploads/2024/10/BOBC_2024_FullReport_EN.pdf.
[8] Forests and Finance.

FORESTS & FINANCE

The Forests & Finance (F&F) platform provides a comprehensive source of information on the funding of economic sectors that are at risk in driving tropical deforestation in the three most important tropical forest regions (Amazon and Cerrado, Congo Basin and Southeast Asia). The organisations behind this platform are Profundo, Rainforest Action Network, TuK Indonesia, Sahabat Alam Malaysia, Repórter Brasil, AmazonWatch, Friends of the Earth US, BankTrack, CED Cameroon, Milieudefensie.

## 2. DEFORESTATION AND ENCROACHMENT ON INDIGENOUS CUSTOMARY LAND DRIVERS IN MALAYSIA

Since the late 1990s, there have been numerous reports by civil society organisations, independent researchers and the media, from Malaysia and abroad, including SAM itself, that have identified monoculture plantation as a primary driver of deforestation, biodiversity losses and the violations of indigenous customary land rights in Malaysia.

The rights of the indigenous peoples in Malaysia, including their customary land rights, are amongst the rights protected under the Federal Constitution. Despite constitutional protection, land without any form of documentary title is still interpreted as being the property of the state, as is the case with all forest resources. Indigenous customary land rights, therefore, are seen merely as a limited form of usufructuary rights[9] and not as a form of proprietary interest in the land itself. This has resulted in the long-standing practice of issuing the licences for logging, plantation, mining and other resource-extractive operations on indigenous customary territories by state governments.[10] The absence of land tenure security and the unilateral interpretation of customary territory areas by the state is the root cause of land rights violations and encroachment conflicts on indigenous customary territories.[11]

The development model that was pursued by Malaysia in the post-independence period led to the overharvesting of natural timber in the 1980s and 1990s and eventually caused the rapid depletion in our natural timber resources.[12] Subsequently, since the 1990s, the conversion of such logged over forests into monoculture plantations was pursued in Peninsular Malaysia, Sarawak and Sabah.

[9] Usufructuary rights refers to the right to use and benefit from the land, but not the right to ownership of the land itself. A right no better than that of a tenant at will, limited to the crops and built structures found on the land. It is not the right to theownership of the land itself. For further reading: https://foe-malaysia.org/articles/indigenous-customary-land-rights-and-the-modern-legal-system-2/

[10] https://foe-malaysia.org/wp-content/uploads/2020/12/2016_SAM_JKOASM_Encroachment_on_Orang_Asli_customary_land.pdf

[11] Sahabat Alam Malaysia and Jaringan Kampung Orang Asli Semenanjung Malaysia, "Encroachment on Orang Asli Customary Land in Peninsular Malaysia: Causes and Solutions," 2016, https://foe-malaysia.org/wp-content/uploads/2020/12/2016_SAM_JKOASM_Encroachment_on_Orang_Asli_customary_land.pdf.

[12] The root causes of deforestation in Malaysia are unsustainable development model, economic globalisation (i.e., how integrated Malaysian economy is in the global economy), power and other structures of political economy. This is based on the unpublished manuscript "A preliminary political ecology analysis to deconstruct the dominant views on the root causes of deforestation in Malaysia and reconstruct a possible path to a sustainable future for Malaysia" by Hilary Kung on 2 December 2018.

It is also pertinent to assert that "plantations are not forests" and what we have in Malaysia and globally are monoculture plantations. A forest is not planted and it is scientifically erroneous to claim any types of monoculture plantation as "planted forest" or "plantation forest". By definition a monoculture plant is the complete opposite of forests which are formed by natural vegetation and a high level of biodiversity. Forests perform various ecological functions as water catchment systems, shelter wildlife, fishes and microorganisms. Large monoculture farms of crops on the other hand are disastrous for water catchments, rivers, entire ecosystems and their biodiversity.[13]

These monoculture plantations are essentially a post-logging development, mostly cultivated with timber and pulp and paper trees as well as oil palm. Monoculture plantations are usually worked by migrant labour.

At its early stage, the conversion of forests into monoculture plantations was also encouraged by federal policies such as the National Timber Industry Policy 2009-2020 (NATIP), which targeted the establishment of 375,000 hectares of timber tree plantations in selected sites all over the country, for which RM 180 million was allocated as an 'initial' sum to assist the industry.

Under NATIP, the Forest Plantation Development Sdn. Bhd (FPDSB) was established as a wholly owned subsidiary of the Malaysian Timber Industry Board (MTIB), the regulator of the downstream timber industry in Peninsular Malaysia. FPDSB functions as the federal government's special purpose vehicle to implement the country's timber tree plantation development programme (PPLH), which among others, had been tasked to provide RM 1 billion in soft loans to private investors between 2006 and 2020.

In the context of the federal-state jurisdiction dichotomy, forests, which exist in the form of large land mass, constitutionally fall into the hands of state governments. The Federal Constitution has assigned lands, mines and forests as sources of revenue to states. Further, 10 percent of the revenues collected by the federal government from export duties on tin, iron and minerals ores will also be allocated to the producing states. Currently, there is no real and adequate financial incentive for state governments to protect their forests. Dependence on land and forests as the main source of revenue means state governments would be less inclined to gazette land and forests for conservation purposes as totally protected areas. This has resulted in misaligned economic incentives and competing policy directions for the states to exploit natural resources instead of protecting high conservation value (HCV) areas.

Based on SAM's research, totally protected forests and terrestrial areas are estimated to make up only between 13 and 16 percent of our total land area.[14]

## 2.1. PENINSULAR MALAYSIA

In Peninsular Malaysia, in 2022, the annual report of the Department of Forests of Peninsular Malaysia reported that the size of its permanent reserved forests (PRFs)

[13] For more information, please see https://foe-malaysia.org/articles/plantations-are-not-forests/

[14] Sahabat Alam Malaysia, "Statistical Data on Forested and Conservation Areas in Malaysia - Part 2: 13 or 55 Percent?," November 11, 2020, https://foe-malaysia.org/articles/statistical-data-on-forested-and-conservation-areas-in-malaysia-2/.

designated for plantation development has climbed again, to 141,131 hectares.[15] The total size of forests designated for plantation development was once reduced from 402,000 hectares (in 2016) to 115,438 hectares in 2018, or 2 percent of the PRF, which still stood at 4.92 million hectares then.[16]

The well-documented adverse impacts caused by monoculture plantations led to the moratorium on new projects by the Malaysian National Land Council in December 2021. While the National Land Council has imposed a 15-year moratorium on new forest plantations in Peninsular Malaysia, the moratorium itself is insufficient as there is still policy in place to promote the establishment and development of monoculture plantations in permanent reserved forests (PRFs).[17] The moratorium is also insufficient as it does not stop those proposed monoculture projects that are already underway before the moratorium.

Monoculture plantations continue to be a primary threat. In 2023, Macaranga, a research-based journalism organisation covering environmental issues, found that the 5 main types of projects that have been approved inside forests are: (a) forest plantations, (b) farms and aquaculture, (c) logging, (d) oil palm and (e) rubber plantations and (f) mines and quarries. Monoculture plantations emerge as the primary driver of forest clearing activities in Peninsular Malaysia[18], which is also consistent with reports by RimbaWatch, an environmental watchdog[19].

The main justification and reason used by State Authorities to approve a monoculture plantation project is because the identified area is a poor forest or degraded forest. However, as reported by Macaranga, what constitutes a “degraded forest” is problematic.[20]

Based on SAM’s research, the development of monoculture plantations began to take place in forested areas since 1990s, following the decline of natural timber resource base due to overharvesting in the past decades in Malaysia.[21] Loggers and foresters were reportedly admitted that clear-felling generates more than twice the timber income.[22] Between

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[15] Ministry of Natural Resources, Environment and Climate Change, “Forestry Department of Peninsular Malaysia: Annual Report 2022,” n.d., https://www.forestry.gov.my/images/Laporan_Tahunan/2022/Laporan_Tahunan_JPSM_2022.pdf.

[16] “Plantations Are Not Forests - Sahabat Alam Malaysia.”

[17] Sahabat Alam Malaysia, “Abolish the Establishment of Forest Plantations (Monoculture Plantations) in Permanent Reserved Forests in Peninsular Malaysia - Sahabat Alam Malaysia,” December 13, 2021, https://foe-malaysia.org/articles/abolish-the-establishment-of-forest-plantations/.

[18] Macaranga, “Projects That Replaced Natural Forests in Peninsular Malaysia,” March 7, 2023, https://www.macaranga.org/projects-that-replaced-natural-forests-peninsular-malaysia/.

[19] Please see “State of the Malaysian Rainforest: 2023 How Malaysia’s Forest Cover Is Expected to Fall below 50% in the Future” and “State of the Malaysian Rainforest 2024: Timber plantations and oil palm expansion remain primary threats to rainforests” from Rimba Publication | RimbaWatch - RIMBA (rimbawatchmy.com)

[20] According to Macaranga, the Forestry Department Peninsular Malaysia laid out criteria that restrict forest plantations to “degraded forests” damaged by illegal logging, shifting cultivation, pests, or fire. What is most concerning is the last criterion which defines “degraded forest” as one where the average volume of harvestable timber per hectare is less than 153 m3. However, according to the latest National Forestry Inventory (2010—2013), the forests in all states but Melaka have averaged below the 153 m3/ha threshold. This would risk having most forests in Peninsular Malaysia considered as “degraded” and – by extension – eligible to be turned into forest plantations. See more here https://www.macaranga.org/forest-plantations-in-reserves-quick-to-cut-slow-to-grow/#:~:text=Whatever%20the%20state%20of%20the,are%20in%20Pahang%20and%20Kelantan.

[21] “Plantations Are Not Forests - Sahabat Alam Malaysia.”

[22] Macaranga, “Forest Plantations in Reserves: Quick to Cut, Slow to Grow,” March 2, 2022, https://www.macaranga.org/forest-plantations-in-reserves-quick-to-cut-slow-to-grow/.

2012-2020, a majority (67.9%) of the 185,413 ha of reserves cleared for forest plantations in Peninsular Malaysia have not been replanted.[23] In fact, investigations by environmental journalists continue to point to logging as the real motivation behind monoculture plantations, driven by political-economic factors.[24] The investigative journalism by Malaysiakini on Timber grab: The truth behind Pahang oil palm plantations provided an overview of how complex the issue is.[25]

In 2016, SAM and the Jaringan Kampung Orang Asli Semenanjung Malaysia (JKOASM) published the publication *Encroachment on Orang Asli Customary Land* where we documented case studies from 13 indigenous customary territories in Kelantan, Pahang and Perak, involving 66 villages with a population of more than 6,000 on the adverse environmental and socio-economic impacts caused by extractives industry such as logging, monoculture plantations and mining and the absence of free, prior and informed consent (FPIC).[26]

In 2012, the size of the indigenous customary territories as estimated by JAKOA was approximately 151,141 hectares.[27] From this, only 20 per cent or 30,883 hectares had either been gazetted or issued with private documentary land titles and the remaining 80 per cent or 120,257 hectares had yet to receive any form of recognition.[28]

The lack of recognition of the indigenous customary land rights in Peninsular Malaysia, and the ever-shrinking wildlife habitat also exacerbates human-wildlife conflict when relevant authorities carry out wildlife translocation from a deforested area to an indigenous customary or rural community land without due regard to potential conflict of interests and safety of all involved. The Department of Wildlife and Nature Parks (PERHILITAN) has already described the 4 fatal tiger attacks in Kelantan in 2023 as unprecedented.[29] The indigenous communities are not only living in fear of further attacks but also with the fear of hunting and foraging for forest produce for doing so might provoke the already agitated wildlife that was translocated unilaterally into their land. Human wildlife conflict such as these, driven by deforestation and human wildlife conflict also contribute sharply to food insecurity which indigenous communities are already experiencing and lack of sense of safety among indigenous in their own customary land.

## 2.2. SABAH AND SARAWAK

In Sabah, the total areas that had been designated for monoculture plantation development in the state by the end of 2004 was already 547,693 hectares, of which 70% of them

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[23] Macaranga.

[24] See [Forest Plantations in Reserves: Quick to Cut, Slow to Grow - Macaranga; Timber grab: The truth behind Pahang oil palm plantations | Overrun by wild elephants, a barren plantation in what was mature forest bears witness to years of mismanagement. (malaysiakini.com)]()

[25] Please see the full article on Timber grab: The truth behind Pahang oil palm plantations here: https://newslab.malaysiakini.com/jerantut-plantation/en/

[26] Sahabat Alam Malaysia and Jaringan Kampung Orang Asli Semenanjung Malaysia, "Encroachment on Orang Asli Customary Land in Peninsular Malaysia: Causes and Solutions."

[27] Sahabat Alam Malaysia and Jaringan Kampung Orang Asli Semenanjung Malaysia.

[28] Sahabat Alam Malaysia and Jaringan Kampung Orang Asli Semenanjung Malaysia.

[29] Anna Louise, "'Man-Eating' Tigers in Malaysia Terrorize Village Following Attack Spree That Killed 4 | Nature World News," *Nature World News*, November 21, 2023, https://www.natureworldnews.com/articles/59579/20231121/tiger-traps-put-place-following-series-animal-attacks-killed-four.htm.

(384,115 hectares), is believed to be within Sabah's Forest Reserves.[30] The total size of planted timber trees and oil palm plantations in 2019 is 276,989 hectares.

In Sarawak, our estimation showed that the size of areas designated for timber and pulp and paper tree and oil palm plantations as reported by various government data between 2018 and 2020 stood at 3.32 million hectares, and at least 2.37 million hectares of these, under the Licence for Planted Forests (LPF) system, would have almost certainly encroached into forests (gazetted as production forests that are part of the Sarawak's Permanent Forest Estate (PFE) and the non-gazetted state land forests).

SAM has documented the patterns of encroachment on indigenous customary territories in Sarawak and concluded that the following systemic causes of the violations of the indigenous customary land rights in Sarawak, which is legally termed as the native customary rights (NCR) within the state legal system.[31]

The report also provided a detailed account of land encroachment and environmental and social impacts (impact on income sources, livelihood and food sources) caused by monoculture plantations and also discussed why the certification scheme, which functions within a governance and legal system that is weighed down by numerous systemic flaws and weaknesses, is insufficient to fully address the issues of encroachment on the indigenous customary land rights.[32]

[30] "Plantations Are Not Forests - Sahabat Alam Malaysia."

[31] Sahabat Alam Malaysia, "The Land We Lost: Native Customary Rights (NCR) and Monoculture Plantations in Sarawak," July 21, 2019, https://foe-malaysia.org/wp-content/uploads/2020/12/2019_SAM_The_Land_We_Lost_NCR_Plantation_Sarawak_Final_en_small.pdf.

[32] Sahabat Alam Malaysia.

## 2.3. WHAT DOES ALL THESE MEAN TO THE FINANCIAL SECTOR?

In short, only by understanding the drivers and root causes of the deforestation and encroachment on the indigenous customary land, will we be able to inch towards halting the drivers.

In respect of the financial institutions that have developed or are going to develop their own responsible financing and investment policy standards, the implementation of their policy is largely dependent on the robustness and efficiency of the existing governance framework.

The main challenge is for these financial institutions to develop an effective and robust due diligence process, with an understanding of the weaknesses and loopholes of the existing policies and laws, particularly the root causes that undermine the protection of land, forests, the environment and community rights.

The problem of ESG greenwashing was recently recognised by the International Monetary Fund (IMF), which noted that 'proper regulatory oversight and verification mechanisms are essential to avoid greenwashing'.[33]

In Malaysia, the Value-Based Impact Assessment Framework (VBIAF) launched in (November 2019), provides an umbrella framework that is grounded on Shariah tenets for Islamic financial institutions. This is supposed to lay the foundation for ESG consideration in the provision of financial services. The VBIAF has published a total of six sectoral guides, including the VBIAF Sectoral Guide: Palm Oil (March 2021). However, the VBIAF remains a voluntary guideline.

The lack of accessible and reliable forest data and maps, the misaligned and incoherent policy directions, and the systemic causes of the violations of the indigenous customary land rights, as well as other political-economy factors, present huge challenges for voluntary guidance to work.

A robust policy in Malaysia should go beyond prohibiting illegal deforestation, but also to provide clear criteria to protect the forest. Improved legal understanding on the rights of local communities, especially those relating to indigenous peoples and their territories is essential. It is indeed vital for the financial sector to take such land rights issues into consideration in their decision-making and due diligence processes.

Ultimately, the financial sector needs to uphold its policy commitment to avoid financing any project that is destructive and goes against its policy, even when the financed activity is legal and has received all the legal approvals.

This requires concerted efforts from financial institutions as well as the forest-risk sectors to move faster, in larger numbers, and to adopt uniformly higher responsible financing and investment policy standards than has occurred to date, towards mandatory and consistent standards and proactively facilitating the pathway of policy and legal reforms to address deforestation and violations of the indigenous customary land rights in Malaysia.

# 3. FINANCIAL FLOWS: MALAYSIA IS A SIGNIFICANT INVESTOR IN THE FUNDING OF FOREST-RISK COMMODITY SECTORS

[33] Jessica Dempsey et al., "Thin and Shallow: Financial Instruments for Biodiversity Conservation and Their Outlook," *Third World Network*, 2024, https://www.twn.my/title2/books/pdf/Thin%20and%20shallow.pdf.

### 3.1. Investment

Based on F&F data (as of July 2024, globally, investments in the forest risk commodity sectors are rather concentrated, with 63% coming from just two countries: the United States (USD 15 billion) and Malaysia (USD 11 billion).

It is important to note that F&F only captures financing where this information is available on financial databases or published by company sources such as their annual reports. As many forest-risk companies do not attract financing from capital markets (e.g. do not issue bonds or shares) or publish financial data in annual reports, the real scale of forest-risk financing will be considerably larger.

As shown in Figure 1, of the countries with tropical forests, Malaysia had the largest investment (USD 6.9 billion or 64%) in the forest-risk commodity sectors. Figure 2 shows that the vast majority of the investments (USD 10.6 billion or 98%) were attributable to the palm oil sector, followed by rubber (1.1%) and timber (0.6%).

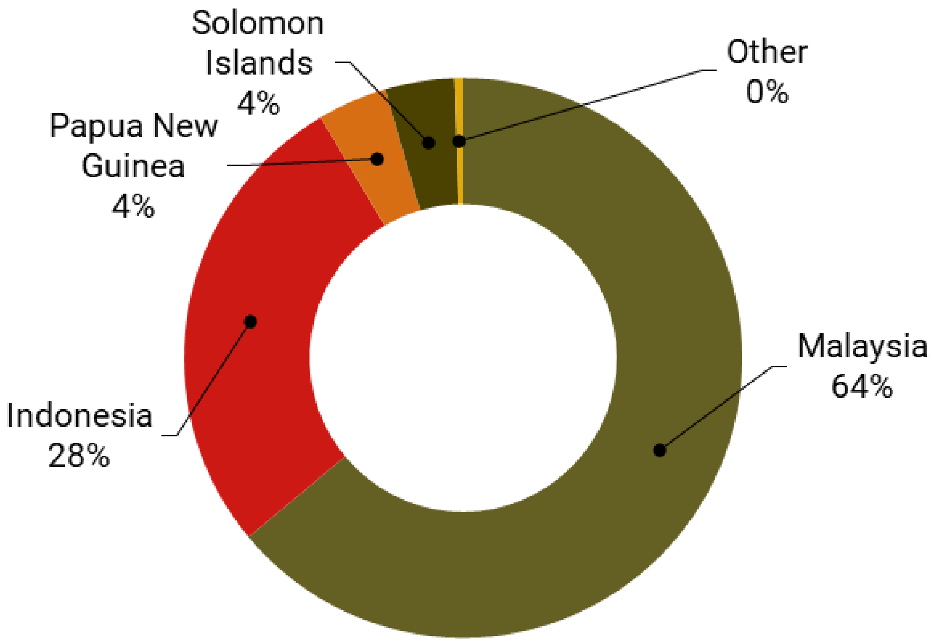


*Figure 1: Bond & shareholding per forest-risk country (2024 July, US$ mln)*

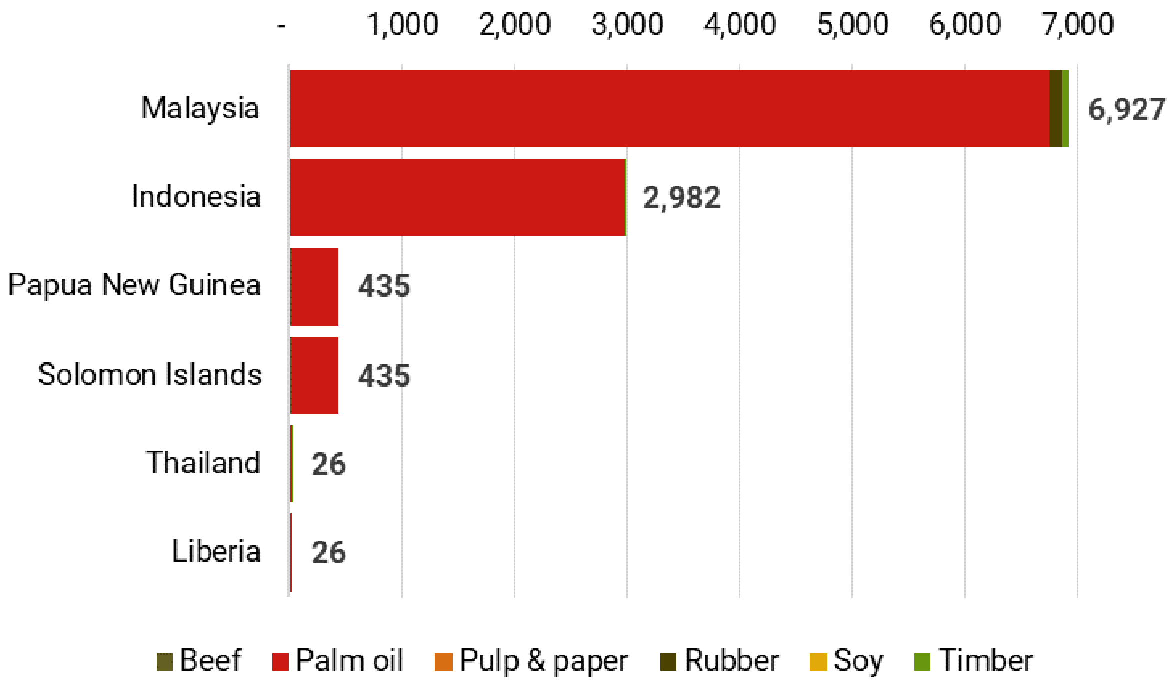


*Figure 2: Bond & shareholding per forest-risk country and sector (2024 July, US$ mln)*

The main Malaysian investors, as shown in Figure 3, are PNB (USD 4.4 billion), EPF (USD 2.6 billion), Lembaga Kemajuan Tanah Persekutuan (FELDA) (USD 0.96 billion) and KWAP Retirement Fund (USD 0.88 billion).

The top three Malaysian institutional investors (PNB, EPF and KWAP) are also active in Indonesia, through their investments in Malaysian conglomerates with palm oil and rubber operations in Indonesia.

The Malaysian financial sector is largely exposed to forest-risk commodity sectors through investment (Malaysian banks ranked seventh globally, providing a total of USD 16.4 billion in loans and underwriting services in the period 2016-June 2024, please see next section). This is different to Indonesia, which provides little investment, but ranks second for credit to these sectors.

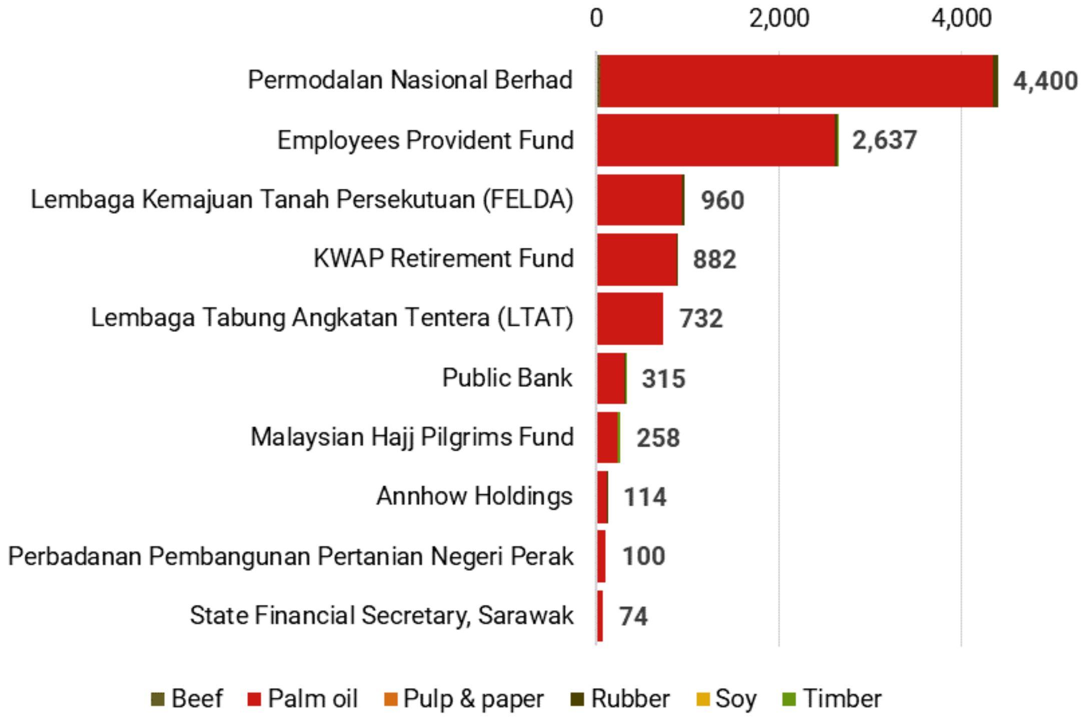


*Figure 3: Top 10 Malaysian investors - Bond & shareholding per forest-risk sector (2024 July, US$ mln)*

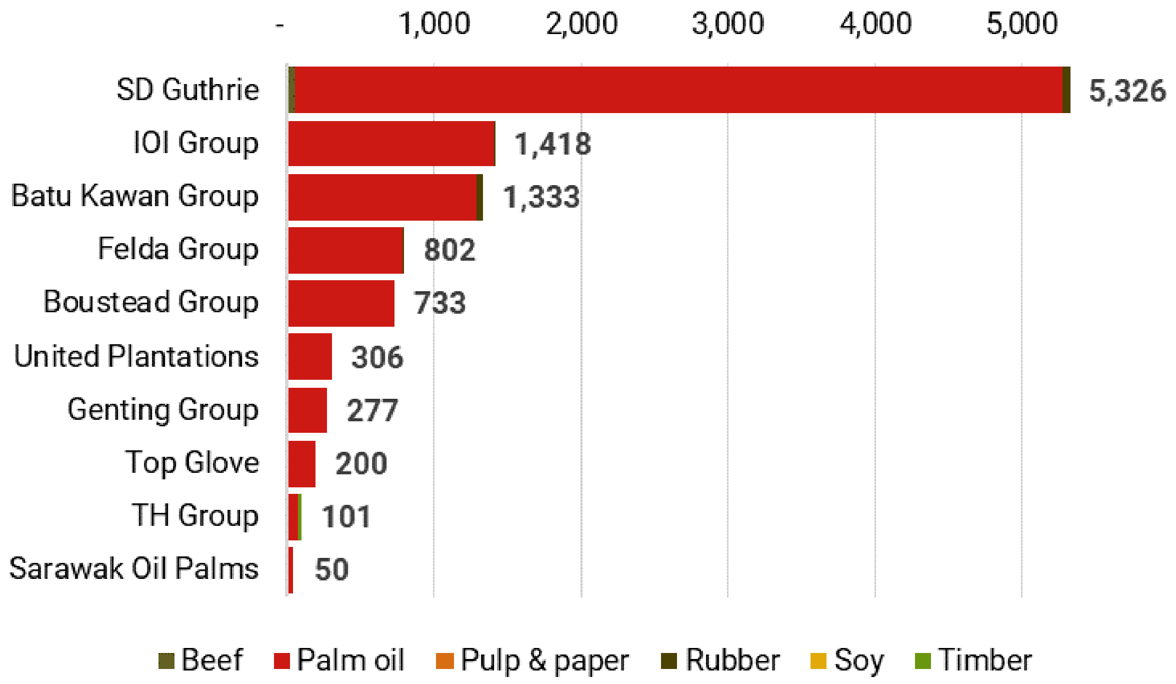


*Figure 4: Top 10 Malaysian investees - Bond & shareholding per forest-risk sector per company (2024 July, US$ mln)*

### 3.2. Credit

In terms of credit, Malaysian financial institutions provided USD 16 billion to forest-risk sectors in loans and underwriting services in the period 2016-June 2024. They remain the top 10 of all forest-risk financiers.

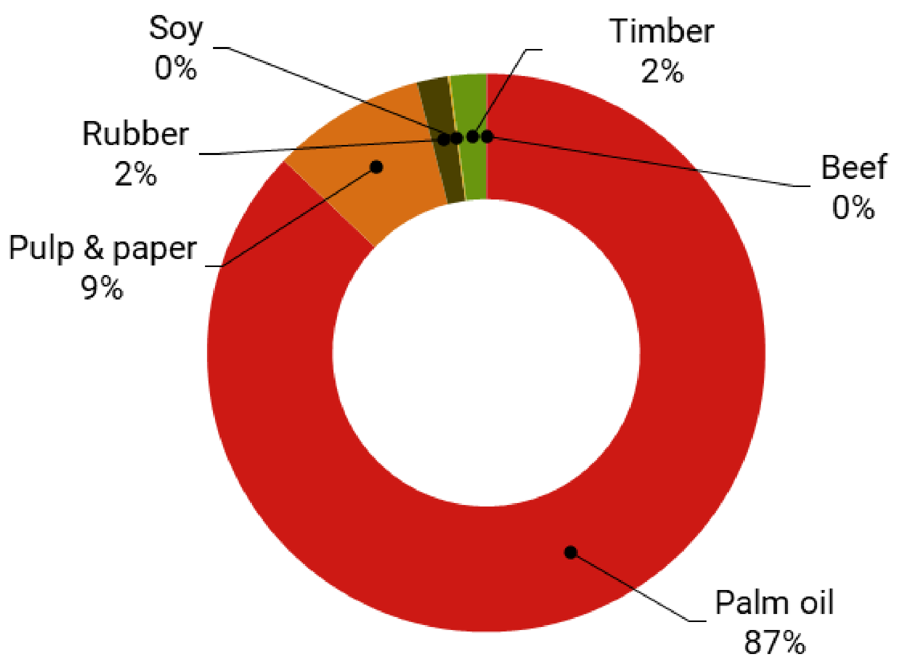


*Figure 5: Loans & underwriting per forest-risk sector (2016-2024 June, US$ mln)*

For the period 2016-June 2024, 60% of the forest-risk loans and underwriting services provided by Malaysian financial institutions were attributable to forest-risk operations in Malaysia, and 38% to Indonesia.

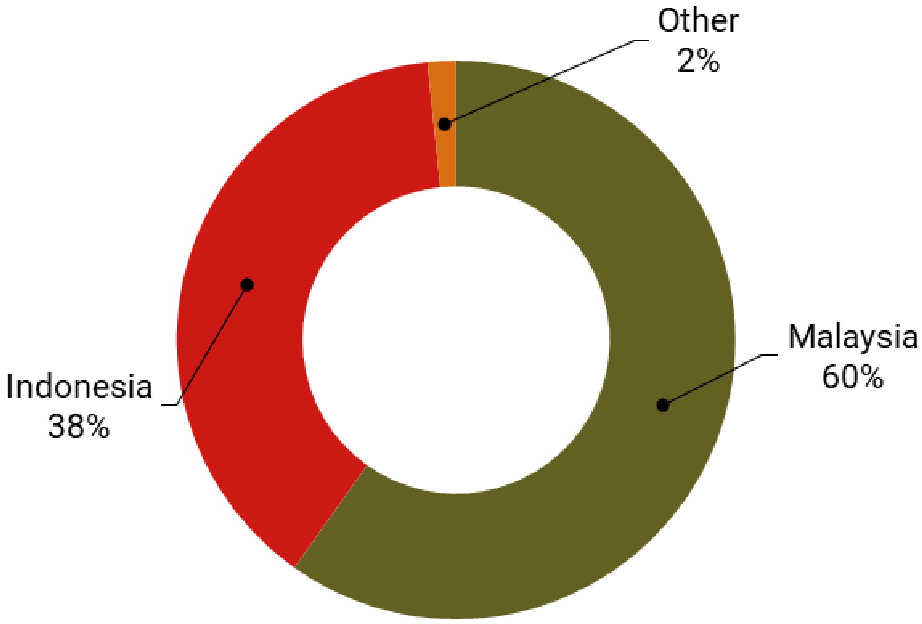


*Figure 6: Loans & underwriting per forest-risk country (2016-2024 June, US$ mln)*

In the period 2016-June 2024, Malaysian forest-risk loans and underwriting services fluctuated around approximately USD 1.9 billion per year, with a total of USD 16.4 billion (see Figure 7).

Finance provided by Malaysian banks to Indonesian conglomerates and other companies operating in Indonesia adds another dimension to the transboundary haze crisis. This also raises the question on the responsibilities of Malaysian banks in conducting adequate due diligence to avoid financing activities that may cause forest and peatland fires and the transboundary haze crisis, which will be discussed further in the following section.

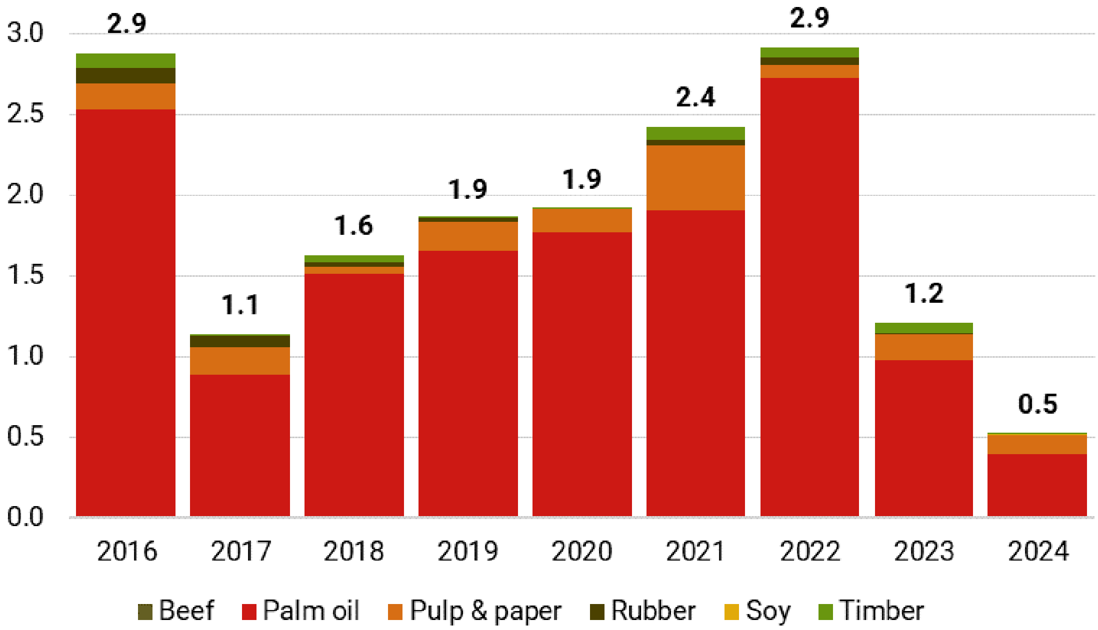


*Figure 7: Loans & underwriting per forest-risk sector per year in Malaysia (2016-2024 June, US$ mln)*

Figure 8 shows the 10 largest Malaysian creditors to the forest-risk commodities. Overall, Malayan Banking tops the list, providing around USD 6.1 billion, followed by CIMB Group (USD 4.6 billion), RHB Banking (1.5 billion) and AmBank Group (USD 1.1 billion).

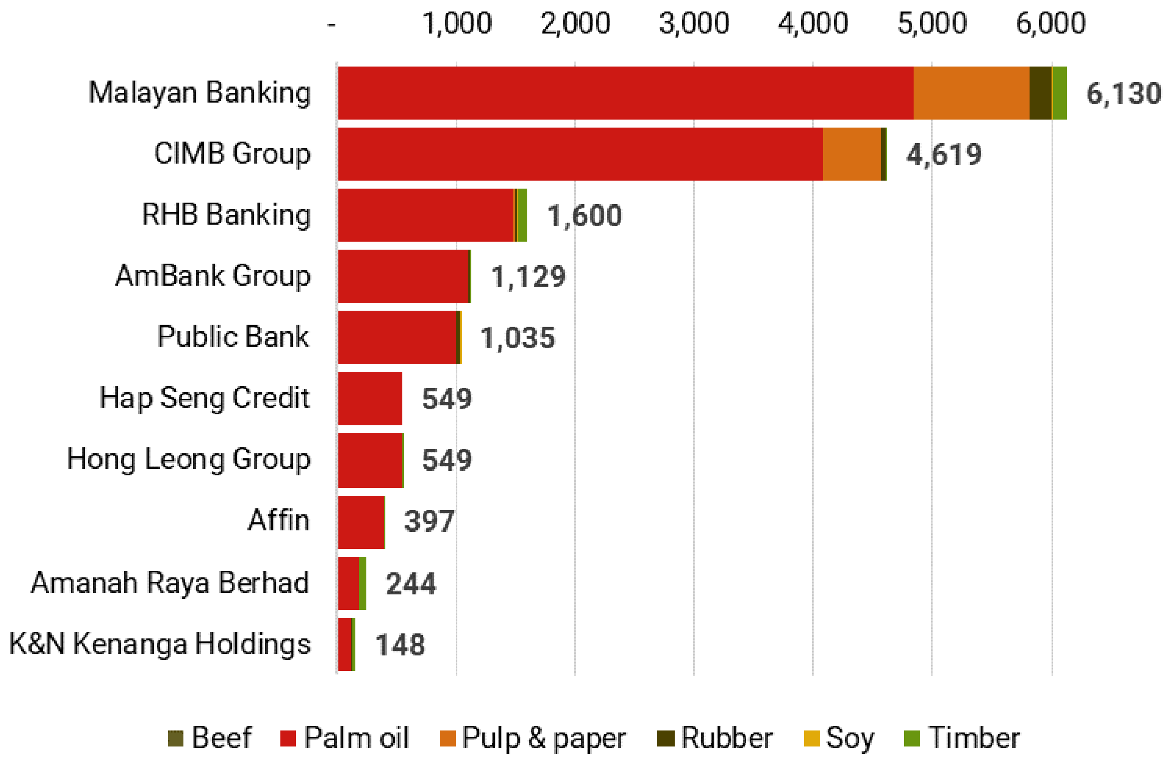


*Figure 8: Top 10 banks - Loans & underwriting per forest-risk sector (2016-2024 June, US$ mln)*

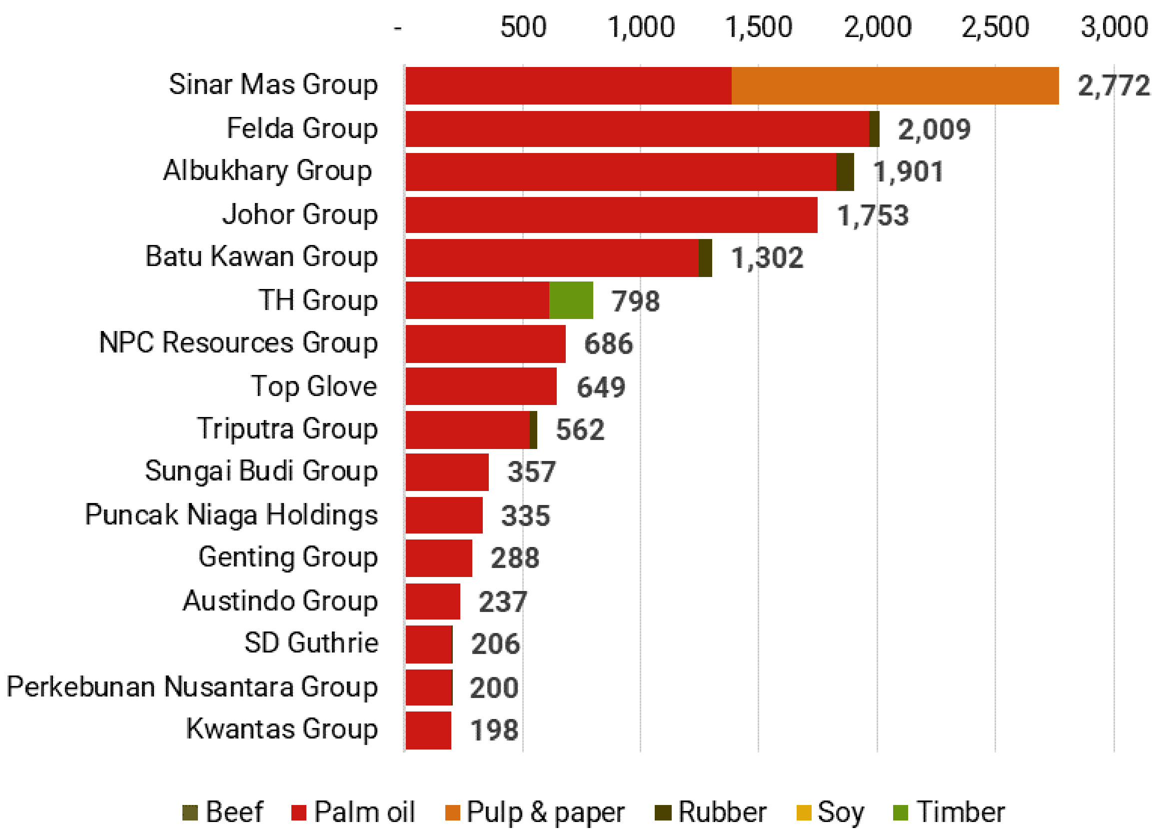


*Figure 9: Top 15 clients/companies - Loans & underwriting per forest-risk sector (2016-2024 June, US$ mln)*

Sinar Mas Group, one of the largest conglomerates in Indonesia which controls Asia Pulp & Paper and Golden Agri Resources, is the biggest client of Malaysian creditors. Sinar Mas received a total of USD 2.8 billion of the identified credit. This is followed by Felda Group (USD 2.0 billion), Albukhary Group (USD 1.9 billion) and Johor Group (USD 1.8 billion).

Finance provided by Malaysian banks to Indonesian conglomerates and other companies operating in Indonesia adds another dimension to the transboundary haze crisis. This also raises the question on the responsibilities of Malaysian banks in conducting adequate due diligence to avoid financing activities that may cause forest and peatland fires and the transboundary haze crisis, which will be discussed further in the following section.

Malaysia's prominent role in financing these forest-risk commodity sectors is based on its economic development model. F&F focuses on the role of responsible investment and financing policies and how strong the policies are and whether they are implemented rigorously, to ensure that financial institutions are not involved in, or contributing to, deforestation and related environmental, social and governance issues.

## 4. KEY FINDINGS FROM THE F&F POLICY ASSESSMENT 2023

F&F assesses the policies of over 100 of the most significant financial institutions linked to forest-risk commodity sectors globally on an annual basis. The 2023 global policy assessment, which was based on a set of 38 environmental, social, and governance (ESG) criteria[34], concludes that financial institutions' policies are woefully inadequate, with financial institutions receiving an average overall score of 17%.[35] This indicates that the key financial actors in forest-risk commodity sector financing are not even making the most basic commitments to safeguard the environment and respect human rights.

The 38 ESG criteria developed by F&F are grouped on the basis of the terminology used widely in the financial sector, where sustainability issues are often referred to as Environmental, Social and Governance risks (ESG) risks. Therefore, the 38 criteria, based on consultations with various civil society groups, is a proxy of what NGOs would expect on sustainability from the financial sector.

CIMB Malaysia scores the highest (49%) in Malaysia and also globally, even slightly better than French banking group BNP Paribas (47%) and agriculture-focused Dutch banking cooperative Rabobank (45%). Malayan Banking (Maybank) also started to adopt policies with clearer expectations for clients and ranked second after CIMB with a score of 43%.

The policy score of the EPF stands out with a score of 45%. This is much stronger than that of its Malaysian peer PNB, which scored 17%.

In general, compared to the 2022 policy assessment result which showed majority of the Malaysian financial institutions lack disclosure and transparency in their policy commitments, the 2023 policy assessment saw some improvements with 6 more financial institutions, namely RHB Banking, Public Bank, PNB, KWAP Retirement Fund and EPF, Hong Leong Group adopting some forms of policy, though most of the policies are still inadequate to address harmful activities.

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[34] See Forests and Finance methodology here - https://forestsandfinance.org/methodology/

[35] Forests and Finance, "Banking on Biodiversity Collapse: Tracking the Banks and Investors Driving Tropical Forest Destruction 2023."

With the ultimate goal to push for greater transparency, the 2023 policy assessment evaluates publicly available policies up until August 2023, with an opportunity given to financial institutions for review and feedback.

### 4.1. Incremental and encouraging policy performance, but yet to reflect the urgency with which we must address the issues

The average score for Malaysian financial institutions is 23%, which is slightly better compared to the average overall score of 17% globally.

The 2023 F&F policy assessment shows incremental yet encouraging improvements among the financial institutions in Malaysia. However, the overall policy performance does not yet reflect the urgency and scale with which we must address climate change, biodiversity loss and social issues.

The findings also show that creditors (Affin, Ambank Group, Hong Leong Group) and investors (KWAP Retirement Fund and FELDA) score less than 15% and generally lack disclosure and transparency in their policy commitments.

The policy score of the Employees Provident Fund stands out with a score of 45%. This is much stronger than that of its Malaysian peer Permodalan Nasional Berhad, which scored 17%.

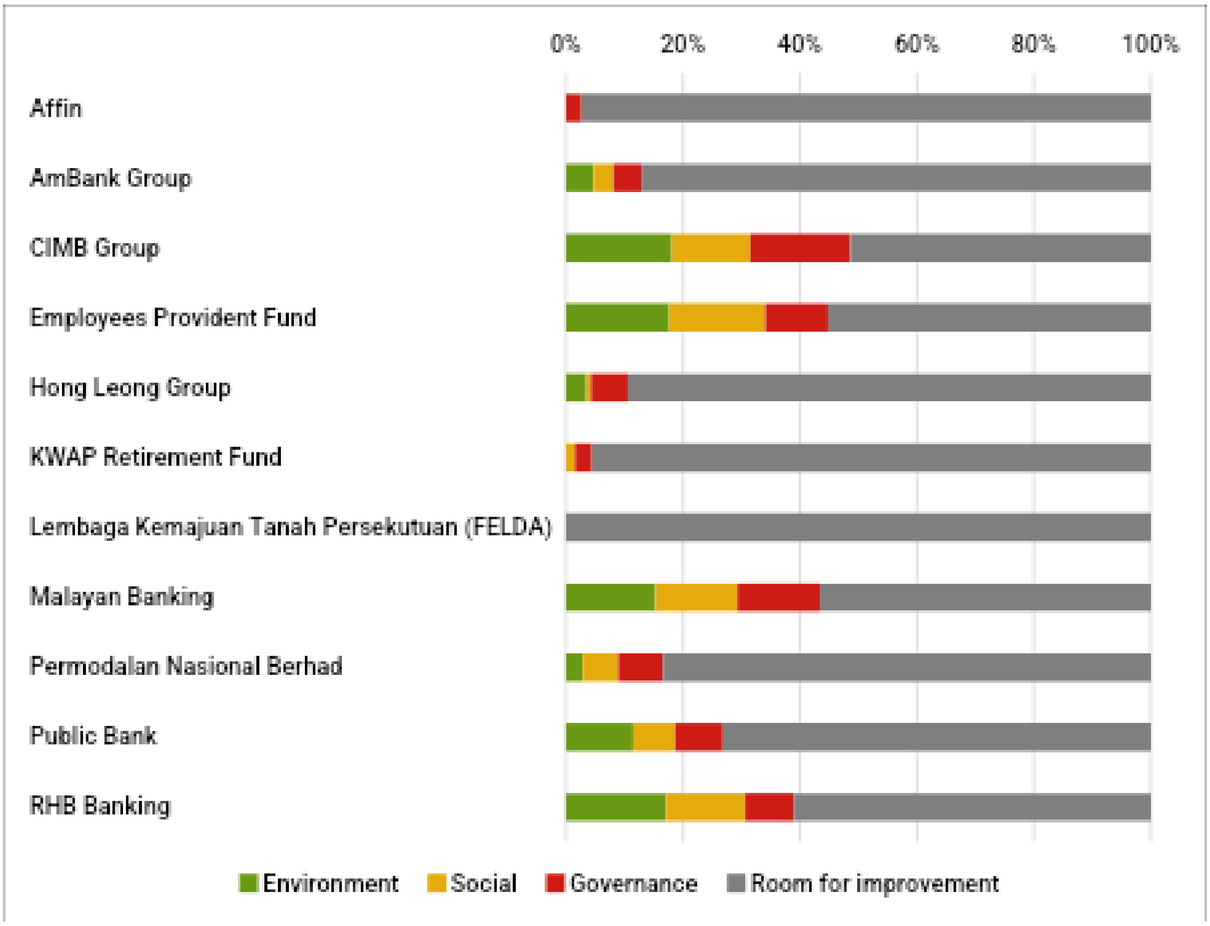


*Figure 10: Malaysian financial institutions - weighted overall picture of scores*

## 4.2. A closer look at the policy performance among Malaysian financial institutions on "No Deforestation"

In general, as shown in Figure 10, Malaysian financial institutions paid more attention and have relatively more detailed policy expectations in the palm oil sector, followed by pulp and paper, timber and rubber, which are consistent with the financial flows where the palm oil sector receives the highest credit and investment.

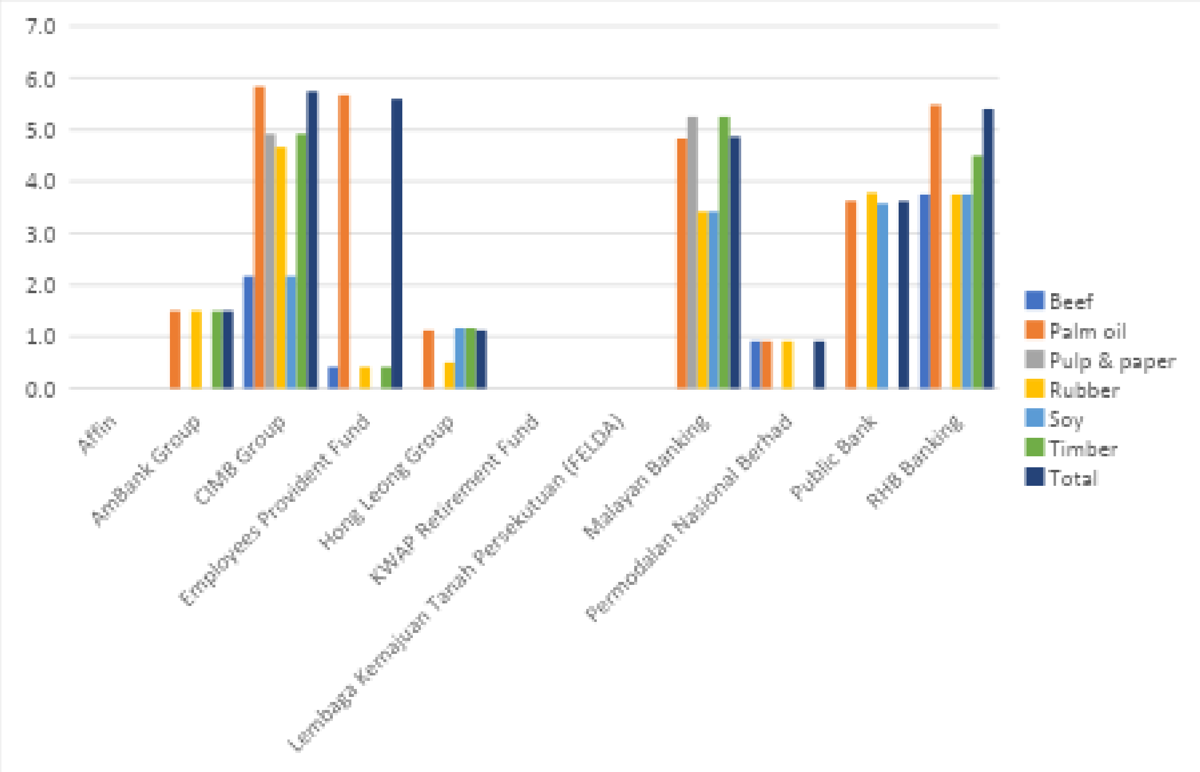


*Figure 11: Malaysian financial institutions - weighted scores on 12 Environmental criteria per commodity*

As shown in Table 1, a closer look at the palm oil sector with relatively more detailed policy expectations compared to other sectors among the Malaysian financial institutions, finds that CIMB Group, EPF, Malayan Banking and RHB Banking had the highest score (7.0 out of 10) but still not robust enough to avoid being engaged in financing deforestation activities. As for Malayan Banking, CIMB Group, EPF and RHB Banking that scored 7 out of 10 in terms of their policy performance on the No Deforestation Criteria 1, 2 and 3. A key improvement is for the financial institutions to extend the policy requirement to their clients' or company's subsidiaries and its direct and indirect suppliers, with a credible cut-off date or no cut-off date at all.

***Table 1: Policy performance on Criteria 1, 2 and 3 (No Deforestation) among the Malaysian financial institutions in the Palm oil sector***

| Financial institution | 1 | 2 | 3 |
|---|---|---|---|
| Affin | - | - | - |
| AmBank Group | 3.0 | - | - |

| | | | |
|---|---|---|---|
| CIMB Group | 7.0 | 7.0 | 7.0 |
| Employees Provident Fund (EPF) | 7.0 | 7.0 | 7.0 |
| Hong Leong Group | 2.8 | - | - |
| KWAP Retirement Fund | - | - | - |
| Lembaga Kemajuan Tanah Persekutuan (FELDA) | - | - | - |
| Malayan Banking | 7.0 | 7.0 | 7.0 |
| Permodalan Nasional Berhad | 3.0 | - | - |
| Public Bank | 5.2 | 5.2 | 5.2 |
| RHB Banking | 7.0 | 7.0 | 7.0 |

*Note:*
*Criterion 1: Companies and their suppliers must commit to zero-deforestation and no-conversion of natural forests and ecosystems*
*Criterion 2: Companies and their suppliers must not drain or degrade wetlands and peatlands*
*Criterion 3: Companies and their suppliers must not convert or degrade High Carbon Stock (HCS)*

Timber remains one of the key threats to deforestation in Malaysia. Based on Table 1, Affin Bank, EPF and Public Bank have yet to publicly disclose their policy on No Deforestation in the timber sector; while AmBank and Hong Leong Bank have insufficient policy to avoid being engaged in financing deforestation activities.

With the increasing spotlight on the role of finance to drive the sustainability agenda, these Malaysian financial institutions that have not yet publicly disclosed sectoral policies should be put under the spotlight. Financial sector regulation also has a critical role to play in accelerating this.

A robust policy commitment is an essential part of a jigsaw puzzle given the complexity of the deforestation issues.

***Table 2: Policy performance on Criteria 1, 2 and 3 (No Deforestation) among the Malaysian Fis in the Timber sector***

| **Max of Score** | **Criteria no.** | | |
|---|---|---|---|
| **Financial institution** | **1** | **2** | **3** |
| Affin | - | - | - |
| AmBank Group | 3.0 | - | - |
| CIMB Group | 7.0 | 7.0 | 7.0 |
| Employees Provident Fund | - | - | - |
| Hong Leong Group | 3.0 | - | - |

| | | | |
|---|---|---|---|
| Malayan Banking | 7.0 | 7.0 | 7.0 |
| Public Bank | - | - | - |
| RHB Banking | 7.0 | 7.0 | 7.0 |

*Note: Malaysian financial institutions that do not finance or invest in the timber sector based on F&F data are excluded from table.*

### 4.3 Banks must define how their sustainability policy works to prevent transboundary haze

The transboundary haze crisis has plagued Southeast Asia for decades. As Malaysia is preparing for its ASEAN Chairmanship in 2025, and one of the key issues on the agenda is addressing transboundary haze pollution and also the recent launch of “Silent Enemy: Report on Haze Pollution and the Right to Clean Air”[36] by the Human Rights Commission of Malaysia (SUHAKAM), it is timely to discuss the role of the financial sector in the crisis.

The main driver of fire and transboundary haze is the draining and conversion of Indonesia’s high-carbon peat swamps by the plantation sector- palm oil, pulp & paper and rubber; but research has shown that patronage politics and other political-economic factors are the underlying root causes to the crisis.[37]

Research has also shown that up to 80% of fires came from oil palm plantations (or their subcontractors), compared to 20% by slash-and-burn farmers; and the density of fire alerts was also three to four times higher within commercial concession boundaries compared to outside these boundaries.[38] It was also reported that up to 90% of fires come from oil palm cultivated on peatland.[39]

F&F data found that Malaysian financial institutions play a significant role in investing and financing plantation companies operating in Indonesia, with plantations on peatlands. A number of these companies have experienced extensive fires and burned areas over multiple years, and some have been sanctioned by government agencies.[40] At the same time, this also means that the financial sector has a vital role to play in taking preventive policy actions to avoid financing companies that may be complicit in triggering a transboundary haze event.

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[36] To access the report: https://suhakam.org.my/wp-content/uploads/2024/09/SUHAKAM-Report-on-Haze-Pollution-Right-to-Clean-Air.pdf#:~:text=Haze%20pollution,%20a%20major%20environmental%20challenge,%20degrades%20air%20quality%20and

[37] Helena Varkkey, *The Haze Problem in Southeast Asia: Palm Oil and Patronage* (Routledge, 2016), https://www.routledge.com/The-Haze-Problem-in-Southeast-Asia-Palm-Oil-and-Patronage/Varkkey/p/book/9780815355113.

[38] Varkkey.

[39] Varkkey.

[40] See https://forestsandfinance.org/fr/news-fr/banks-fueling-fires-indonesia/ and https://www.greenpeace.org/southeastasia/publication/3106/3106/

## 4.3.1 Malaysian Financial Institutions play a significant role in investing and financing plantation companies operating in Indonesia

Malaysian financial institutions play a significant role in both investing and providing credit to plantation companies, both operating in Malaysia and also in other countries including Indonesia. This raises the question of the roles and responsibilities of Malaysian financial institutions in conducting adequate due diligence to avoid financing activities that may be complicit in triggering a transboundary haze event and facilitating best practices/measures taken by Malaysian plantation companies, subsidiaries and Malaysian-linked companies operating in Indonesia to prevent open burning in plantation areas.

In terms of investment, about 99.9% (USD 3,009.27 millions) of the investment that F&F tracked goes into the palm oil sector in Indonesia. Other sectors like the rubber sector received 0.032%, approximately 0.016% of the investment went to the timber sector, and 0.006% invested in the Indonesian pulp and paper sector. The top 5 investors in the Indonesian palm oil sector are PNB (49%), EPF (28%), KWAP Retirement Fund (9%), Lembaga Kemajuan Tanah Persekutuan (FELDA) (4%) and Public Bank (4%).

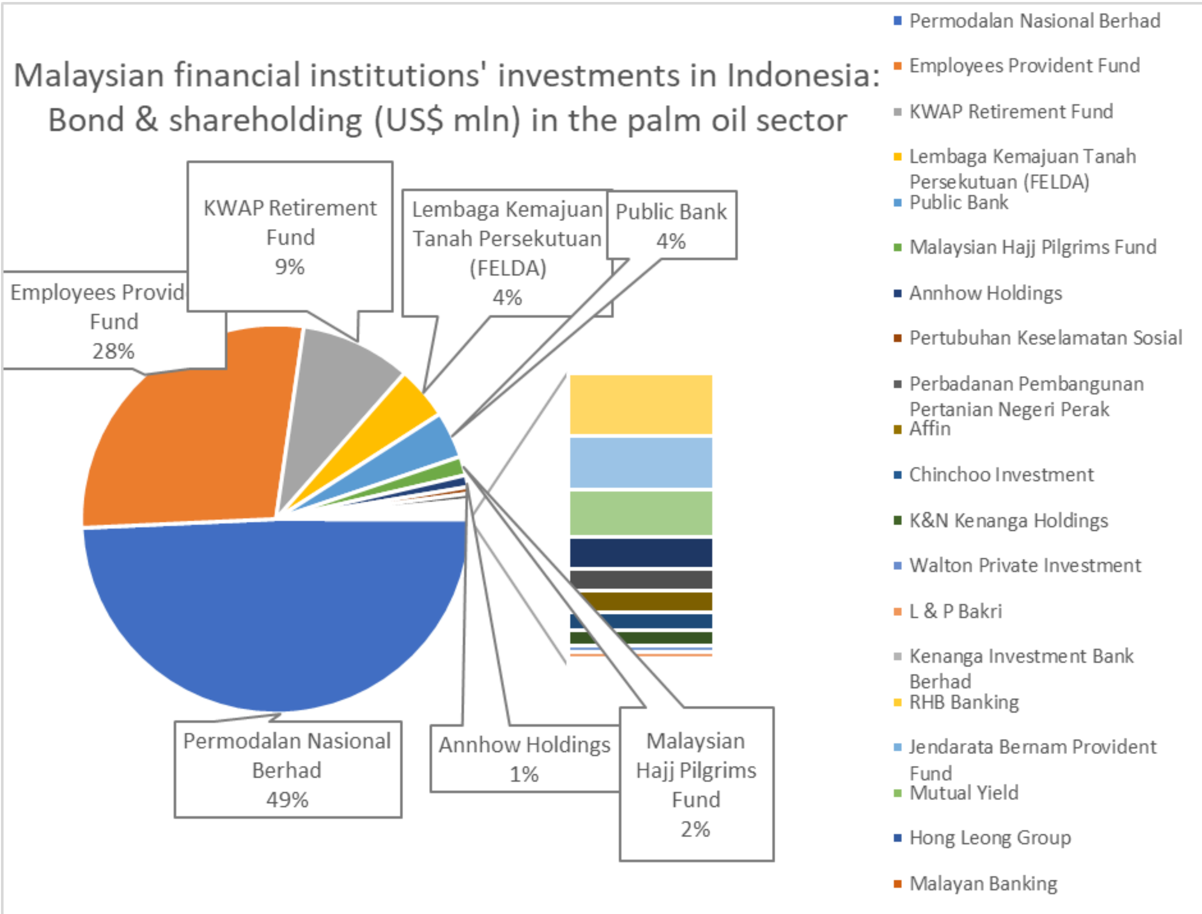


*Figure 12: Malaysian financial institutions investments in Indonesia: Bond & shareholding in the palm oil sector (2016-2023 September, US$ mln)*

The top 9 investee companies in the Indonesian palm oil sector are Malaysian conglomerates including Sime Darby Plantations (USD 1,727.95 million), Batu Kawan Group (USD 568.86 million), IOI Group (USD 352.16 million), Genting Group (USD 214.64 million), United Plantations (USD 48.33 million), IJM Group (USD 19.79 million), TSH Resources (USD 19.23 million), Boon Siew Group (USD 17.61 million) and Felda Group (USD 13.08 million).

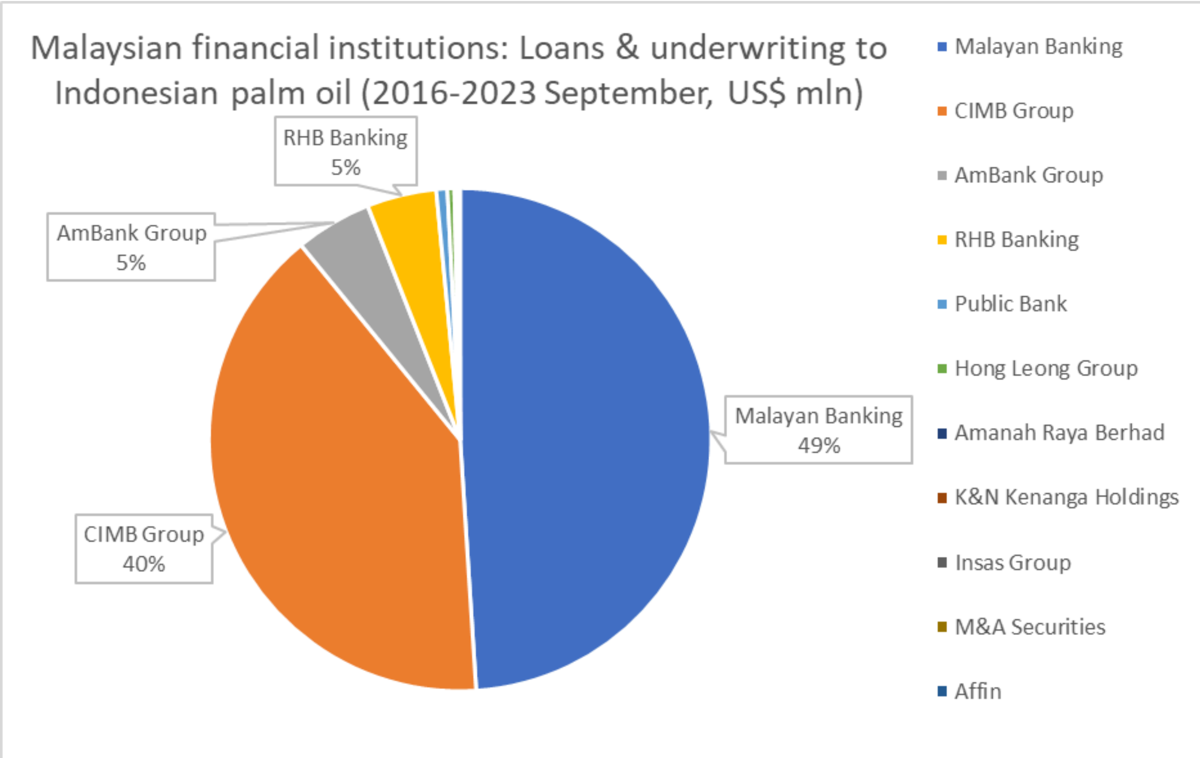


*Figure 13: Malaysian financial institutions: Loans & underwriting to Indonesian palm oil sector (2016-2023 September, US$ mln)*

In terms of credit, between 2016 to September 2023, F&F tracked a total of USD 5,714.64 million of loans and underwriting from Malaysian financial institutions to the palm oil, pulp and paper, rubber and timber sectors in Indonesia. The palm oil sector in Indonesia received the highest amount of loans and underwriting (78.5%), while 20% went to the pulp and paper sector, and only a mere 1.2% and 0.08% went to the rubber and timber sector in Indonesia respectively.

As shown in Figure 13, the top 4 financiers identified are Malayan Banking (49%), CIMB Group (40%), AmBank Group (5%) and RHB Banking (5%). The top 10 clients are a mix of Indonesian and Malaysian conglomerates, including Sinar Mas Group, Batu Kawan Group, Triputra Group, Sungai Budi Group, Austindo Group, Perkebunan Nusantara Group, Tanjung Lingga Group, Harita Group, TSH Resources and Johor Group.

Over the past years, several subsidiaries of some of these conglomerates were reported to be found guilty of causing forest fires. Another research study suggests that Malaysian companies have been implicated in undertaking land clearance using open burning illegally in Indonesia but have been able to do so with impunity, owing to patronage politics.[41] The

[41] Helena Varkkey, "Malaysian Investors in the Indonesian Oil Palm Plantation Sector: Home State Facilitation and Transboundary Haze," *Asia Pacific Business Review* 19, no. 3 (July 2013): 381–401, https://doi.org/10.1080/13602381.2012.748262.

extent of the negative impacts of Malaysian overseas investment in oil palm are also well-documented by a study done by Aidenvironment in June 2014[42].

The proposed expansion of the OKI mill – Asia Pulp & Paper (APP) of Sinar Mas Group in Indonesia had received widespread media coverage[43] as well as criticism from 35 civil society organisations[44] in 2021.[45] The proposed tripling of the OKI mill wood fibre requirement will further intensify wood production on flammable peatlands inside supplier concessions, and exacerbating the risk of fires.

Recently, in September 2024, residents of Indonesia's South Sumatra province have filed a lawsuit against three pulpwood companies, namely PT Bumi Mekar Hijau (BMH), PT Bumi Andalas Permai (BAP) and PT Sebangun Bumi Andalas Wood Industries (SBA Wood Industries) for the toxic haze caused by repeated burning in the concessions of these companies. According to Mongabay, all three companies are suppliers to Asia Pulp & Paper (APP) and the total size of burned area of the three concessions from 2015 to 2020 are 254,787 hectares (629,592 acres) of — an area nearly the size of Jakarta.[46] The lawsuit therefore contends that this makes the companies major contributors to fire-caused haze in South Sumatra during the 2015, 2019 and 2023 dry seasons.[47]

While for Batu Kawan Group, its biggest investment[48] - Kuala Lumpur Kepong (KLK) Berhad's subsidiary PT Adei Plantation and Industry- has been convicted and fined for being responsible for causing the forest fires in 2019 in Indonesia.[49] The 2019 haze episode saw the Environment Minister of Indonesia name three other subsidiaries of Malaysian companies including Sime Indo Agro, a subsidiary of Sime Darby Plantation; Sukses Karya Sawit, a subsidiary of IOI Corporation; and Rafi Kamajaya Abadi, a subsidiary of TDM Berhad.[50]

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[42] See Aidenvironment, "Malaysian Overseas Foreign Direct Investment in Oil Palm Land Bank: Scale and Sustainability Impact," June 2014, https://foe-malaysia.org/wp-content/uploads/2020/12/140617_3093_SAM_OFDI_17_June_2014_Final.pdf.

[43] Eco-Business, "Revealed: APP's Controversial Indonesian Paper Mill OKI Plans to Triple in Size," Eco-Business, July 23, 2021, https://www.eco-business.com/news/revealed-apps-controversial-indonesian-paper-mill-oki-plans-to-triple-in-size/.

[44] "Open Letter: Concerning Threats from the Proposed Expansion of PT. OKI Pulp and Paper Mill - APP Sinar Mas," August 23, 2021, https://environmentalpaper.org/wp-content/uploads/2021/08/Letter-to-investors-on-OKI-2308.pdf.

[45] The proposed tripling of the OKI mill wood fibre requirement will further intensify wood production on flammable peatlands inside supplier concessions, increasing CO2 emissions and exacerbating the risk of fires. OKI's expansion threatens to undermine efforts to tackle Southeast Asia's transboundary haze crisis, the public health impacts of which will be compounded by Covid-19. For more information, please see open letter from 35 NGOs to investors and buyers of Asia Pulp & Paper Sinar Mas (APP) https://environmentalpaper.org/wp-content/uploads/2021/08/Letter-to-investors-on-OKI-2308.pdf.

[46] Hans Nicholas Jong, "Sumatra Citizen Lawsuit Seeks Accountability for Haze-Causing Fires," Mongabay Environmental News, September 9, 2024, https://news.mongabay.com/2024/09/sumatra-citizen-lawsuit-seeks-accountability-for-haze-causing-fires/.

[47] Jong.

[48] Batu Kawan Group owns 47% of shares in KLK Berhad (Batu Kawan Berhad (bkawan.com.my))

[49] "Putusan PN PELALAWAN Nomor 190/Pid.B/LH/2020/PN Plw Tanggal 12 Nopember 2020 — Penuntut Umum: NOPHY TENNOPHERO SUOTH, S.H. M.H Terdakwa: PT. ADEI PLANTATION AND INDUSTRY Yang Diwakili Oleh Thomas Thomas," Direktori Putusan Mahkamah Agung Republik Indonesia, November 12, 2020, https://putusan3.mahkamahagung.go.id/direktori/putusan/e6ab5f73fa39d429c5ba2ce7e2886f54.html.

[50] Reuters, "Indonesia Says Some Forest Fires Started on Malaysian-Controlled Land," *Reuters*, September 14, 2019, sec. World,

Johor Group's subsidiary – Kulim Berhad's subsidiary PT Rambang Agro Jaya - was found guilty of causing forest and land fires in South Sumatra. Indonesia's Supreme Court rejected PT Rambang Agro Jaya's appeal and upheld the fines of RM60 million. The fines increased from RM41.3 million to RM60 million taking into account the costs of ecological damage, economic loss, costs for revegetation, and costs of repairing hydrological systems on peatlands.

This provision of credit and investments are exposed to climate risks and biodiversity risks, connected to their clients'/investees' degradation of peatlands and related fire-risk. For instance:

- Regulatory Risk: Effective climate change and haze mitigation strategies will require far more ambitious peatland protection and restoration policies. These would cause supply risks for oil palm and pulp wood fiber.
- Legal Risk: Fire and transboundary haze open up corporate groups to sanctions or civil litigation (e.g Singapore's Transboundary Haze Pollution Act). While sanctions from the Indonesian government have so far proven as an ineffective deterrent for a more precautionary approach, this may change.
- Market Risk: Fires and haze demonstrate climate, biodiversity and human impacts of commodities such as palm oil, driving further international market risks and supporting the business case for substitution.

### 4.3.2 The roles and responsibilities of Malaysian financial institutions in avoiding financing activities that may be complicit in triggering a transboundary haze event

To avoid financing activities that may be complicit in triggering a transboundary haze event, the first step is for the Malaysian financial institutions to adopt and implement a robust policy and due diligence process to ensure that companies and their suppliers do not drain or degrade wetlands and peatlands and also not use fire for land clearing activities and fight fires.

*Table 3: Policy performance on key criteria linked to preventing transboundary haze in the palm oil, pulp and paper, rubber and timber*

| Financial institution | Criterion 1 | Criterion 2 | Criterion 6 |
|---|---|---|---|
| Affin | - | - | - |
| AmBank Group | 3.0 | - | - |
| CIMB Group | 7.0 | 7.0 | 7.0 |
| Employees Provident Fund | 7.0 | 7.0 | 7.0 |
| Hong Leong Group | 3.0 | - | 5.0 |
| KWAP Retirement Fund | - | - | - |
| Lembaga Kemajuan Tanah Persekutuan (FELDA) | - | - | - |

https://www.reuters.com/article/world/indonesia-says-some-forest-fires-started-on-malaysian-controlled-land-idUSKCN1VY0IH/.

| | | | |
|---|---|---|---|
| Malayan Banking | 7.0 | 7.0 | 7.0 |
| Permodalan Nasional Berhad | 3.0 | - | - |
| Public Bank | 6.5 | 6.5 | 6.5 |
| RHB Banking | 7.0 | 7.0 | 7.0 |

**Note:**
*Criterion 1: Companies and their suppliers must commit to zero-deforestation and no-conversion of natural forests and ecosystems.*
*Criterion 2: Companies and their suppliers must not drain or degrade wetlands and peatlands.*
*Criterion 6: Companies and their suppliers must not use fire for land clearing activities and fight fires.*
(For the full list of criteria, please refer to the F&F Methodology Document).

CIMB, EPF, Malayan Banking, RHB Banking have adopted a policy that categorically prohibits the use of fire for land clearing, requires clients not to establish plantations in areas prone to fire, and includes the obligation to fight fires in the palm oil and pulp and paper sectors. Their policy performance stood at 7 out of 10. A full score requires the financial institutions to extend their policy coverage to the direct and indirect suppliers of the company they are financing.

Another top financier, AmBank Group and other top investors including Permodalan Nasional Berhad, KWAP Retirement Fund and Lembaga Kemajuan Tanah Persekutuan (FELDA) have yet to disclose their policy commitment at the time of the policy assessment conducted in August 2023.

Climate change will increase the frequency and intensity of El Niño events, resulting in more severe droughts that can render the plantations and surrounding forests more vulnerable to larger fires that cannot be put out easily which put more pressure on fire management efforts. This will inevitably lead to greater emissions and the heightened risk of fire and potentially, another transboundary haze crisis in Southeast Asia. This is also warned by Singapore Institute of International Affairs (SIIA) in the recent Haze Outlook 2024[51].

The Haze Outlook 2024 also predicted that 2027 may be a year of concern based on the 4-5 years cycle of the El Niño or positive Indian Ocean Dipole (IOD) events, although there remain a lot of uncertainties and hard to predict the weather now.[52] The report also highlighted the potential surge in replanting activities for oil palm as in the boom period of the late 1990s to early 2000s.[53]

This leaves a small window of opportunity for the financial institutions and regulators to play a more active role in making sure that companies and their suppliers do not drain or degrade wetlands and peatlands, adopt zero burning methods for land clearing and replanting activities, as well as other best practices to prevent another transboundary haze crisis.

[51] See the Haze Outlook 2024 report by the Singapore Institute of International Affairs (SIIA) here: https://www.siiaonline.org/haze-outlook-2024-report/
[52] Singapore Institute of International Affairs, "Haze Outlook 2024 Report," July 4, 2024, https://www.siiaonline.org/haze-outlook-2024-report/.
[53] Singapore Institute of International Affairs.

## 4.4. Low policy performance on key social criteria to respect the rights of indigenous peoples and local communities

As reported by SAM's two key publications on the indigenous customary land rights in 2016 and 2019, as well as our many other publications and articles since the 1980s up until today, the violations of the indigenous customary land rights are a systemic issue in the country.[54] A simple search on the internet today will confirm that since the 1980s and up until today, countless reports and publications from civil society organisations, the media, the academia and research institutions, both from Malaysia and abroad, have also consistently reported on such violations.

Drivers of such violations tend to include logging, monoculture plantations, mining and the construction of infrastructure such as large dams, roads and airports. In fact, even the gazetting of production forests and conservation areas in the country may cause the indigenous customary land rights to either be extinguished or reduced significantly, often without the payment of adequate compensation, as demanded under the Federal Constitution.[55]

Further, since the late 1990s, several landmark judicial decisions have also affirmed the nature, scope and features of the indigenous customary land rights within our modern legal system. Among others, these include the declaration that such rights are a right to property protected under the Federal Constitution and that the state has a fiduciary duty to protect the rights of indigenous peoples. Unfortunately, until today, the relevant federal and state laws have yet to be amended to ensure that they are aligned with such judiciary rulings.

The failure to introduce policy and legislative reforms at both the federal and state levels in order to align the laws on forests, land, conservation areas and other natural resources with landmark judicial decisions, may have implications on the legality of natural resources harvested from or developed on indigenous customary territories without the free, prior and informed consent of the affected communities, which include timber products and other commodities.[56]

All these are indicative of the prevalence and systemic nature of these violations.

Such a view was also verified by the Report of the National Inquiry into the Land Rights of Indigenous Peoples published by the Human Rights Commission of Malaysia (SUHAKAM) in 2013.[57] In fact, the first recommendation of the report focuses on the need to address the lack of tenure security of the indigenous customary land rights, which it describes as an outcome of flawed governance and legislative conditions that are systemic in nature. Therefore, according to SUHAKAM, the violations of and encroachments on indigenous

[54] For more information, please see https://foe-malaysia.org/resources/.

[55] Rebecca Melepia and Shamila Ariffin, eds., *The Laws of Land Grabs in Asia Pacific* (Friends of the Earth Asia Pacific, 2019), https://foeasiapacific.org/wp-content/uploads/2019/12/Foe_Law_Of_Landgrabs_031219_WEB-1.pdf.

[56] Please see https://foe-malaysia.org/articles/sams-position-paper-legal-implications-of-the-failure-in-instituting-policy-and-legislative-reforms/ and https://foe-malaysia.org/articles/indigenous-customary-land-rights-and-the-modern-legal-system-2/.

[57] Please see Human Rights Commission of Malaysia (SUHAKAM)'s Report of the National Inquiry into the Land Rights of Indigenous Peoples in 2013 - https://suhakam.org.my/wp-content/uploads/2023/11/NI.pdf

customary land rights go beyond the mere violations of laws, as emphasised in one of the general conclusions of the report:

> Indigenous peoples are among the most marginalised and disadvantaged groups in Malaysia. Despite having provisions which recognise their land rights in the Federal Constitution, domestic and international laws, **systemic** issues have denied them the full enjoyment of their legal and human rights. These **systemic** issues evolved mainly from the successive amendments of land laws that do not recognise indigenous peoples' perspectives of land ownership and management and therefore eroded customary rights to land. They also affected administrative decisions with respect to indigenous peoples' land claims. The issues also evolved from the adoption of policies that give priority to approving lands for large-scale development projects over indigenous subsistence economy.[58]

Today, more than ten years after SUHAKAM's 2013 publication of its report on its national inquiry process on the indigenous customary land rights in Malaysia, its 18 recommendations from the report have yet to be implemented by the federal and state authorities.

The most recent case that SAM was made aware of, is the encroachment of native customary rights (NCR) territory by an oil palm plantation project in Nanga Seridan, Tinjar, Sarawak.[59] Right from the very beginning, the Iban community of Rumah Labang have expressed their objections against this project through a series of dialogues with representatives of the project proponent and the state authorities. However, the project proponent entered into Rumah Labang customary territory in early February 2024, without any prior consultation with the community. A police report was subsequently lodged by a community member about this incident. The community decided to take the case to court.

The Nanga Seridan case is one of many documented encroachments that impacted the livelihoods of the indigenous peoples and local communities. The absence of a law that directs a mandatory and meaningful FPIC process for indigenous communities affected by the development of monoculture plantations in Malaysia makes it pertinent and imperative for the financial sector to build an accurate understanding of the issues to develop a robust policy.

Forests & Finance Coalition has 6 minimum standards (criteria 13-18) that address the protection of human rights, including those relating to local and indigenous communities.

- Criterion 13: Companies and their suppliers must respect the right of indigenous peoples to give or withhold FPIC if they could be affected by planned operations.
- Criterion 14: Companies and their suppliers must respect the right of all communities with customary land rights to give or withhold FPIC if they could be affected by planned operations.
- Criterion 15: Companies and their suppliers must establish human rights due diligence processes and monitoring systems.

[58] SUHAKAM. (2013). Report of the National Inquiry into the Land Rights of Indigenous Peoples. Kuala Lumpur. (p. 164)

[59] See SAM's media statement here: https://foe-malaysia.org/articles/stop-the-encroachment-on-rumah-labang-native-customary-territory/

- Criterion 16: Companies and their suppliers must respect the broader social, economic and cultural rights of communities affected by their operations, including the right to health and the right to an adequate standard of living.
- Criterion 17: Companies and their suppliers must commit to the resolution of complaints and disputes through an open, transparent and consultative process.
- Criterion 18: Companies and their suppliers must maintain zero tolerance towards violence and the criminalisation of land, environmental, and human rights defenders.

Table 3 shows the 2023 policy assessment findings across all the Malaysian financial institutions on the 6 minimum criteria. Majority of the financial institutions do not yet have a policy and lack adequate policy that requires companies and their suppliers to respect the rights of indigenous peoples and local communities to give or withhold FPIC.

*Table 4: Policy performance on key criteria linked to respecting the rights of indigenous peoples and local communities*

| Financial institution | Criteria no. | | | | | |
|---|---|---|---|---|---|---|
| | 13 | 14 | 15 | 16 | 17 | 18 |
| Affin | - | - | - | - | - | - |
| AmBank Group | 3.0 | - | - | - | - | - |
| CIMB Group | 5.0 | 5.0 | 7.0 | 0.2 | 5.0 | 4.5 |
| Employees Provident Fund | 6.9 | 6.9 | - | - | 7.0 | 6.9 |
| Hong Leong Group | - | - | - | - | - | - |
| KWAP Retirement Fund | - | - | - | 3.0 | 3.0 | - |
| Lembaga Kemajuan Tanah Persekutuan (FELDA) | - | - | - | - | - | - |
| Malayan Banking | 4.8 | 4.8 | 7.0 | 3.4 | 4.8 | 4.0 |
| Permodalan Nasional Berhad | - | - | - | - | 3.0 | - |
| Public Bank | 2.2 | 2.1 | 5.2 | - | 2.1 | 2.1 |
| RHB Banking | 4.6 | 4.6 | 7.0 | 2.8 | 4.6 | 4.6 |

*Note:*

- *Criterion 13: Companies and their suppliers must respect the right of indigenous peoples to give or withhold Free, Prior and Informed Consent (FPIC) if they could be affected by planned operations.*
- *Criterion 14: Companies and their suppliers must respect the right of all communities with customary land rights to give or withhold Free, Prior and Informed Consent (FPIC) if they could be affected by planned operations.*
- *Criterion 15: Companies and their suppliers must establish human rights due diligence processes and monitoring systems*
- *Criterion 16: Companies and their suppliers must respect the broader social, economic and cultural rights of communities affected by their operations, including the right to health and the right to an adequate standard of living*
- *Criterion 17: Companies and their suppliers must commit to the resolution of complaints and disputes through an open, transparent and consultative process*
- *Criterion 18: Companies and their suppliers must maintain zero tolerance towards violence and the criminalisation of land, environmental, and human rights defenders*

For example, on criterion 13 with regard to respecting the rights of indigenous peoples to give or withhold FPIC, the minimum requirement of Roundtable on Sustainable Palm Oil (RSPO) Certification granted a score of 7 for palm oil. A full score will only be granted when the financial institution can clarify how companies and their suppliers should fulfil FPIC rights, how they should co-design and document the FPIC procedures, and what best practices must be adhered to in forest-risk sectors.

As concluded in SAM's publication, while a certification system like RSPO, on paper, demand a higher standard than that required by existing policies and laws, it remains insufficient or unclear how certification for palm oil will be able to effectively tackle two systemic governance issues i.e. the violations of the indigenous customary land rights and deforestation, and all of their associated issues, such as the lack of transparency, consultative practices and the FPIC process.[60]

Developing an understanding on indigenous customary land rights issues while also recognising the fundamental difference between "dialogue", "consultation" and "FPIC" are essential for the financial sector to formulate a meaningful responsible investment and financing policy.

The list of 6 minimum F&F criteria should serve as guidance for the financial sector to formulate policy commitment to obtain assurance from its clients to fulfil the objective of protecting human rights, including local and indigenous community rights. The critical role of indigenous peoples and local communities in protecting tropical forests and preserving ecosystems is increasingly recognised around the world and the financial sector needs to take steps in formulating a robust policy in this regard.

## 5. RECOMMENDATIONS AND CONCLUSION

With the increasing spotlight on the role of finance in driving the sustainability agenda in the name of ESG policy or sustainable finance both globally and in Malaysia, it is expected that the financed activities will come under more stringent scrutiny for their environmental and social impacts. This report provided an overview of how the key Malaysian financial institutions' policies perform based on the 38 F&F policy assessment criteria.

In general, the 2023 F&F policy assessment finds incremental policy performance, but is yet to reflect the urgency and scale with which we must address the issues.

This report calls on the financial sector to adopt the five key principles with regard to biodiversity as set out in the global Banking on Biodiversity Collapse report.[61]

1. **Halt and reverse biodiversity loss**: One of the most fundamental ways in which the financial sector can halt and reverse biodiversity loss is by prohibiting finance to activities and sectors that are driving destruction of nature. Financial institutions must ensure that their policies across all sectors are rooted in the concept of protecting forests and biodiversity, rather than more obscure and flexible notions of "nature positive" or no "net" loss.

[60] Sahabat Alam Malaysia, "The Land We Lost: Native Customary Rights (NCR) and Monoculture Plantations in Sarawak."
[61] See the global report here - https://forestsandfinance.org/banking-on-biodiversity-collapse/

2. **Respect and prioritise the rights of Indigenous Peoples, women and local communities**: In order to follow a human rights-based approach as stated in the Kunming Montreal Global Biodiversity Framework, the financial sector must ensure that policies and practices protect, prioritise, and centre the human rights of impacted communities. This approach must respect Indigenous rights, as outlined in international standards of FPIC such as ILO Convention No. 169 and the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), as well as the long-standing international best practices and standards for protecting the rights of local communities on an ongoing, iterative basis.

3. **Foster a just transition**: The financial sector must prioritise a fair and inclusive transition by divesting from corporate-controlled extractive economies and investing in regenerative ones. It must ensure meaningful engagement, consultation, and respect for the rights and well-being of affected communities and workers, promoting ecological and social well-being in support of sustainable development goals. In addition, financial institutions must avoid false solutions such as biodiversity and carbon offset approaches, over-reliance on certification and disclosure schemes, and dependence on unproven, vague technologies.

4. **Ensure ecosystem integrity**: The financial sector should require that funding proposals and assessments evaluate cumulative, ecosystem-wide impacts prior to awarding financing, and prohibit financing to activities that seriously and negatively impact ecosystem integrity.

5. **Align institutional objectives across sectors, issues, and instruments:** Financial institutions and regulators must create strong coherence between biodiversity-related targets and other institutional objectives, such as approaches and targets for climate, and ensure that human rights protection is embedded in all due diligence and decision-making processes.

## 5.1 SPECIFIC RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

Financial institutions must adopt and implement strong policies and procedures to ensure that the financing of biodiversity collapse is halted. These policies and procedures should align with the 38 criteria in the Forests & Finance policy assessment methodology[62] and include:

- Define how the sustainability policy works to prevent transboundary haze. Some of the key expectations from civil society organisation include:
    - adopt policy which explicitly requires companies and their direct and indirect suppliers to protect all wetlands and peatlands at any depth (after a credible cut-off date);
    - adopt policy which categorically prohibits the use of fire for land clearing use, requires not to establish plantations in areas prone to fire and includes the obligation to prevent, monitor and fight fires, for the company as well as its direct and indirect suppliers.

[62] See the full list of 38 criteria here - https://forestsandfinance.org/wp-content/uploads/2023/12/Forests-Finance-Policy-Assessment-Methodology-and-Guidance-2311.pdf

- No Deforestation, No Peatland, No Exploitation (NDPE) aligned policies which prohibit the financing of deforestation, forest degradation and conversion or degradation of natural ecosystems, set stringent pollution and emission threshold standards and fully protect human rights, with specific considerations for the rights of Indigenous Peoples, human rights defenders and other marginalised populations;

- Strong due diligence and independent verification procedures for all their financial services to ensure policy compliance, including across the client's entire corporate group[63] and their suppliers;

  Information from the Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) should be used as part of the due diligence and verification process. However, it should be noted that civil society have long been advocating for more transparency and reform to address the existing loopholes and weaknesses of the EIA and SIA processes (such as the lack of meaningful consultation process). There exists an opportunity for the civil society organisations, who have long been engaging with the EIA, SIA and policy and development plans processes, to contribute to the formulation and implementation of the responsible financing and investment policies.

- Contract and client on-boarding requirements on biodiversity and human rights risks, including transparent, time-bound repercussions for non-compliance;

- Disclosure of:
  - the name of the project and company (or company group) they are financing, including financial intermediaries;
  - their full impacts on biodiversity with methods that allow data to be publicly and independently verified, and scrutinised;
  - complaints they face about their biodiversity and human rights impacts;

- Holistic and just transition plans, with clear metrics and targets, that address biodiversity, climate and social impacts with a systemic approach;

- A grievance mechanism for remedy and redress for affected communities and the environment which is aligned with the UN Guiding Principles on Business and Human Rights.

## 5.2 RECOMMENDATIONS FOR POLICYMAKERS

Voluntary responsible investment and financing policies alone will be inadequate to address the root causes and systemic causes of the issues. The Central Bank of Malaysia (Bank Negara Malaysia) should set mandatory, consistent, and stringent VBIAF standards that financial institutions must comply with. Binding financial regulation is a pre-condition for implementing the Global Biodiversity Framework targets.[64]

[63] Based on the Accountability Framework Initiative's definition of 'corporate group.' https://accountability-framework.org/use-the-accountability-framework/definitions/
[64] FF-2024-Financial-regulations-and-biodiversity-briefer-EN.pdf (forestsandfinance.org)

The list of 38 minimum F&F criteria can serve as guidance for the financial sector to formulate policy commitment to obtain assurance from its clients to fulfil the objective of protecting the environment and human rights, including local and Indigenous community rights.
While this sub-section lists out recommendations for the financial regulators, there is a need for more coordinated efforts at all levels, involving all other relevant authorities, key stakeholders and public interest groups to address the root causes and systemic causes of the issues we are facing at hand. For example, the call from civil society organisations for all remaining states (except for Perlis, Federal Territories of Kuala Lumpur, Putrajaya and Labuan) to adopt the National Forestry (Amendment) Act 2022 to tighten the process of degazetting and the simultaneous replacement of PRF through a public inquiry and also the proposed Ombudsman office in Malaysia. All of these are steps necessary to ensure transparency, accountability on the part of the States and good governance as far as forest gazettement is concerned, which will eventually support the implementation of responsible investment and financing policies in Malaysia.

Some other recommendations include:

- Increase transparency, and public disclosure and conduct meaningful consultation with civil society organisations and community-based organisations.
    - The institutional knowledge that NGOs have on environmental and social issues in Malaysia can help bridge the gap between policymaking in the financial sector and the local impact.
    - The financial institutions should disclose: -
        (a) the name of the project and company (or company group) they are financing, including financial intermediaries;
        (b) their full impacts on biodiversity with methods that allow data to be publicly and independently verified, and scrutinised;
        (c) complaints they face about their biodiversity and human rights impacts.

- More focus on the integration of social risk into the climate risk. Social, labour and human rights aspects should be integrated into the financial institutions' climate risk management and scenario analysis. The social impacts of continued and heightened climate change will, in the next decade, confront the financial sectors with more social issues and risks. More attention to the social dimension in current financing practices might reduce climate impacts and improve various stakeholders' contribution to climate mitigation and adaptation, ultimately averting climate risks for financial institutions in the long term (avoiding a climate-finance doom loop).

- Develop a roadmap for financial institutions to disclose Scope 3 financed emissions. Scope 3 refers to indirect emissions from financial institutions' lending and investment activities.

- Update Climate Disclosure Guide for Malaysian Businesses to recommend/require publicly listed plantation companies to disclose:
    - Peatlands within their concessions;
    - Burned area across their concessions per year;

- Gross estimates of GHG emissions for Land Use Land Use Change and Forestry Emissions (LULUCF) across their concessions;
- Transition plan for mitigating LULUCF emissions, with recommendation of a time-bound plan to phase down plantations on drained peatlands, and to rewet and revegetate retired areas.

- Establish a mechanism to hold financial institutions accountable for the adverse impacts they have caused or contributed to in their financing and investment. Such mechanisms should include financial institutions that fail in their due diligence and include a mechanism that holds senior management accountable, establishes penalties that are orders of magnitude higher than the profits made, and a mechanism for remedy and redress for affected communities and the environment.

- The Central Bank of Malaysia should focus attention on addressing drivers of biodiversity loss and encroachment of the indigenous customary land rights in the financial system and limiting greenwashing.
    - A paper that was originally prepared in 2021 as an input paper to inform Central Banking and Supervision in the Biosphere: An Agenda for Action on Biodiversity Loss, Financial Risk and System Stability called on the central banks and financial supervisors to focus attention on addressing drivers of biodiversity loss in the financial system, and limiting greenwashing, instead of deploying resources towards promoting or expanding the private sector financial products that aim to positively impact biodiversity.
    - There is a need to focus on building capacity and organisational infrastructure for enhanced policy coordination capable of addressing biodiversity risks.
    - This year's global BoBC report also highlights the failures of voluntary banking initiatives such as the Principles for Responsible Banking (PRB), the Net-Zero Banking Alliance (NZBA), and the Taskforce on Nature-related Financial Disclosures (TNFD). The report also exposes the reliance on flawed certification schemes like the Forest Stewardship Council (FSC) and the Roundtable on Sustainable Palm Oil (RSPO).

- **Strengthening institutions:** Financial regulators to develop in-house expertise on biodiversity and human rights and establish inclusive stakeholder platforms to consult with Indigenous Peoples, civil society and other experts. Outcome-focused policies that align with the objectives of Global Biodiversity Framework and shift the economy away from harmful activities must be supported by a robust sanctions regime. These should include stringent penalties for non-compliance and mandatory obligations to fund restorative and remedial efforts for affected communities and ecosystems.

(Note: Forests & Finance reviewed financial regulations relevant to tropical biodiversity loss in five important jurisdictions for forest-risk commodity financing: Brazil, China, the European Union, Indonesia and the United States. For further information and detailed recommendations that can be applicable for Malaysia, see Regulating Finance for Biodiversity – A Call for Urgent Action at COP16.[65])

[65] Please see Forests and Finance new report on Regulating Finance for Biodiversity here - https://forestsandfinance.org/publications/bobc-2024-regulate-finance/

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