Scaling nature finance for climate action

Opportunities and obstacles in Asia's apparel and palm oil sectors

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Introduction

An urgent conversation

The apparel and palm oil sectors are at the centre of efforts to scale nature finance across Asia.

These two sectors form an important part of HSBC's global client base and are deeply integrated into global value chains. They are also keenly aware of nature-related risks, given their dependence on cotton and oil palm for raw materials and the impact of their operations on the environment. The conversion of land for agricultural commodities is a primary driver of biodiversity loss in Asia.[1] Textile production consumes vast amounts of water and is a major source of pollution.[2]

At HSBC, our own approach to nature is evolving. As we work towards our goal of becoming a net zero bank by 2050, we are seeking opportunities to support our customers and build the skills and data capacities we need to understand our exposure and manage nature risks.

With these objectives in mind, HSBC convened clients, philanthropic partners and indus-try leaders from these two nature-dependent sectors at roundtables in Malaysia and Hong Kong in late 2025 to discuss opportunities and challenges in scaling nature finance across Asia.

Held under Chatham House rules, the events produced frank perspectives and practical insights into the future of nature-positive investments.

This report distils those conversations into thematic summaries and key takeaways for businesses, policymakers and other stakeholders.

We are grateful to everyone who participated and trust this report proves useful in moving the conversation forward.

Three key themes emerged as the focus of this report:

Valuing nature is key to changing business models

Nature-positive investments require an understanding of the value of nature. Disclosure requirements, access to global markets and the quest for a competitive edge are driving a reassessment and promoting positive change.

Nature finance is an untapped opportunity

Businesses can leverage existing and innovative approaches to support nature investments. A long-term approach that integrates nature into lending and investment decisions will allow more capital to flow.

Overcoming obstacles requires engagement across value chains

As they strive for continued progress, businesses in both sectors are seeking ways to encourage their upstream partners to adopt nature-positive practices. The complexity of international, diversified supply chains remains a hurdle.

Theme 1

Valuing nature

75%

of Asia-Pacific GDP is highly or moderately dependent on natural capital – well above the global average

Why nature matters

Stakeholders across the apparel and palm oil sectors are aware of the urgent need to reassess the value of nature and are increasingly integrating nature in their business decisions.

Nature is crucial to humanity's survival, to the climate, and to economic activity. It provides essential raw materials such as minerals and nutrients, as well as ecosystem services such as pollination. By some estimates, this natural capital underpins over half of global GDP.[3] Asia is especially dependent: in a recent report, the Asian Development Bank (ADB) calculated that 75% of Asia-Pacific GDP is highly or moderately dependent on natural capital – well above the global average.[4]

Palm oil production provides direct jobs for four million people in Indonesia and nearly a million in Malaysia.[5] The apparel sector is a major source of income across the region. The textile and garment industry, for example, is responsible for over 85% of all exports in Bangladesh.[6]

Yet nature is under threat. A global assessment in 2019 found that biodiversity is declining at an unprecedented rate, with around one million animal and plant species threatened with extinction and 14 out of 18 ecosystem services in decline.[7]

At recent HSBC roundtables in Kuala Lumpur and Hong Kong, business leaders in the palm oil and apparel sectors outlined some of the steps they are taking to quantify nature-related risks and measure value.

Several said they were prompted by recommendations from the Taskforce on Nature-related Financial Disclosures (TNFD), which call for companies to inform investors of material physical, transition and systemic risks from nature loss – for example, their exposure to natural disasters or reliance on water. Asia is leading the world in TNFD adoption.[8]

Businesses in both sectors see a wide range of commercial benefits from nature-positive investments, including savings from resource efficiency, reduced risks and access to new markets or new product lines. Investing in nature can also lead to strategic and reputational benefits, such as improved stakeholder relationships and greater operational resilience.

Nature-based Solutions

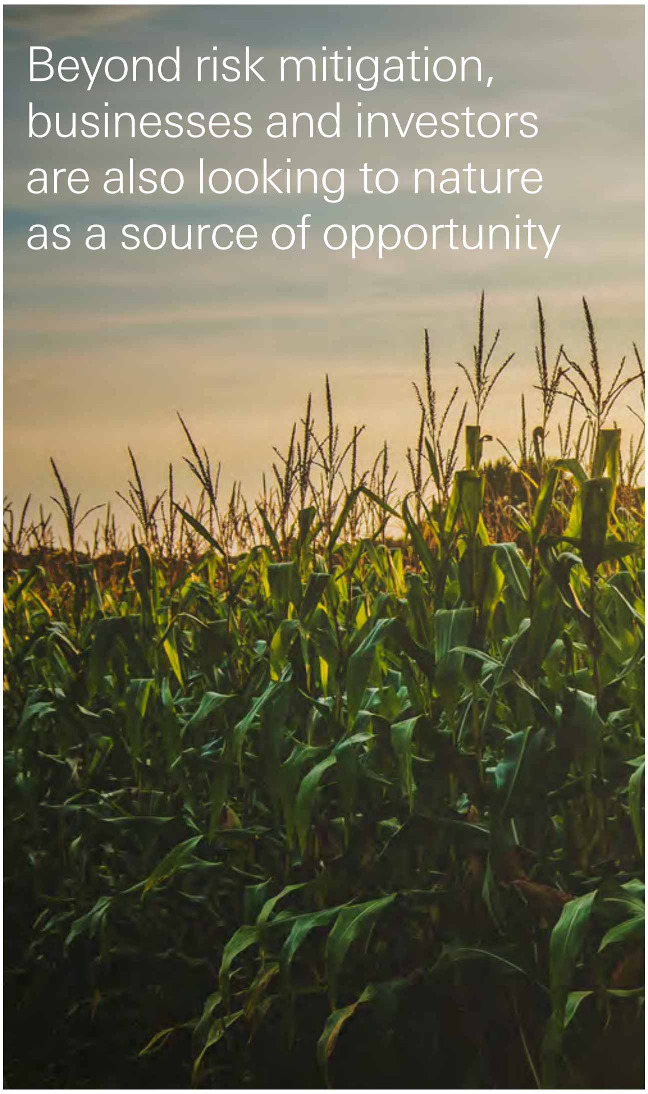
Nature-based Solutions (NbS) are attracting attention as one of many tools aimed at scaling nature finance. The International Union for Conservation of Nature (IUCN), the world's largest environmental network, has pioneered the concept for more than 20 years. It defines NbS as "actions to protect, sustainably manage, and restore natural and modified ecosystems, benefiting people and nature at the same time".[9]

Development banks are leading the way in integrating NbS in their lending frameworks and connecting finance to environmental safeguards and nature-positive outcomes. The ADB's Nature Solutions Finance Hub for Asia Pacific aims to mobilise USD2 billion by 2030.[10]

In the private sector, NbS investments can generate value from the sale of carbon credits, reduced exposure to climate and regulatory risks, improved community engagement, and other benefits. In Malaysia, for example, restoring forests and mangroves could generate over USD4 billion and address over 10% of the country's GHG emissions, according to McKinsey.

Theme 2

Opportunities for nature finance



Building resilience and driving growth

Discussions around nature investing are gradually moving beyond philanthropy and corporate social responsibility (CSR) and becoming more commercially focused.

Businesses at the HSBC roundtables emphasised that their investments in nature are driven by both risk awareness and commercial opportunities.

Risk mitigation is a powerful motivator. Reputational concerns remain a strong driver in both sectors, especially for consumer-facing companies, and rising climate risks are also pushing businesses to build resilience. One participant at the Hong Kong roundtable reported an increase in questions from banks about typhoon or flood risks. Another participant from a food & beverage company flagged the commercial risks of droughts and reduced crop yields in its upstream operations.

Beyond risk mitigation, businesses and investors are also looking to nature as a source of opportunity. Globally, the World Economic Forum has calculated that the transition to a nature-positive economy could generate up to USD10.1 trillion in annual business value by 2030.[12]

Stakeholders across the palm oil sector said sustainable growing practices provided a competitive advantage, allowing for differentiated products to be marketed at a premium and making their businesses more attractive places to work.

Others emphasised the social and environmental impact of nature-positive activities. Conservation projects, including restoration initiatives in Malaysia, contribute to climate change mitigation and improve biodiversity.[13] Mangrove restoration improves flood defences, building resilience to the effects of climate change.[14]

USD10.1 trillion

in annual business value could be generated globally through the transition to a nature-positive economy by 2030

Connecting capital with nature

Multiple participants stressed the ability of capital providers – including banks, major buyers, impact investors and institutional investors – to enable nature-positive business models and incentivise sustainable business practices. Stakeholders stressed the need for simplicity, transparency and integrity to ensure funds are used effectively.

Discussions at the HSBC roundtables highlighted several examples of nature financing solutions in the apparel and palm oil sectors.

Nature financing solutions

- **Carbon credits**
  In apparel, initiatives such as the US Cotton Trust Protocol use carbon markets to generate an additional revenue stream for farmers who adopt regenerative practices. US retailer Target supported a carbon credit sale for a Cotton Trust project in 2024.[15]

- **Producer credits**
  The Roundtable on Sustainable Palm Oil (RSPO), a global non-profit organisation certifying palm oil against social and environmental criteria, has introduced a crediting mechanism to directly compensate independent smallholder farmers for sustainable practices. In 2024 the volume of credits traded reached 284,188, equivalent to USD6.5 million.[16]

- **Green bonds/loans**
  In the apparel sector, green loans have gained traction with suppliers in Asia, including Hong Kong-based Pacific Textiles, which turned to HSBC to finance a new facility in Vietnam in 2022.[18] In the agricultural sector, Brazilian paper and pulp company Suzano issued green bonds in China in November 2024 to finance certified eucalyptus plantations in Brazil.[19]

- **Outcome bonds**
  In 2024, HSBC mobilised over USD35m of capital for a reforestation project for Mombak, in the Amazon, through a USD225m nine-year Amazon Reforestation Outcome Bond for the World Bank.[20] In a world first, bondholders will receive part of their coupon payments from cashflows generated by the sale of carbon credits once the reforestation project is operational.

- **Sustainability-linked loans (SLLs)**
  In one example from the palm oil sector, Musim Mas signed a SLL with HSBC and Rabobank in 2024 to connect its cost of funding to sustainability metrics, including the RSPO certification of independent smallholders in its supply chain.[21]

- **Sustainable supply chain finance (SSCF)**
  Trade finance instruments can provide financial incentives to encourage nature-positive practices. In the apparel sector, major buyers such as PVH offer better payment terms to suppliers that meet their sustainability criteria – which can include the use of certified sustainable fabrics or reduced water consumption.[22]

Theme 3

Overcoming obstacles

Stakeholders at the HSBC roundtables acknowledged that there is a long way to go before nature is fully integrated into commercial decisions.

The main hurdles can be categorized into three main themes:

1. Valuation

Many businesses find it difficult to quantify the returns of nature-positive investments. The value of nature is highly dependent on the local context, and there is no single consensus metric.

In many situations, exploiting nature is more attractive than protecting it. Forest conservation NbS projects in Southeast Asia, for example, generate an estimated operating profit of around USD45–USD80 per hectare, far lower than is available from agriculture.[23]

As a result, most nature initiatives are philanthropic, funded from a separate CSR budget rather than overall operating costs. Without a powerful market-driven mechanism, participants at the roundtables argued that regulatory action is needed to incentivise nature-positive behaviour and penalise adverse environmental impacts.

Scaling up nature finance will require investments to generate attractive returns for investors and businesses to integrate nature into their long-term financial models. Stakeholders in the palm oil and apparel sectors expect this to happen over time as nature becomes more important to valuations and overall business resilience.

2. Supply chain complexity

International brands and major buyers have worked hard to mitigate environmental risks at their biggest suppliers, but visibility is limited further upstream. In the apparel sector, for example, fashion brands deal directly with fabric suppliers or garment manufacturers but often have little control over how those partners source their raw materials. Similarly, palm oil buyers deal with mills and refiners, rather than smallholder farmers who produce much of the crop.

Where businesses can capture a premium for nature-positive practices, participants emphasised that the value is concentrated in downstream activities. To incentivise sustainable land use, more of this premium needs to be transferred upstream to discourage growers from expanding into nearby forests.

This is far from straightforward, even where major buyers are on board, due to the fragmentation of supply chains across multiple tiers. In the palm oil sector, efforts to reward sustainable practices through certification initiatives have gained significant traction over the past two decades, but many participants worry that the incentives are not reaching the right target. The price of RSPO credits for certified independent smallholders fell in 2024, reducing the incentive for farmers to remain certified.[24]

3. Scalability

Nature-positive investments are widely seen as complex and limited in scope, restricting their ability to scale. Policy changes in major consumer markets have also eroded multilateral and state support for nature finance, and driven some major donors away.

While impact-oriented investors are ready to support major nature finance initiatives, the pipeline of suitable projects is nascent. This is a particular hurdle in Asia, where the differences between individual markets prevents investors from aggregating projects across borders.

Stakeholders in the apparel and palm oil sectors are calling for policymakers to do more to incentivise sustainable behaviour. This could include preferential tax treatment for responsible land users, or stricter enforcement of sustainability requirements at the point of production.

Collaboration between major buyers on advance purchases, government intervention and concessional funding are seen as key levers to mobilising nature finance at scale.

Conclusion

Moving forward together

The HSBC roundtables showcased the rapid progress made in apparel and palm oil in recent years and highlighted many examples where businesses, investors and other stakeholders are driving nature-positive change.

The discussions pointed to three key levers for scaling nature finance further:

Systemic change requires action across value chains

While all stakeholders share a desire to rewire supply chains to protect and restore nature, no single actor can shoulder the responsibility for systemic change.

Pre-competitive collaboration has been a powerful tool for progress in both apparel and palm oil, with voluntary certification schemes and third-party oversight helping to improve perceptions of the industry. Deeper links between financiers, NGOs and industry are helping to drive progress.

Buyer signals are important in facilitating access to finance – such as the Symbiosis Coalition, which is working to aggregate commitments for nature-based carbon removal credits from some of the world's top corporate buyers.[25]

In both apparel and palm oil, there is an urgent need to engage upstream land users in a whole-of-society approach to protect and restore natural ecosystems. In many cases, new incentives are needed to ensure the benefits of nature-positive practices are shared with local communities.

Blended capital and partnerships are essential to overcoming hurdles

Public sector funds, philanthropic foundations, CSR teams and other donors can help to prepare projects for investment and work with regulators to create the right enabling environment for nature finance to scale.

In apparel and palm oil, philanthropic partnerships have proven crucial enablers. Civil society and technical organizations are often better placed than financial institutions or corporates to drive cooperation between different ecosystem players and provide the oversight needed for companies to take investment decisions with confidence.

Looking forward, partnerships between different groups of stakeholders are seen as key to scaling nature finance in these complex sectors.

Policy support is critical to building the business case for nature

Policy signals, disclosure requirements, adequate land use planning, and incentives for nature-positive practices are crucial in establishing the commercial case for nature investments. In nature-dependent sectors such as apparel and palm oil, regulatory intervention would enhance existing market mechanisms and incentivise best practices at a time when global demand for certified sustainable products is seen as wavering.

Governments can also lead by example by embedding nature in procurement processes, investment approvals and land use projects.

Labelling nature as a critical infrastructure asset would also help to unlock funding opportunities. In Hong Kong, for example, the government is exploring the use of Nature-based Solutions in the Northern Metropolis megaproject. Projects of this scale could leverage existing financial tools, such as public-private partnerships, guarantees, green finance or carbon credits to establish a proof of concept for nature-positive economic development.

Notes

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