

# Written Submission on Asian Development Bank's (ADB) September 2023 Draft Environmental and Social Framework (ESF)

Submission from Friends of the Earth US  
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# Biodiversity and the Asian Development Bank: Progress and recommendations

Submission to the Asian Development Bank on its draft  
Environmental and Social Framework

May 6, 2024

## Introduction

[Friends of the Earth US](#) (FOE US) welcomes the opportunity to make the following submission with recommendations in response to the Asian Development Bank's (ADB) new round of consultations and solicitation of public comments to the draft Environmental and Social Framework (ESF; "Phase 3").<sup>1</sup> FOE US is an environmental organization working at the nexus of environmental protection, economic policy, and social justice to fundamentally transform the way our country and the world value people and the environment. We are a part of Friends of the Earth International, a federation of groups working in more than 70 countries on today's most urgent environmental and social issues.

The ADB's draft ESF provides requirements aimed at promoting sustainable development outcomes. The ESF includes the ADB's Environmental and Social Policy (E&S Policy), Environmental and Social Standards (ESSs), and Prohibited Investment Activities List.

As a member of the Steering Committee of the [Banks & Biodiversity Initiative](#), FOE US works with other civil society organizations to hold banks accountable for their impacts on biodiversity and critical ecosystem. Through the Banks & Biodiversity Initiative, we advocate for banks to adopt our [No Go Areas](#).

These No Go Areas include 1) internationally recognized areas; 2) nationally recognized and sub-nationally recognized areas; 3) habitats with threatened and endemic species, and Key Biodiversity Areas; 4) intact primary and vulnerable secondary forests; 5) free flowing rivers; 6) protected and at-risk marine and coastal ecosystems; 7) areas where the Free, Prior, and Informed Consent of Indigenous peoples and local communities have not been obtained; and 8) iconic, transboundary ecosystems.

Overall, the international banking sector's policies and practices overall are failing to monitor and measure the impact of their financing on driving systemic, negative biodiversity impacts.<sup>2</sup> Actors in the global banking sector are not doing enough to assess, disclose, avoid, reduce, or mitigate negative impacts on biodiversity as established in Global Biodiversity Framework Target 15.<sup>3</sup> Nor is the banking sector sufficiently addressing threats of climate change by directing financial flows toward low greenhouse gas emissions and climate-resilient development in line with Article 2 of the Paris Agreement.<sup>4</sup> Notably, the ADB's revised draft does not reference the Global Biodiversity Framework or overtly support the mandate to stop and reverse global biodiversity loss.

This is why the Banks & Biodiversity Initiative calls on banks to adopt a [No Go Areas](#) to categorically prohibit financing of harmful activities in or near sensitive areas as a minimum starting point for stopping biodiversity loss. Building on the Banks & Biodiversity Initiative's expertise and the five key principles for banks to halt

and reverse biodiversity loss,<sup>5</sup> this submission identifies opportunities for improvement in the ESF's next iteration.

## Key areas for Improvement

While we note ADB's latest draft possesses positive changes, we encourage the bank to reconsider its approaches to the following concerns.

### Moving from no net loss to no loss

The effectiveness of the revised ESF is undermined by a net loss approach and a continued reliance on biodiversity offsets. While net loss and offset approaches may seem to address negative biodiversity impacts, in practice they do not stop biodiversity loss as they still allow ill-conceived activities to proceed in at-risk ecosystems. **All ADB financed activities should aspire to achieve no loss in regards to stopping biodiversity loss.** In order to truly address the biodiversity crisis, banks should adopt "no loss" policies and exclusion lists that protect critical habitat and endangered species today and in future, not policies that enable destruction today on the vague promise of achieving no net loss through biodiversity offsetting later. This conceptual flaw is exacerbated by the lack of consistency and clarity on what impacts can be "offsettable",<sup>6</sup> as well as a dearth of guidance and clarity on common definitions, methodologies, or metrics of how to establish supposed "net gains" or "net losses".<sup>7</sup> We do note the acknowledgement in the revised policy that some impacts are not "offsettable", and encourage the bank to **provide additional clarity on which impacts are not "offsettable"**.

As a mitigation measure, biodiversity offsets have not proven to be effective in preventing biodiversity loss. Offsetting is typically justified as a stage of the mitigation hierarchy as a "last resort". However, biodiversity offsetting have become associated with a dismal track record.<sup>8</sup> This is in part because **the destruction of critical habitat is allowed to occur before a project developer has designed or even demonstrated that the biodiversity offset is operational, let alone effective.** As a result, offsets have allowed project sponsors to avoid their responsibility to prevent harmful biodiversity impacts.

Biodiversity offsetting also ignores the socio-economic, cultural, and spiritual significance of a given place. **By focusing on ecological characteristics only, biodiversity offsetting renders the socio-economic, cultural, and spiritual impacts of destruction invisible, and reduces a given place to a limited set of ecological indicators, which are usually the presence of iconic (animal) species.** This reductionist approach oversimplifies and devalues the unique and complex web of human and non-human interactions in each ecosystem. It also ignores how the socio-economic, cultural, and spiritual significance are place-specific, meaning that their destruction in one place cannot be recreated or substituted through restoration of an area elsewhere.

To make the mitigation hierarchy more useful when conducting environmental due diligence, the **ADB should include a "no project" option and eliminate the "offset" option when using the hierarchy.**<sup>9</sup> The pitfalls associated with biodiversity offsets is discussed in depth in our [publication](#), "Fool's Paradise: How Biodiversity Offsets Don't Stop Biodiversity Loss".

The European Investment Bank adopts a no loss approach to assessing significant impacts and risks affecting biodiversity and ecosystems, and provides a positive model for ADB to emulate.<sup>10</sup> To be consistent with

leaders in the multilateral bank space, the ADB should move from a no net loss to a no loss approach to stopping and reversing biodiversity loss.

## Excluding harmful, unsustainable financing in at-risk ecosystems

Protecting highly biodiverse, at risk ecosystems should be a minimum starting point in the bank's approach to protecting biodiversity. No Go areas which are protected from harmful finance (not all finance) can be a powerful tool for protecting nature, people, and the planet. Per the Banks and Biodiversity Initiative, these areas include:

### *Internationally recognized areas (No Go Area 1)*

Positively, the ADB has taken steps to avoid financing projects in World Heritage sites<sup>11</sup>. However, we believe **the bank should expand protections to all internationally recognized areas, such as areas recognized by the Bonn Convention, Ramsar Convention, Convention on Biological Diversity, or other international bodies such as UNESCO (Biosphere Reserves, UNESCO Global Geoparks, etc), Food and Agricultural Organization (vulnerable marine ecosystems), International Maritime Organization (particularly sensitive areas), and/or IUCN Designated Areas (Categories IA – VI).**

When supporting activities impacting an internationally recognized area, it is important to note that mitigation measures are often inadequate in addressing and resolving negative impacts of harmful activities. This is because of the historic tendency to rely on mitigation measures as a means to justify and validate the development of harmful financed activities in internationally recognized areas, which would otherwise make a proposed project unviable. **Over-relying on mitigation measures are often indicative of a failure to identify credible project alternatives.**

**Although project alternatives may be included in a project's feasibility study or environmental impact assessment, project alternatives may not be thoroughly explored; this is because disregarding project alternatives is a common practice.** For example, according to an analysis conducted by the ADB, "borrowers/clients may only conduct superficial consideration of alternatives if considerable resources have already been dedicated to feasibility and design studies", meaning that there are often conflicts of interest which may preclude or inhibit a thorough analysis of alternatives.<sup>12</sup> Without analysis on credible project alternatives, projects with significant environmental, biodiversity, and social flaws may be obfuscated.

Furthermore, it is critical that the ADB requires robust assessments of any potential direct, indirect, cumulative, and transboundary impacts on internationally recognized areas prior to making financing decisions. Impact assessments should consider how the impact of one project may influence or compound impacts of other projects. This is because the interactions among projects located in the same area or region can trigger negative impacts which may not have been revealed if the projects are assessed as standalone activities.

### *Nationally recognized areas (No Go Area 2)*

Regarding nationally recognized areas, **the ADB should prohibit financing to harmful, industrial, extractive activities which negatively impact nationally recognized areas.**<sup>13</sup> In fact, even if recognized and protected under local laws, nationally or sub-nationally recognized areas often remain vulnerable to harmful financing due to weak governance, and thus deserve additional protections from the banking sector. Special attention

should be paid to the creation of conservation areas as a financing condition. This is because such schemes bear a poor [record](#) in delivering actual biodiversity conservation results, as host country governments may renege on such commitments.

### *Habitats with Threatened and Endemic Species, and Key Biodiversity Areas (No Go Area 3)*

The ADB should explicitly prohibit financing in areas with Near Threatened, Vulnerable, Endangered, Critically Endangered, and endemic specific species.<sup>14</sup> We note that while the criteria for KBAs are now echoed as “priority biodiversity features” in the revised ESF, and that clients are not to implement any project activities which harm natural and a natural or critical habitat’s “priority biodiversity features”, there is still room for explicit protection of threatened species. **The draft language identifies “threatened species” as a “priority biodiversity feature”, but there is no language defining or contextualizing how threatened species should be identified or assessed as threatened according to Key Biodiversity Area standards.** KBA criteria provide rigorous and clear language on how threatened species should be identified, and thus when the KBA standards should be “triggered”. So it is curious, if not a major gap, that **the revised ADB draft includes no reference to Key Biodiversity Areas and the thresholds for their criteria.** Instead, the draft simply echoes KBA criteria as “priority biodiversity features” with little guidance on how such features should be assessed and defined. This gap should be rectified in the next revision by explicitly naming KBA criteria and standards as a basis for assessing and protecting highly biodiverse areas.

This problem is exacerbated in the revised draft’s lack of definitions on key terms. The ADB appears to consider Critical Habitat as a subset of natural and modified habitats but fails to fully explain its definition. **The bank’s definition of Critical Habitat should be inclusive and explicitly incorporate Threatened, Vulnerable, Endangered, Critically Endangered, and endemic specific, as well as language for identifying “priority biodiversity features” per the IUCN Red List for Threatened Species and KBA thresholds.**

In strengthening its policies and procedures, the ADB must not only consider species which are currently threatened, but to also consider how proposed bank financed activities can tip the scale in potentially causing species to become threatened or endangered. For example, even if all or most of a non-threatened species’ population occurs at a particular site (especially for range restricted species), a species could become highly threatened by a bank’s decision to finance activities in an area. This dynamic is exemplified in ADB’s support of the Sarulla Geothermal power plant. Developed prior to the Tapanuli orangutan being discovered as a new species in 2017, the construction of the Sarulla Geothermal plant likely further pushed the Tapanuli orangutan towards extinction, as the species is only known to inhabit the Batang Toru forests. The project exemplifies how a bank financed activity can threaten a species’ survival even if not directly located in the project area, and how banks must exercise a precautionary approach as many species may yet to be discovered in highly biodiverse areas. Notably, the Batang Toru forest was listed as a KBA in 2007, well before project construction in 2013.

Currently, strategic environmental assessments tend to evaluate the general impacts of a planned project, rather than assess how the project may create and drive a negative feedback loop. This places additional and unsustainable pressures on existing communities and local ecosystems. The cumulative impacts of planned interventions and how they might threaten and impact biodiversity beyond the site level are rarely assessed. **The ADB should consider how a completed project development, such as its newly created roads and access, as a unique source and driver of new negative impacts, such as increased hunting, sudden human population increases, sexual violence and sexually transmitted diseases (via “man camps”), new markets for illegal wildlife trade, among others.**

#### *Intact primary and vulnerable secondary forests (No Go Area 4)*

Banks and financiers are driving global deforestation and forest degradation by supporting high forest risk sectors.<sup>15</sup> Deforestation occurs in both primary and vulnerable secondary forests. As such, **ADB should prohibit financing which causes, enables, or accelerates deforestation and forest degradation and exclude financing to clients and sectors which may negatively impact intact primary,<sup>16</sup> natural forests,<sup>17</sup> and vulnerable secondary forest ecosystems, including but not limited to boreal, temperate, and tropical forest landscapes.<sup>18</sup>**

More specifically, **ADB should adopt no deforestation policies and establish policies which favor proforestation—allowing and enabling continuous forest growth that is uninterrupted by active management or timber harvesting.** Proforestation is the practice of purposefully growing an existing forest intact toward its full ecological potential, in which existing forests are protected as intact ecosystems to foster continuous growth for maximum carbon storage and ecological and structural complexity. In forested regions, it is a powerful and immediate forest-based strategy that can address the global crises in climate and biodiversity.<sup>19</sup> This would be in line with ADB's adoption of best practice "No Deforestation, No Peatland and No Exploitation" (NDPE) policies for all investments, particularly in relation to agriculture and food security projects.<sup>20</sup> This is especially relevant for the ADB given Asia's wealth of forest landscapes. Southeast Asia is home to nearly 15% of the world's tropical forests, and includes four out of the world's 25 top biodiversity hotspots. However, it is suffering profound deforestation rates, in which 40% may disappear by 2100<sup>21</sup>.

#### *Free flowing rivers (No Go Area 5)*

The ADB should prohibit financing which negatively impacts the connectivity and flow of free-flowing rivers<sup>22</sup> to preserve the livelihoods, biodiversity, and multiple other benefits of the world's remaining free flowing rivers. Protecting rivers protects communities, and communities protect rivers.

While we are pleased ADB has language protecting free flowing rivers longer than 500km, **we urge ADB to expand methodology and include more nuanced criteria for identifying free flowing rivers beyond the 500 km global threshold, such as degree of fragmentation, regulation, and sediment trapping.** Defining free flowing rivers by length alone ignores existing free flowing rivers of smaller regions and islands which due to geography may be less than 500 km.

Furthermore, dam building is causing river fragmentation and destroying biodiversity and habitat loss in freshwater ecosystems. The **ADB should therefore support a moratorium on new dams as a key step in reassessing energy options and plans, including all pipeline projects, and reducing the probability of increasing debt burdens from high-cost, high-risk/low-reward projects.** Moreover, the ADB must **prioritize upgrades to existing hydropower projects to increase efficiency instead of building new dams.** This can include retrofitting turbines, improved pumped storage, protecting upstream forests and watersheds to reduce siltation, and grid-integration with wind, solar, and other energy innovations.

The ADB can further facilitate opportunities to protect threatened biodiversity and freshwater ecosystems (and the communities and economies that rely on them) by moving energy production away from rivers. This will require the ADB to **require clients to assess potential impacts of water related infrastructure and to conduct robust, thorough basin wide assessments which incorporate river pressure indicators and other criteria** as referenced in our [briefing paper](#).



### *Protected and at-risk marine and coastal ecosystems (No Go Area 6)*

The international banking sector writ large has yet to fully develop protections on marine and coastland areas. This includes the ADB, which should strengthen protections for protected or at-risk marine or coastland ecosystems<sup>23</sup> and prohibit harmful financing impacting these areas by drawing on existing international frameworks to identify, prioritize, and protect them.

**The ADB should require stronger due diligence for land-based activities that may have significant marine and coastland impacts, and require relevant, accurate, robust assessments on such impacts.** For example, this includes associated infrastructure and indirect impacts of fossil fuel, mining, and other similar extractive activities in coastal areas, such as ports, shipping traffic, pollution, noise pollution, etc.

A strong assessment further requires consideration of how the ADB's financing decisions may preclude financing in more sustainable development pathways. For instance, financing harmful, high-risk sectors, such as fossil fuels, often precludes financing sustainable alternatives, especially in coastal areas with high tourism potential or biodiversity value.

### *Areas where FPIC of Indigenous Peoples and Local Communities have not been obtained (No Go Area 7)*

Indigenous Peoples play a critical role in protecting the world's remaining biodiversity hotspots. Although Indigenous Peoples constitute 6% of the world's population, they safeguard 80% of the world's biodiversity. Similarly, lands managed by Indigenous Peoples yield the same, if not better, biodiversity outcomes than protected areas. Nature and biodiversity decrease at a slower rate on Indigenous lands, and yet these areas are facing increasing threats and pressures for industrial and harmful development. **Protecting biodiversity cannot be separated from protecting the rights of Indigenous Peoples.**

Protecting Indigenous Peoples rights yields positive biodiversity outcomes. This is why establishing or strengthening banks' Indigenous Peoples policies, including requiring FPIC is important not only in its own right, but also as a crucial condition for achieving positive biodiversity outcomes.

Positively, the current draft recognizes the "rights of Indigenous Peoples to direct the course of their own development", and expands upon the circumstances when Free, Prior, Informed Consent must be obtained from Indigenous Peoples beyond activities which involve commercial development of Indigenous Peoples' cultural or natural resources or physical relocation. The expansion of requiring FPIC under these circumstances is certainly positive. **We nonetheless still encourage ADB to go farther in requiring FPIC in all financed activities impacting Indigenous Peoples, whether deemed positive or adverse by outsiders.** This is crucial in ensuring Indigenous Peoples are able to direct and control their own development outcomes and remain the stewards of their own land and resources.

Given the historic marginalization of Indigenous Peoples, we appreciate that ADB will support efforts to strengthen legal recognition of the customary or traditional land tenure systems of Indigenous Peoples and support the development priorities of Indigenous Peoples through programs developed by governments in cooperation with Indigenous Peoples. In addition, we are pleased that ADB recognizes that FPIC applies in all project phases from "concept design phase to the end of the implementation phase". This is an important step in ensuring the continuous consent of Indigenous Peoples is maintained in all project phases.

However, we still note a reliance on "meaningful consultation" and participation, which is a less comprehensive consultation approach. **We strongly encourage ADB to recognize FPIC as a human right of**

Indigenous Peoples under international law, and thus require FPIC for all financed activities impacting Indigenous Peoples. At the same, in order to reduce conflicts with local communities regarding bank financed activities, we urge ADB to use FPIC as a best practice for engaging local communities. As the term “Indigenous” may also be politically or historically complex in local contexts, we further encourage the bank to **require FPIC for bank financed activities which may impact Community Conserved Territories and Areas (ICCAs), community-based conservation areas, and formally, informally, traditionally, customarily held resources or areas.**

Furthermore, ADB should **establish meaningful incentives for staff and clients to instill and encourage a culture of careful due diligence and responsible decision making on human rights and environmental governance.** These mechanisms should take into account the historical, documented patterns of past abuse against Indigenous Peoples in high-risk sectors—those impacting forests and waters, and account for how Indigenous communities have responded to previous or similar projects in nearby regions. Where Indigenous Peoples have clearly and repeatedly spoken out against certain sectors and relevant projects in the past, the ADB should respect Indigenous Peoples’ choice *not to engage* in any further or future proposed activities or projects. The ADB and its clients should also plan for a “no project” option at any stage of a financed activity to allow and facilitate proper implementation of FPIC as an iterative process.

To facilitate implementation of FPIC, ADB should include non-compliance clauses in financing agreements, such as the right to interrupt or cancel financing where there is evidence of violation of land rights, FPIC, and/or serious unresolved community grievances (i.e. killings, violence, retaliation, threats, etc.). If such non-compliance clauses already exist, they should be publicly disclosed to improve accountability.

Lastly, due to the cross-cutting nature of Indigenous Peoples issues, **the ADB must coordinate and complement IP safeguards with other institutional policies in a holistic manner, such as forests, climate and biodiversity, and Indigenous Peoples.** For instance, this could include embedding the principles of FPIC in bank forestry and biodiversity policies, as managing both primary and vulnerable secondary forests sustainably and equitably is critical for meeting other interdependent objectives, including safeguarding community rights, solving climate change, and halting biodiversity loss. (No Go Area 4)

### *Iconic Ecosystems (No Go Area 8)*

The ADB’s safeguards do not sufficiently protect iconic, transboundary ecosystems (defined as the Banks and Biodiversity Initiatives suggests<sup>24</sup>) to prevent the fragmentation of such areas. **The ADB should specifically prohibit harmful financing to iconic, transboundary ecosystems, particularly the Sundarbans, Coral Triangle, amongst others.**

Current and historical bank financing has already led to the fragmentation and devastation of iconic, transboundary, ecosystems critical for climate regulation and biodiversity conservation, including in the exclusion areas named above. Establishing exclusionary policies for iconic, transboundary, ecosystems can be an effective way for the ADB to harmonize institutional climate and biodiversity targets by ensuring ecosystem integrity in places with high climate regulatory and biodiversity values.



## Further Opportunities

Banks and financiers, including the ADB, should actively seek to halt and reverse biodiversity loss as part of their institutional mandate, while simultaneously aspiring to restore ecosystem functions. **The ADB must not only assess the biodiversity risks of its direct financing, but also the negative biodiversity impacts of its funds, policy based lending, financial products, and financial intermediary lending.**

In order to reduce biodiversity related risks, the ADB should ensure that compliance with social and environmental safeguards are included in legal contracts with financial intermediary clients and supervise their application. Environmental and social compliance clauses should also be publicly disclosed.

Additionally, it should **require its clients to provide proof that financial intermediary financing does not lead to negative environmental and social impacts**, and when such impacts do occur, they must be remediated and/or financing may be revoked legally.

## Recommendations for maximizing bank policies to protect biodiversity

The ADB's safeguards review presents an invaluable opportunity to halt and reverse biodiversity loss in Asia. By adopting these recommendations, the ADB can seize the moment to strengthen its commitments to the protection of biodiversity and nature, and prevent related human impacts, as well as advance their effective implementation. FOE US therefore makes the following recommendations:

- **Stop and reverse biodiversity loss:** The ADB should include stopping and reversing biodiversity loss as a key objective in ESS 6, and reference the need to align with the Global Biodiversity Framework.
- **No loss approach:** Move from a no net loss to a no loss approach.
- **Offsets.** Include and emphasize a “no project” option in the mitigation hierarchy, and eliminate the “offset” option.
- **Internationally recognized areas (No Go Area 1).** In addition to World Heritage sites, prohibit direct and indirect financing to harmful, unsustainable activities which may cause negative direct, indirect, cumulative, and transboundary impacts in internationally recognized areas. These include areas recognized by the Bonn Convention, Ramsar Convention, UNESCO Man and Biosphere Reserves, UNESCO Global Geoparks, Food and Agricultural Organization (vulnerable marine ecosystems), International Maritime Organization (particularly sensitive areas), and IUCN Designated Areas (Categories IA – VI).
- **Nationally recognized areas (No Go Area 2).** Prohibit financing to harmful, industrial, extractive activities which negatively impact nationally recognized areas. Where financing is allowed, avoid viewing any permits and licenses as a proxy for legal compliance. Strengthen due diligence processes to validate the legitimacy of relevant permits and/or licenses; blacklist companies with a recurring record of poor environmental and social performance; require the assessment of a client's environmental and human rights record as a key criterion for screening low-quality, high-risk clients.

- **Habitats with Threatened Species (No Go Area 3).** Explicitly extend protections to threatened species, include reference to KBA criteria in identifying and assessing priority biodiversity features, and clarify definitions regarding natural and critical habitat
- **Intact primary and vulnerable secondary forests (No Go Area 4).** Prohibit financing which causes, enables, or accelerates deforestation and forest degradation and exclude financing to clients and sectors which may negatively impact intact primary, natural forests, and vulnerable secondary forests. This includes adopting no deforestation policies and those that allow and prioritize uninterrupted forest growth and re-growth.
- **Free flowing rivers (No Go Area 5).** Expand methodology and criteria for identifying free flowing rivers beyond the 500 km global threshold, such as degree of fragmentation, regulation, and sediment trapping. Defining free flowing rivers by length alone ignores existing free flowing rivers of smaller regions and islands which due to geography may be less than 500 km. Include a moratorium on new dams, and prioritize upgrades to existing hydropower projects and moving energy production away from rivers.
- **Protected and at-risk marine and coastal ecosystems (No Go Area 6).** Strengthen protections for protected or at-risk marine or coastland ecosystems and prohibit harmful financing impacting these areas. Establish a moratorium on financing deep sea mining (except for specific circumstances) and the expansion, extraction, and shipment of fossil fuels. Strengthen due diligence, including relevant, accurate, and robust assessments of significant marine and coastland impacts resulting from land-based activities.
- **Areas where FPIC of Indigenous Peoples and Local Communities have not been obtained (No Go Area 7).** Require FPIC for all financed activities, in which Indigenous Peoples enjoy FPIC as a right under international law, and local communities are engaged using FPIC as a best practice. Policies must account for historic, documented patterns of past abuse against Indigenous Peoples in high-risk sectors (e.g., those including harmful water and dam projects) and complement crosscutting themes, including those related to forestry. Financing agreements should include non-compliance clauses, such as the right to interrupt or cancel financing where there is evidence of violation of land rights, FPIC, and/or serious unresolved community grievances.
- **Iconic ecosystems (No Go Area 8).** Prohibit harmful financing to iconic, transboundary ecosystems, particularly the Sundarbans, Coral Triangle, and others, through due diligence processes that include robust and accurate, assessments that account for ecosystem integrity and ecosystem fragmentation risks.
- **Managing biodiversity risks across the bank's portfolio:** Assess the biodiversity risks of direct financing, ADB managed funds, policy based lending, financial products, and financial intermediary lending.
- **Ensuring and disclosing compliance:** Ensure that compliance with social and environmental safeguards are included in legal contracts with financial intermediary clients, and supervise their application. Compliance clauses related to environmental and social issues should be publicly disclosed.

- **Financial Intermediaries:** Require clients to provide proof that financial intermediary financing does not lead to negative environmental and social impacts

## Endnotes:

- <sup>1</sup> Asian Development Bank, “Safeguard Policy Review”, available at: <https://www.adb.org/who-we-are/safeguards/safeguard-policy-review-en>.
- <sup>2</sup> Forests & Finance, “Policy Scores”, available at: <https://forestsandfinance.org/bank-policies/>. Global Witness, Deforestation Dividends, October 22, 2021, available at: <https://www.globalwitness.org/en/campaigns/forests/deforestation-dividends/>.
- <sup>3</sup> Convention on Biological Diversity, “The Biodiversity Plan for Life on Earth, Target 15”, available at: <https://www.cbd.int/gbf/targets/15>.
- <sup>4</sup> United Nations, Paris Agreement, 2015, available at: [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf).
- <sup>5</sup> “How should financiers align with the Global Biodiversity Framework? Five Key Principles”, June 2023, available at: [https://foe.org/wp-content/uploads/2023/06/GBF\\_Briefer\\_final\\_062623.pdf](https://foe.org/wp-content/uploads/2023/06/GBF_Briefer_final_062623.pdf).
- <sup>6</sup> Sustainable Development and Climate Change Department, Asian Development Bank, “Summary of the Analytical Study for the Safeguard Policy Review and Update: Biodiversity Conservation and Sustainable Natural Resource Management”, November 2021, available at: <https://www.adb.org/sites/default/files/institutional-document/757366/spru-analytical-study-summary-biodiversity-conservation-draft.pdf>.
- <sup>7</sup> Sustainable Development and Climate Change Department, Asian Development Bank, “Summary of the Analytical Study for the Safeguard Policy Review and Update: Biodiversity Conservation and Sustainable Natural Resource Management”, November 2021, available at: <https://www.adb.org/sites/default/files/institutional-document/757366/spru-analytical-study-summary-biodiversity-conservation-draft.pdf>.
- <sup>8</sup> “Sophus O.S.E.zu Ermgassen, Martine Maron, et al, “The hidden biodiversity risks of increasing flexibility in biodiversity offset trades”, Biological Conservation, Volume 252, December 2020, 108861, available at: <https://www.sciencedirect.com/science/article/pii/S0006320720309198?via%3Dihub>.
- <sup>9</sup> For a more detailed analysis on the conceptual and practical flaws of biodiversity offsets, please see Friends of the Earth US, “Fool’s Paradise: How Biodiversity Offsets Don’t Stop Biodiversity Loss”, October 2021, available at: <https://foe.org/resources/fools-paradise-how-biodiversity-offsets-dont-stop-biodiversity-loss/>.
- <sup>10</sup> European Investment Bank, Environmental and Social Standards, February 2, 2022, available at: [https://www.eib.org/attachments/publications/eib\\_environmental\\_and\\_social\\_standards\\_en.pdf](https://www.eib.org/attachments/publications/eib_environmental_and_social_standards_en.pdf).
- <sup>11</sup> See Friends of the Earth US, “World Heritage Forever? How banks can protect the world’s most iconic cultural and natural sites”, July 2021, available at: [https://foe.org/wp-content/uploads/2021/07/World-Heritage-Forever\\_FOE-US-2021.pdf](https://foe.org/wp-content/uploads/2021/07/World-Heritage-Forever_FOE-US-2021.pdf).
- <sup>12</sup> Asian Development Bank, “Summary of the Analytical Study for the Safeguard Police Review and Update: Biodiversity Conservation and Sustainable Natural Resource Management,” November 2021, available at: <https://www.adb.org/sites/default/files/institutional-document/757366/spru-analytical-study-summary-biodiversity-conservation-draft.pdf>.
- <sup>13</sup> Friends of the Earth US, Protecting Biodiversity from Harmful Financing: No Go Areas for the International Banking Sector, “Briefing Paper 2, Nationally and sub-nationally recognized areas,” December 2022, available at: [https://banksandbiodiversity.org/wp-content/uploads/2022/12/FoE\\_No-Go-Area-2\\_Nat-Rec-Areas\\_FIN.pdf](https://banksandbiodiversity.org/wp-content/uploads/2022/12/FoE_No-Go-Area-2_Nat-Rec-Areas_FIN.pdf). These include but are not limited to parks, reserves, memorials, monuments, preserves, recreation areas, or others. In addition, it is important for banks and financiers to prohibit harmful direct and indirect financing to activities which may be located outside the formal boundaries but may still negatively impact nationally recognized areas due to potential trans-boundary, downstream, and cumulative impacts.
- <sup>14</sup> Friends of the Earth US, Protecting Biodiversity from Harmful Financing: No Go Areas for the International Banking Sector, “Briefing Paper 3: Habitats with Threatened and Endemic Species, and Key Biodiversity Areas,” December 2022, available at: [https://banksandbiodiversity.org/wp-content/uploads/2022/12/FoE\\_No-Go-Area-3\\_Endangered-Endemic-Species\\_final.pdf](https://banksandbiodiversity.org/wp-content/uploads/2022/12/FoE_No-Go-Area-3_Endangered-Endemic-Species_final.pdf).
- <sup>15</sup> Friends of the Earth US, Protecting Biodiversity from Harmful Financing: No Go Areas for the International Banking Sector, “Briefing Paper 4, Intact primary and vulnerable secondary forests,” March 2023, available at: [https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-forests-from-harmful-financing\\_No-Go-area-4.pdf](https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-forests-from-harmful-financing_No-Go-area-4.pdf). Key sectors driving global deforestation and forest degradation include but are not limited to palm oil, pulp and paper, beef, soy, logging, biomass, and rubber.

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<sup>16</sup> Friends of the Earth US, Protecting Biodiversity from Harmful Financing: No Go Areas for the International Banking Sector, “Briefing Paper 4, Intact primary and vulnerable secondary forests,” March 2023, available at: [https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-forests-from-harmful-financing\\_No-Go-area-4.pdf](https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-forests-from-harmful-financing_No-Go-area-4.pdf). A primary forest is a natural forest that is the result of biological and evolutionary processes and that has not been degraded by significant industrial, human driven activities. A key characteristic of primary, natural forests is that mature trees dominate the canopy and contain most or all its native plant and animal species.

<sup>17</sup> Friends of the Earth US, Protecting Biodiversity from Harmful Financing: No Go Areas for the International Banking Sector, “Briefing Paper 4, Intact primary and vulnerable secondary forests,” March 2023, available at: [https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-forests-from-harmful-financing\\_No-Go-area-4.pdf](https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-forests-from-harmful-financing_No-Go-area-4.pdf). Primary, natural forests include all successional age classes (young to old growth) having no industrial human activities, including primary forests regenerating after wildfire. Primary, natural forests cover a range of related terms including “old growth forest”, “ancient forest”, “primeval forest”, “mature forests”, and “intact forest landscapes”. Given the range of regeneration rates among different forest types, the exact age of a primary forest is less relevant than whether its natural, ecological processes have reached its climax. This detail is particularly important in cases where even if a forest has been previously disturbed or logged, if the forest still predominantly functions and retains the key characteristics of a forest at its climax, it should still be considered a primary, natural forest and be protected.

<sup>18</sup> Friends of the Earth US, Protecting Biodiversity from Harmful Financing: No Go Areas for the International Banking Sector, “Briefing Paper 4, Intact primary and vulnerable secondary forests,” March 2023, available at: [https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-forests-from-harmful-financing\\_No-Go-area-4.pdf](https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-forests-from-harmful-financing_No-Go-area-4.pdf). Vulnerable, secondary forests are forests which are regenerating largely through natural processes after significant human and/or natural disturbance of the original forest vegetation at a single point in time or over an extended period. In protecting the ability of secondary forests to recover and regrow, secondary forests should be considered as vulnerable when at risk of further degradation or destruction by planned or future harmful activities.

<sup>19</sup> Frontiers in Forests and Global Change, “Intact Forests in the United States: Proforestation Mitigates Climate Change and Serves the Greatest Good”, June 11, 2019, available at: <https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:25521fc1-602c-47c7-86f6-53b960fc09c8>.

<sup>20</sup> BankTrack, “Soft Commitments, Hard Lessons: An analysis of the Soft Commodities Compact,” December 2020, available at: [https://www.banktrack.org/download/soft\\_commitments\\_hard\\_lessons\\_an\\_analysis\\_of\\_the\\_soft\\_commodities\\_compact/201130\\_scc\\_report\\_3.pdf](https://www.banktrack.org/download/soft_commitments_hard_lessons_an_analysis_of_the_soft_commodities_compact/201130_scc_report_3.pdf).

<sup>21</sup> Ronald C. Estoque, et al, “The future of Southeast Asia’s forests”, Nature, April 2019. <https://www.nature.com/articles/s41467-019-09646-4>

<sup>22</sup> Friends of the Earth US, Protecting Biodiversity from Harmful Financing: No Go Areas for the International Banking Sector, “Briefing Paper 5, Free flowing rivers, March 2023, available at [https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-free-flowing-rivers-from-harmful-financing\\_No-Go-area-5.pdf](https://banksandbiodiversity.org/wp-content/uploads/2023/03/Protecting-free-flowing-rivers-from-harmful-financing_No-Go-area-5.pdf). The Banks and Biodiversity Initiative defines free flowing rivers as rivers that flow undisturbed from their source to mouth, at either the coast, an inland sea or at the confluence with a larger river, without encountering any dams, weirs or barrages and without being hemmed in by dikes or levees. Fluvial connectivity and hydrological alterations are key aspects when assessing the free flow of a river.

<sup>23</sup> Friends of the Earth US, Protecting Biodiversity from Harmful Financing: No Go Areas for the International Banking Sector, “Briefing Paper 6, Protected and at-risk marine and coastland ecosystems,” March 2023, available at: [https://foe.org/wp-content/uploads/2023/08/08\\_07\\_FoE\\_nogoareas\\_paper6.pdf](https://foe.org/wp-content/uploads/2023/08/08_07_FoE_nogoareas_paper6.pdf). The Banks and Biodiversity Initiative encourages banks and financiers to draw from our proposed definition of such ecosystems: “protected or at-risk marine or coastland ecosystems include mangrove forests, wetlands, reef systems, and those located in formally, informally, or traditionally held areas, Indigenous Territories (ITs), or public lands not yet demarcated, or Indigenous and Community Conserved Areas (ICCA).”

<sup>24</sup> Those “with unique, superlative natural, biodiversity, and/or cultural value which may sprawl across state boundaries, and thus may not be wholly or organically recognized or protected by host countries or international bodies.”