

CFMCA Nature Workstream Workshop

Taking stock of Nature: Insights from Institutional Partners

16 May 2023

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Why NGFS is working on nature?

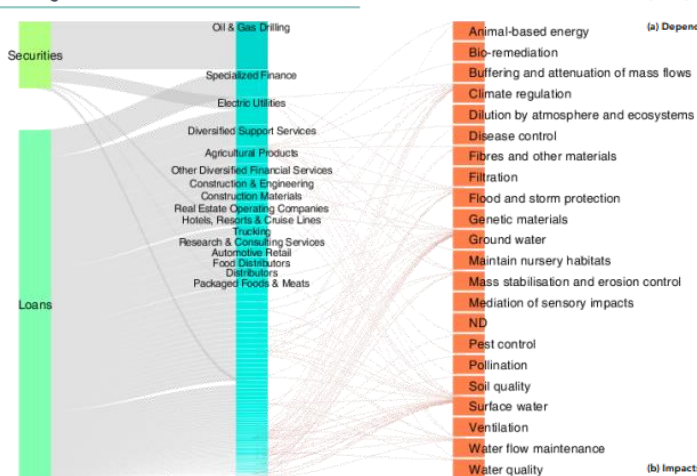
The **objective**: Help mainstream the consideration of nature-related risks across the NGFS, together with climate-related risks.

Key **deliverables** include:

1. A **conceptual framework** on nature-related risks that central banks and supervisors can utilise to develop policies and actions on nature-related issues
2. A technical Document providing **specific recommendations towards the development of nature-related scenarios** that should be consistent with the NGFS climate scenarios while acknowledging for specific features of nature-related risks

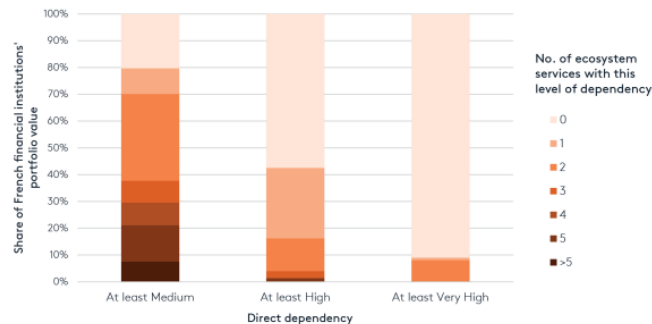
Growing evidence base on nature-related financial risk

Figure 9. Exposures and eco-systemic dependencies of the Mexican banking sector



Source: Martinez-Jaramillo and Montanez-Enriquez, 2021

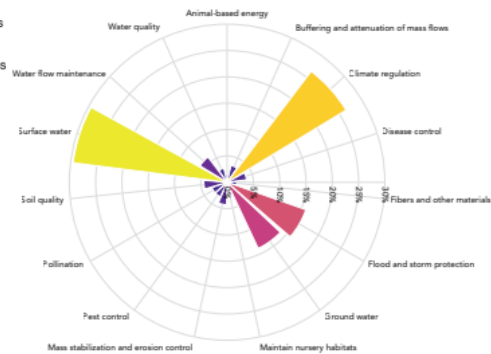
Figure 6. Dependence of French financial institutions' portfolios on ecosystem services



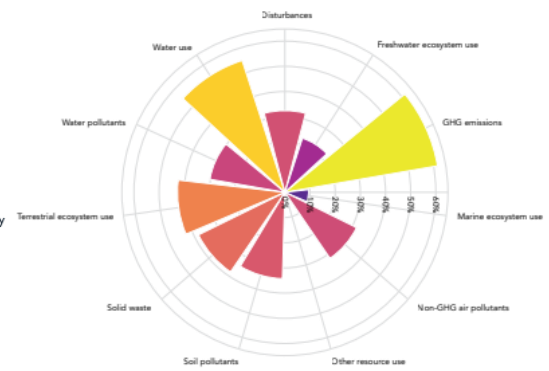
Source: Svartzman et al., 2021

Figure 2. Percentage of Malaysian banks' commercial loans to sectors with high scores on nature-related risk dimensions

(a) Dependency on ecosystem services (physical risk)



(b) Impacts on ecosystem services induced by firms' business activities (transition risk)

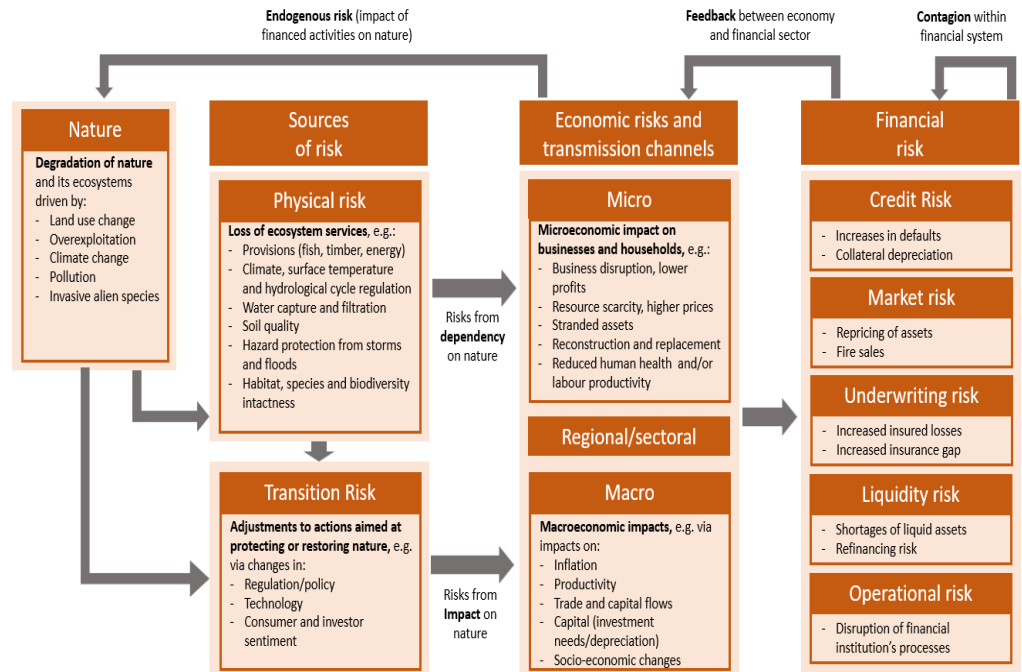


Source: ENCORE, BNM, WB calculations

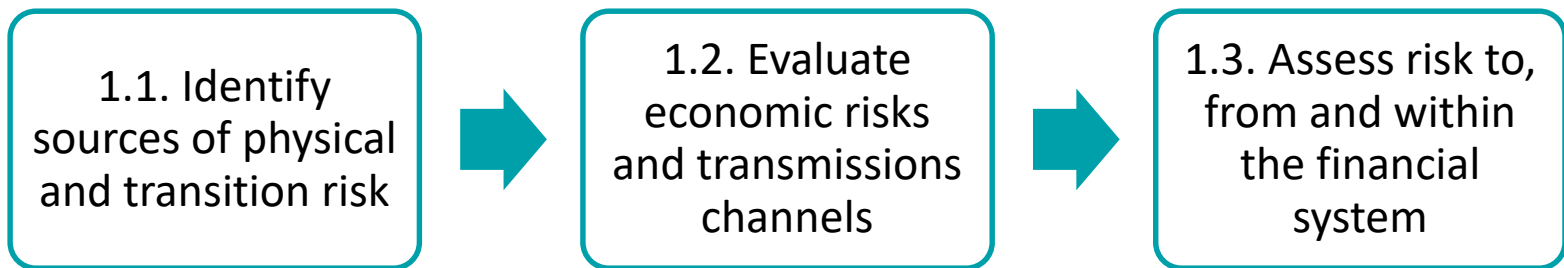
What will the beta conceptual framework look like?

Nature-related financial risks refer to the expected or potential negative impact on economies, individual financial institutions and financial systems that results from:

- i. the degradation of nature, including its biodiversity, and the ecosystem services that flow from it; or
- ii. the misalignment with actions aimed at protecting or restoring nature.



Three phases to assess nature-related financial risk



Timeline of work till early 2024

