



Finance *for*  
Biodiversity  
Foundation

# Aligning Financial Flows with the Global Biodiversity Framework: Translating Ambition into Implementation

**Key Recommendations for Governments  
from the Financial Sector**

April 2024

# Executive Summary

This paper has been developed by the [Finance for Biodiversity \(FfB\) Foundation](#) and our members. The purpose of this paper is to outline concrete actions that governments need to take to implement the Kunming-Montréal Global Biodiversity Framework (GBF), specifically the goals and targets that relate to the alignment of public and private financial flows.

In the run-up to the UN Convention on Biological Diversity Conference of the Parties in 2022 (COP15), the members of the Public Policy Advocacy working group of the FfB Foundation advocated for an ambitious agreement that explicitly addresses: 1) the alignment of all financial flows, both private and public; and 2) improved disclosure of biodiversity impacts and dependencies. We captured our suggestions in [three position papers](#) throughout 2022.

We are delighted that both of these components have been successfully safeguarded in Goal D, and Targets 14, 15, 18 and 19 in the GBF. Goal D, Target 14 and Target 19 highlight how both private and public financial actors need to play a vital role in tackling biodiversity loss. Target 18 underlines the importance of reducing harmful incentives and subsidies by US\$500 billion per year, starting with the most harmful incentives, and scaling up positive incentives for the conservation and sustainable use of biodiversity. Target 15 requires governments to ensure disclosure of nature-related risks, dependencies, and impacts, by all large and transnational companies and financial institutions. Effective implementation and ambitious action from governments at the national level will be critical to the success of these goals and targets.

While our recommendations have been designed to be universally applicable by all jurisdictions, FfB recognises that different countries are at different stages of their development pathways. We therefore expect that the rate at which these recommendations are implemented will vary accordingly and that capacity building initiatives are fundamental when it comes to enabling developing countries to build sustainable capital markets. We also recognise that there is a no one size fits all approach, so how the measures are implemented will vary according to national circumstances.

**We see both National Biodiversity Strategy and Action Plans (NBSAPs) and also National Biodiversity Finance Plans (NBFPs) as the primary vehicles for implementation of these recommendations and articulating the role of private finance. Countries must submit NBSAPs and NBFPs ahead of the next UN Convention on Biological Diversity Conference of the Parties in 2024 (COP16).**

This report advocates for a “whole-of-government” approach to implementing the GBF. Governments, regulators, central banks, and financial supervisors have the responsibility to take action and the capacity to mobilise voluntary commitments from the private sector. They can help by supporting the development of the tools and standards needed to understand nature-related impacts, dependencies, risks, and opportunities, and mandate nature transition plans based on sectoral transformation pathways.

It also asks governments to take a holistic, economy-wide approach by setting clear boundaries and promoting innovation in the most impactful sectors on nature like the food sector, chemicals and mining through policy tools such as regulation, tax reform, and subsidies; so they can steer sectoral pathways of transformation toward a nature-positive economy. Such governmental guidance enables the private sector to divest from harmful activities and redirect investments towards innovative solutions within specific sectors that can support the restoration, conservation and sustainable use of nature. Governments can also develop the necessary economic incentives and financial instruments to catalyse private finance at scale and bridge the current biodiversity finance gap of US\$700 billion per year.

In order to achieve the above, stronger cooperation between the public and private finance sectors needs to be considered as a key element for the mobilisation of additional resources for the recovery of nature and realising the vision of living in harmony with nature by 2050.

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# Introduction

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This is a paper from the [Finance for Biodiversity \(FfB\) Foundation](#). Our aim is to support a call to action and collaboration between financial institutions via working groups and programmes, as a connecting body for contributing signatories and partner organisations. Together, 170 financial institutions representing 26 countries, with over €22 trillion in assets, have signed the [Finance for Biodiversity \(FfB\) Pledge](#). This Pledge was initiated by a group of 26 financial institutions who are calling on global leaders to agree on effective measures to reverse biodiversity loss, and who are committing to protect and restore biodiversity through their finance activities and investments.

These financial institutions, who are signatories to this Pledge, recognise the role they must play in reversing biodiversity loss by 2030 and they are committed to ambitious action through their investments, underwriting and lending practices. They also recognise that, alongside climate change, the loss of biodiversity, and the related decline in ecosystem services, creates not just nature-related physical and transition risks to business but it also increases the systemic risk for the entire financial system. Now, 76 member financial institutions of the FfB Foundation are collaborating on biodiversity in the different [working groups](#) covering the following themes: public policy advocacy, engagement with companies, impact assessment, target setting, and positive impact.

In the run-up to [COP15](#), held in Montreal, Canada in 2022, the members of the Public Policy Advocacy working group of the FfB Foundation advocated for an ambitious agreement that explicitly addresses: 1) the alignment of all financial flows, both private and public; and 2) improved disclosure of biodiversity impacts and dependencies. We captured our suggestions in [three position papers](#) throughout 2022. We are delighted that both of these components have been successfully safeguarded in Goal D, and Targets 14, 15, 18 and 19 in the Kunming-Montréal Global Biodiversity Framework (GBF).

The emphasis on finance at COP15, marked the first time that countries, under the United Nations Convention of Biological Diversity (CBD), agreed to explicitly set a collective ambition on the alignment of financial flows, in order to halt and reverse biodiversity loss and ensure the recovery of nature. This reflects the full scale of financing efforts that are needed to achieve the goals and targets of the GBF, from all stakeholders and from "all sources", including domestic,

international, public and private resources. Furthermore, there was a recognition that public and private financial flows must become aligned. This means that harmful financial flows need to be reduced alongside resource mobilisation for nature in order to achieve the shared vision of living in harmony with nature which was developed at COP15 and now reflected in the GBF.

The negotiations under the CBD have historically focused on finance from the public funding perspective, namely financing from developed to developing countries. This funding is vital, particularly for the poorest and most vulnerable developing countries, but it is only part of the puzzle concerning biodiversity and the whole financial sector, especially in relation to the private finance sector.

The result of the COP15 negotiations recognised the important role of private financial flows for the first time. Goal D, Target 14, Target 15 and Target 19 highlight how both private and public financial actors need to play a vital role in tackling biodiversity loss. Target 18 underlines the importance of reducing harmful incentives and subsidies by US\$500 billion per year, starting with the most harmful incentives, and scaling up positive incentives for the conservation and sustainable use of biodiversity.

Having agreed to these significant ambitions, the governments that are Parties of the CBD must now implement the goals and targets of the GBF in their respective countries. In addition, the few countries that are not parties to the CBD, like the United States, should consider the targets to meet the overall mission of the GBF to halt and reverse biodiversity loss by 2030; our recommendations are also relevant to their efforts.

While these recommendations have been designed to be universally applicable by all jurisdictions, FfB recognises that different countries are at different stages of their development pathways. We therefore expect that the rate at which these recommendations are implemented will vary accordingly and that capacity building initiatives are fundamental when it comes to enabling developing countries to build their sustainable capital markets. We also recognise that there is no one size fits all approach, so how the measures are implemented will vary according to national circumstances.

Many of the targets that relate to finance will require actions from companies across many sectors of the economy, as these companies are held in investment or lending portfolios of financial institutions. For instance, in order to reduce pollution, to stop overexploitation of natural resources, to restore all ecosystems and develop systems for equitable resource sharing, it is necessary to directly address poor practices at the company level, as well as issues within the financial services regulatory system.

From a private finance perspective, the most important first step is to implement measures that will progressively stop and reduce existing financial flows that are already harming nature and to also prevent future possible financing activities that might continue in the same direction. The implementation of Target 15, which ensures disclosure of nature-related impacts, dependencies and risks by all large and transnational companies, as well as financial institutions, is a step in the right direction, but will need to be complemented by effective policy measures and transformative action across many sectors of the economy. Put simply, we must make it a better investment proposition for the financial sector to invest and support business practices that do not harm nature rather than those that do.

In order to efficiently shift capital, companies and financial institutions must also have transition plans that outline how they will address the drivers of biodiversity loss throughout their value chains, guided by broader sectoral pathways. Incentives will also be required, focusing on delivering the investment opportunities of the future that no longer harm nature and can contribute to closing the biodiversity financing gap.

We have previously advocated for finance ministers to significantly increase their focus on biodiversity and nature. We believe that ministries of finance have significant levers that they can pull on to accelerate the nature action that is needed to deliver on the goals and targets of the GBF to drive a "whole-of-government" approach to sustainable, inclusive, and resilient development and growth - but these levers are not yet being fully utilised.

Ahead of the [COP 16](#), to be held in Colombia in October 2024, countries will outline their plans for implementing the GBF in their National Biodiversity Strategy and Action Plans (NBSAPs)<sup>1</sup>- an integrated, multi-sectoral, participatory instrument for national biodiversity planning - and National Biodiversity Finance Plans (NBFPs)<sup>2</sup>- a document which will include information on financial, technology development and transfer, and capacity-building support needed, received, and used, to implement their NBSAPs. We strongly advocate that NBSAPs and also the NBFPs should include a strategy for implementing the alignment of public and private financial flows through a range of policy, regulatory and other measures. The strategy should articulate how companies and financial institutions will be stimulated to effectively address biodiversity loss, as part of implementing Goal D, and Targets 14, 15, 18 and 19.

This document extends beyond the scope and ambitions of NBSAPs and NBFPs, with the hope of inspiring governments to initiate the concrete actions necessary for the implementation of the GBF.

***This paper outlines FfB's four key recommendations to governments on how they can implement aspects of the GBF that relate to finance: 1) Require companies and financial institutions to assess, monitor, and disclose their nature-related risks, impacts, dependencies, and opportunities (Target 15); 2) Mandate Nature Transition Plans, based on sectoral transformation pathways, and foster collaborative commitments (Goal D and Target 14); 3) Actions from central banks and supervisors (Goal D and Target 14); and 4) Create economic incentives for businesses and financial institutions to maximise the mobilisation of private finance (Target 18 and Target 19).***

<sup>1</sup> See: <https://www.cbd.int/doc/training/nbsap/b1-train-intro-nbsap-revised-en.pdf>

<sup>2</sup> See: <https://www.cbd.int/financial/t19.shtml>

# Recommendation 1:

## Require companies and financial institutions to assess, monitor, and disclose their nature-related impacts, dependencies, risks, and opportunities

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Target 15, in the GBF, states that countries must “take legal, administrative or policy measures to encourage and enable business, and in particular to ensure that large and transnational companies and financial institutions: (a) Regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity, including with requirements for all large as well as transnational companies and financial institutions along their operations, supply and value chains, and portfolios; (b) provide information needed to consumers to promote sustainable consumption patterns; (c) report on compliance with access and benefit-sharing regulations and measures, as applicable”.

A better understanding of nature-related impacts, dependencies, risks, and opportunities across portfolios of assets and economic value chains is essential for making investment and lending decisions that consider the need to protect, restore, and sustainably use biodiversity. Target 15 builds on the momentum towards disclosure regulation that is already underway in jurisdictions like [Colombia](#) and the [European Union \(EU\)](#). It also strengthens institutional and policy backing for voluntary disclosure initiatives, such as the [Taskforce on Nature-related Financial Disclosures \(TNFD\)](#). In order to serve society by supporting sustainable investment and policy decision-making, the information shared in disclosure needs to be made accessible and known to all stakeholders.

The FfB Foundation sees a direct correlation between mandatory assessment, disclosure and positive action by financial institutions on nature. Disclosure frameworks enhance the consistency and transparency of sustainability data, informing strategies and actions to take in order to address nature-related issues. The adoption of disclosure requirements has also been [strongly supported by the business community](#), including financial institutions, who see this as an opportunity to create fairer competition among companies, accelerate action, and engage investors.

### Action 1:

#### Implement disclosure requirements as a first step towards improving outcomes for nature

The intent of Target 15 is clear: we need to increase our collective knowledge about how business interacts with nature so that harmful impacts can be better managed, avoided, and mitigated. Target 15 asks governments to approach both large and transnational companies as well as public and private financial institutions differently than smaller businesses. Governments should set explicit disclosure regulations for large companies and financial institutions, which include their operations, supply chains and portfolios. At the same time, they need to take active measures to support smaller companies and financial institutions, including small and medium enterprises (SMEs), to develop the capability to produce high-quality nature-related disclosures so that a full picture of all business impacts and dependencies on biodiversity can be understood over a realistic timeframe. In considering what it means to be a large company in the context of their country, governments must not set the size so high, in terms of revenue or number of employees, and make the disclosure obligation worthless.

Depending on the national context, smaller companies must also be encouraged to disclose their activities and impacts. Importantly, this disclosure enables the identification, compilation and grouping together of any potential “cumulative impacts” on the environment that might be occurring. This then helps to assess the overall and collective environmental damage that is being generated by these small companies. Encouraging disclosure by smaller companies might be better approached by setting realistic and meaningful disclosure requirements for businesses of their size and resources, rather than encouraging them to follow the mandatory standards that will be set for the larger companies. This should, in turn, drive demand and capacity for improved nature data over time. We think it is useful for governments to outline disclosure requirements and provide guidance to smaller companies – even if those measures are not legally enforceable. Regulators might consider a phased approach to reduce regulatory burdens at first, or indicate specific SME dedicated standards, in transition toward full disclosure requirements. This will also enable smaller companies to understand what is required of them as part of the supply chain of larger companies.

Ultimately, these disclosure obligations for companies exist to facilitate better outcomes for nature. To ensure that disclosures provide decision-useful information and discourage financing environmentally harmful activities, they must be consistent, comparable, transparent, and accessible to all stakeholders. **Therefore, the guidance to businesses of all sizes should encourage activities that do not harm, or mitigate, harm to nature. Focusing on this outcome will likely enable businesses to comply with disclosure needs more easily.**

Given the urgency and scale of action required, the disclosure obligations cannot be deferred until there are “perfect” data sets for nature (e.g. sets that would cover all environmental elements including their physical flows or sets that cover all drivers of biodiversity loss and the entire value chain of companies or indeed data sets that are comparable between actors and are time continuous as well as actionable and are regularly updated etc.). Despite imperfect data, many companies from a range of sectors have performed nature-related assessments and already [320 organisations and financial institutions](#) from over 46 countries have committed to making nature-related disclosures based on the [TNFD recommendations](#) (see example 1). To help with these disclosures, decision-useful data will be essential to drive the sustainable transformation of economic activities. Here, governments can facilitate and encourage improved access to measurement tools and facilitate open-source and location-specific data on nature (see Action 3 below).

**Governments should consider stimulating assessment, monitoring and disclosure of nature-related risks, impacts, and dependencies by directing companies and financial institutions towards existing frameworks like the TNFD recommendations.** Governments with an infrastructure of mandatory disclosure regulations on climate change through the [Taskforce on Climate-Related Financial Disclosures](#) (TCFD) can go further by incorporating the TNFD recommendations in disclosure requirements.

Many markets have already introduced mandatory disclosure requirements in line with the TCFD recommendations, often in a phased manner determined by sector and size. These markets include the UK, New Zealand, Brazil, Canada, the European Union, Hong Kong, Japan, Singapore, South Africa, Switzerland, and the USA. We expect this approach to be extended to nature-related impacts and dependencies, especially given the close interconnection between climate change and biodiversity loss.

### Example 1: TNFD recommendations as a leading disclosure framework

The [Taskforce on Nature-related Financial Disclosures](#) (TNFD) has launched a disclosure framework and guidance for companies and financial institutions to assess and disclose their nature-related impacts, dependencies, risks, and opportunities. The development of this framework follows the success of the precursor framework developed by the [Taskforce on Climate-Related Financial Disclosures](#) (TCFD), which has radically changed the conversation on climate change, putting disclosures on carbon on par with audited financial disclosures in company reports.



## Action 2:

### Encourage coherence on nature-related disclosure standards

Measurement approaches, tools, and standards for assessing impacts and dependencies on nature are increasingly becoming available in the market, thanks to the emergence of tool developers and data providers. Disclosure requirements, introduced by governments, should ideally be standardised and internationally aligned, to the extent that this can be achieved without delaying the swift adoption of disclosure requirements. A consistent and interoperable implementation of internationally agreed sustainability reporting standards is necessary to support the rapid and widespread adoption of nature-related disclosures. These requirements should consider regional, institutional, and legal specificities, whilst allowing individual jurisdictions to introduce additional requirements if necessary. The greater the level of consistency, the greater the ability to align public and private financial flows in the case of cross-border businesses and transactions.

**Governments can work towards the development and implementation and the interoperability of a common standard for nature-related disclosures, for instance, by integrating TNFD recommendations into the International Sustainability Standards Board (ISSB).** The TNFD Framework has already been designed to be interoperable with these ISSB disclosures.

A good example of cooperation among organisations to ensure alignment between standards can be found in the recent development of the GRI 101 Standard on Biodiversity, the European Sustainability Standard on Biodiversity and Ecosystems (ESRS E4), and the TNFD (see example 2 below).

Research is increasingly being conducted to understand and enhance the interoperability of disclosure frameworks and standards. For example, the [Carbon Disclosure Project's \(CDP\) "High-Quality Mandatory Disclosures Principles"](#) are intended to support policymakers, and financial market regulators in designing comprehensive, high-quality, and effective mandatory environmental disclosure regimes. In addition, [UNEP FI](#) published the report "[Accountability for Nature](#)" which provides an overview of the key methodological and conceptual trends among the private sector assessment and disclosure approaches on nature-related issues.

## Example 2:

### GRI and EU ESRS disclosure standards on biodiversity

The [Global Reporting Initiative \(GRI\)](#), the world's most widely used sustainability reporting standard by companies, has developed a chapter in its standard that sets out reporting requirements on biodiversity. The [GRI 101: Biodiversity 2024](#) sets out a disclosure framework for organisations to report on their biodiversity-related impacts and how they manage these impacts.

Moreover, European Union (EU) law requires all large companies and all listed companies (except listed micro-enterprises) to disclose information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment. In April 2021, the European Commission adopted the [Corporate Sustainability Reporting Directive \(CSRD\)](#), which requires companies within its scope to report in compliance with the [European Sustainability Reporting Standards \(ESRS\)](#). There are 12 ESRS' covering the full range of sustainability issues, one of which is [ESRS E4 on Biodiversity and Ecosystems](#). Companies will have to start reporting under ESRS over the years 2024 (large EU-companies), 2025 (large non-EU companies), 2026-2028 (listed SMEs), and 2028 (non-EU companies with over 150 million euro per year in the EU).

To support global alignment with GRI 101, cooperation and exchange has taken place with the European Financial Reporting Advisory Group (EFRAG) for the new EU biodiversity standard (ESRS 4), as well as with TNFD. Similarly, EFRAG and TNFD, together, have recently published an interoperability mapping document of the ESRS and TNFD recommendations, in the form of a [table](#) and an [accompanying document](#). This effective cooperation between institutions is enabling an increased coherence and interoperability among disclosure frameworks.



### Action 3:

## Stimulate access to measurement tools and facilitate open-source and location-specific data on nature

The private sector needs consistent, comparable, and readily accessible data to drive common metrics set against robust methodologies and standardised frameworks for identifying and reporting on nature-related impacts and dependencies for all sectors of the economy. At the moment, material nature-related issues are generally missed in financial transactions or valuations (e.g. corporate dependencies on ecosystem services, such as a beverage company's need for clean water, or an agricultural producer's dependence on insect pollination). It follows that nature-related risks are largely unrecognised by financial institutions, though this is starting to change. The lack of data and disclosure from companies, available to incorporate nature-related impacts and dependencies, is generally given as a reason why aligning financial flows is challenging. Governments can improve access to various measurement tools and facilitate best practice and knowledge sharing between end-users, focusing on location-specific data collection, analysis and use (e.g. through public procurement or other mechanisms).

Although the limitations of data should not be used as an excuse for inaction, access to good quality nature-related data will facilitate more widespread action. Location-specific data, tools, analysis, and visualisation are necessary to inform sound decision-making by companies and financial institutions. Also, landscape- and seascape-level approaches that include all stakeholders are needed to harmonise sometimes competing demands, and ultimately deliver on global nature and climate goals.

Financial institutions are not waiting until the perfect data from companies exists. They are already experimenting with biodiversity footprinting [measurement approaches and tools](#). Through actual and modelled data, these approaches and tools give an idea of the potential changes in biodiversity that have resulted from nature-related impacts and dependencies of specific sectors and companies. Unfortunately, smaller companies do not always have the resources to buy this type of data. Furthermore, these tools often don't yet have an answer to calculating location-specific needs and company value chains.

Open-source government data (where possible) can also facilitate action from the private sector. The primary type of data needed is state-of-nature data. Governments should sustain investments in state-run open-access biodiversity-relevant data collection, ensuring that continued spatial and non-spatial time series analysis is possible at a relevant scale. This will help to track the evolution of the state-of-nature toward recovery. Public data sources that governments can make available are, for example, data from international trade or from satellites. There is increased interest in using satellite data for environmental monitoring, especially deforestation. The main challenge is to link observed environmental impacts and the activities of companies on the ground, along the value chain. Moreover, many governments have national databases of where companies are operating their supply chains as these companies need to apply for their licences to operate, depending on their sector. The private sector does not have access to this data. **There is great opportunity to leverage existing government databases and make them available publicly so they can be used for decision-making in sustainable investment and financing.** A key example of international cooperation among world governments for the development of a data infrastructure on nature is the Global Biodiversity Information facility (GBIF) (see example 3). At the local level, the Government of Pará in Brazil launched a platform which transparently makes available traceable information on the livestock production chains (see example 4).

### Example 3: Global Biodiversity Information Facility (GBIF)

GBIF is an international network and data infrastructure funded by the world's governments and aimed at providing anyone, anywhere, open access to data about all types of life on Earth. The GBIF network of participating countries and organisations, working through the participant nodes, provides data-holding institutions around the world with common standards, best practices and open-source tools enabling them to share information about where and when species have been recorded.

Finally, governments can also increase incentives for businesses to use, share, and fund location-specific data, for example for companies with deforestation due diligence reporting requirements. Another important role for governments is their support for research and development into standardisation. **Governments can also build an enabling environment to support the creation of data infrastructures for nature and their use for sustainable investment and policy decision-making, by developing the following aspects: metadata standards on national data portals; standard terms of use or data licences; investment in compiling response-related datasets and marine or coastal datasets; making data available in decision-grade formats and more.**

A key recommendation of the TNFD, in its "[Findings of a high-level scoping study exploring the case for a global nature-related public data facility](#)", is that government, scientific, private sector and civil society actors need to be brought together to contribute to a collective good solution at a global scale, aggregating their respective nature-related data expertise and capabilities into a common use platform.

#### **Example 4:** **Selo Verde platform in Brazil**

The Government of Pará launched the [Selo Verde platform](#), which transparently makes available traceable information on the livestock production chains throughout Pará territory. Pará is the first Brazilian state to implement a public system with this information. Selo Verde subsidises monitoring and evaluates sustainable agricultural development policies, thus combatting illegal deforestation in the State of Pará. The platform provides data on agricultural production and environmental suitability for rural properties registered in the Rural Environmental Registry (CAR). Selo Verde integrates public data from state and federal agencies daily, with the aim to combat illegal deforestation, promote environmental and land regularisation, and provide transparent traceability of agricultural production.

## Recommendation 2:

# Mandate Nature Transition Plans, based on sectoral transformation pathways, and foster collaborative commitments

Goal D of the GBF requires “aligning financial flows with the Kunming-Montreal Global Biodiversity Framework and the 2050 Vision for Biodiversity” as part of the framework. This is elaborated on in Target 14, which requires action to “ensure the full integration of biodiversity and its multiple values into policies, regulations, planning and development processes, poverty eradication strategies, strategic environmental assessments, environmental impact assessments and, as appropriate, national accounting, within and across all levels of government and across all sectors, in particular those with significant impacts on biodiversity, progressively aligning all relevant public and private activities, fiscal and financial flows with the goals and targets of this framework”.

In order to achieve Goal D and Target 14, a key mechanism for full implementation of the GBF is that financial institutions should be required to have and publish nature transition plans. These are time-bound, comprehensive action plans that describe how a company intends to reduce its negative impacts on biodiversity and shift towards positive actions for nature. It is important that the analysis and disclosure of companies and financial institutions' risks, dependencies, and impacts on biodiversity are not seen as sufficient for the implementation of Goal D. The analysis and disclosure should provide the basis for informing, driving, and prioritising action for impact mitigation.

### Action 4:

#### Support and create policies for sectoral transformation pathways on nature

The private finance sector needs economic sector transformations pathways and corresponding public policies in order to mobilise private finance towards environmental innovations, as well as towards the sustainable use of nature. Policymakers play a pivotal role in providing the direction of travel for the economy and stimulating these transformations. They can facilitate innovations by initiating comprehensive research on sector activities and innovations, discontinuing unfavourable practices, and establishing encouraging regulations, policies, subsidies, and commitments. Financial institutions are more likely to invest in these innovations

when there is visible government support for clear sector transformation pathways, as it provides long-term clarity and enables transition risk to be managed effectively.

Private financing activities and investments for nature conservation or restoration, which yield only limited financial returns, are expected to remain minimal - given the current nature funding gap estimated at of US\$700 billion per year - to achieve the goals and targets of the GBF, as stated in Goal D of the agreement. Most capital in the private finance sector is derived from managing investments on behalf of clients, necessitating a minimum financial return. Specific biodiversity finance instruments are less appealing for financial institutions seeking robust financial returns. They are typically more suited to specific and often smaller nature impact investments or funds. The majority of private financial flows are directed towards listed companies in productive economic sectors, highlighting the crucial role of financial institutions in supporting transformative initiatives in high-impact economic sectors like agriculture, chemicals, or mining. These investments are indirect, supporting improvements in nature through the innovations of companies within these economic sectors.

Overcoming economic, political, regulatory, and financial obstacles requires a bold, coordinated approach sustained by long-term commitment. **Governments can stimulate and facilitate sectoral transformation pathways that contain detailed, sector-specific roadmaps, produced in collaboration with the industry.**

These plans can bridge the gap between long-term pledges and short-term action plans with measurable targets. They should set out specific policy measures and initiatives, desired outcomes, timelines, and necessary resources. By publishing these plans, governments can broadcast how they are working towards biodiversity goals and set out the roles of the main actors. Local and regional governments play a vital role in implementation, so they should be engaged in policy design from the outset and given the necessary powers and resources to deliver sustainability initiatives.

**Governments will need to monitor the implementation of sectoral progress along the transformation pathways. This requires a baseline and clear, consistent measures to monitor status and report on progress - internally and externally.**

The measures must reflect the contribution of public, private, and third sector entities to maximise accountability for results. These pathways should be developed through multi-stakeholder collaboration to credibly contribute towards a nature positive future.

These pathways should be science-based and forward-looking, relying on models and scenarios that effectively depict the needs, the steps, and the levels of economic transformation needed. In the fight against climate change, governments, investors, and companies rely heavily on the scenarios "[Global Energy and Climate Model](#)" of the International Energy Agency (IEA) to plan and invest for the sustainable energy transition. The same information is required to plan for the desirable futures that would correspond to the shared UN CBD vision of living in harmony with nature. Such forward-looking information could be provided by the project "Nature Futures Framework" by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), which is an intergovernmental organisation established to improve the interface between science and policy on issues of biodiversity and ecosystem services (see example 5).

### Example 5:

#### Nature Futures Framework, Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)

The [Nature Futures Framework](#) (NFF) forms the foundation for developing scenarios of positive futures for nature in order to help inform assessments of policy options across multiple scales. The NFF places relationships between people and nature at its core. The goal of this advanced work is to ensure that scenarios and models serve as tools to help guide decision-making by allowing consideration of multiple values of nature and its contributions to people. An important step for IPBES is to catalyse the development of nature-centred multiscale scenarios for a sustainable future and to facilitate cross-scale and cross-sectoral coordination to assess and reverse declines in biodiversity and ecosystem services.

### Action 5:

#### Mandate companies and financial institutions to develop holistic Climate and Nature Transition Plans

Given the importance of rapidly shifting from disclosure to action to halt and reverse biodiversity loss in this decade, governments and regulators should require companies and financial institutions to develop meaningful nature transition plans alongside their climate transition plans. For financial institutions, national regulatory regimes should require nature transition plans that address how individual institutions will meet the need to align their financial flows with biodiversity goals and targets. As regulatory obligations are placed on financial institutions, supervisors will assess the adequacy and execution of plans, with appropriate regulatory action being taken where the regulatory standards are not met. Companies and financial institutions must be required to go further than disclosure; they must develop, implement, monitor, and report on transition plans that demonstrate how they will mitigate their negative impacts on biodiversity, in a just and fair manner.

Consensus continues to build on the need for financial institutions to recognise the climate-nature nexus, including trade-offs and synergies, as described in the paper "[Unlocking the biodiversity-climate nexus](#)" by the FfB Foundation. **While climate transition plans must incorporate nature, in order to fully implement Goal D and Target 14 of the GBF, there is an actual specific need for nature transition plans.**

These should go beyond bringing nature into decarbonisation strategies to specifically outline how operations, value chains, and portfolios will be transformed to enable the alignment of financial flows with the goals and targets of the GBF. The work on climate transition plans, including the alignment of financial flows with the objectives of the Paris Agreement, and how net-zero plans need to incorporate nature, is advanced in many jurisdictions. Equally, successful implementation of the GBF at the national level requires companies and financial institutions to develop transition plans that demonstrate how they achieve the mission to halt and reverse biodiversity loss by 2030.

Companies should develop nature transition plans in part so that investors can identify investment opportunities and effectively direct funding for nature. Nature transition plans should be sector-specific and demonstrate how the companies' operations, products, and supply chains will support the protection, restoration, and sustainable use of biodiversity. They should include information on forward-looking investment plans, supporting capital expenditures for operations and supply chains that exist in harmony with nature, as well as research and development for new technologies and processes that reduce nature-related risks and impacts. **Nature transition plans for the financial sector should use the information obtained from their analysis and disclosures, as required under Target 15 and explained in the section above. Such plans help to provide a clear pathway for how the negative impacts and dependencies of their activities will be progressively eliminated and how positive actions will be optimised.** The transition plans should be made public in a form that is readable and technically accessible for a diverse group of stakeholders.

Governments and regulators can support the development of nature transition plans by referring to existing research such as the 2023 WWF report on "[Nature in Transition Plans](#)", which focuses on how companies can consider climate and nature together in transition planning. Governments can also find inspiration on what to request from companies in Business for Nature's campaign "[It's Now for Nature](#)" that is supporting the development of nature strategies. Examples of jurisdictions already requesting transition and action plans from companies and financial institutions include the UK, France, and the European Union (see example 6).

### Example 6:

#### UK, France, and the EU on requesting transition and action plans

Increasingly, countries such as the [United Kingdom](#) are asking companies and financial institutions to incorporate nature-related considerations into climate transition plans, given the role that nature plays in mitigating climate change and the need to ensure that such plans do not inadvertently undermine themselves by causing damage to biodiversity. The Transition Plan Taskforce (TPT), launched by the HM Treasury in the UK, has a Nature Working Group and has included nature considerations within the disclosure framework.

France is one of the few countries that has already implemented a regulatory requirement for disclosure on nature for companies and financial institutions, through Article 29 of the Law on Energy and Climate in 2021. The requirement includes the development of a strategy of alignment of financial flows with the goals and targets of the GBF. Currently, almost 27% of the signatories of the Finance for Biodiversity Pledge are French financial institutions, which indicates that governmental requirements can drive action and implementation.

At the European level, the [Corporate Sustainability Reporting Directive \(CSRD\)](#) and its accompanying standards state that all listed companies and all large companies operating in the EU will need to disclose material impacts, dependencies, risks and opportunities of firms and what their response is to them (i.e. transition plans, policies, targets, actions).

The [European Sustainability Reporting Standards \(ESRS\)](#), drafted by the EFRAG, aim to confirm details on the targets to be disclosed in transition plans and the progress made in implementing them. Under ESRS E4, undertakings may disclose their transition plans to improve and, ultimately, achieve the alignment of their business model and strategy, with the vision of the GBF and its relevant goals and targets as well as the EU Biodiversity Strategy for 2030, while respecting planetary boundaries related to biosphere integrity and land-system change.

## Action 6:

### Facilitate collaborations and voluntary commitments within the private sector

Governments, as well as regulators, financial supervisors, and central banks, could foster collaboration between the public and private sector. Embracing comprehensive strategies and collaborations, they can navigate the complex landscape of biodiversity risks, develop concrete opportunities for economic transformation and investments, and usher in a new era of sustainable financial stewardship.

In the preparation for CBD COP16, to be held in October 2024, governments can involve the private finance sector in the revision process of their NBSAPs via the Biodiversity Finance Plan, as highlighted in the note to policymakers “[Engaging private finance in the NBSAP review and implementation](#)” by UNEP FI and BIOFIN, a UNDP managed programme. Financial institutions may not be aware of the call in the GBF for them to contribute, however, they may have concrete suggestions of how they, themselves, or their industries, can support shifting harmful flows or new positive flows. **Involving financial institutions in the NBSAP revision process will ensure that the plans are realistic and implementable**, and makes best use of the relative strengths of different stakeholders in the economy.

Many opportunities exist for collaboration between governments and the private finance sector. They include the co-development of sectoral transition pathways (see Action 5 above) and sustainable investment taxonomies. For example, both the European Commission and the Monetary Authority of Singapore have included representatives of the private sector in the development of their respective [Taxonomy of Sustainable Activities](#) and [Taxonomy for Sustainable Finance](#). In addition, governments can support progress in the field of environmental economics or sustainable finance, by commissioning or financing specific reports or research programmes. Such programmes have led to the development of successful resources of reference for both the private and the public sector.

The [Dasgupta Review](#), commissioned by the HM Treasury and led by Professor Sir Partha Dasgupta (Frank Ramsey Professor Emeritus, University of Cambridge), further helped to reinforce and mainstream the understanding of the economics of biodiversity. The [Little Book on Investing in Nature](#), financed by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, as well as the French Development Agency, provides an essential overview of the area of biodiversity finance across the spectrum of financial solutions from different

sources. The report “[In interaction with nature](#)” produced by Norway’s [Nature Risk Commission](#) to describe the concept of nature risk, assess how Norwegian industries and sectors are and may become affected by the loss of nature and biodiversity, and examine how affected actors can best analyse and manage nature risk. The “[Lessons Learned from Integrated Landscape Finance](#)”, sponsored by the Ministry of Agriculture, Nature and Food Quality of the Netherlands, advocates for a “whole-of-society” approach to advance the GBF. It calls for cross-sectoral and multi-stakeholder policy coordination, and the creation of spatially explicit, place-based plans that include biodiversity conservation in relation to other sustainable development goals.

Furthermore, governments can support the mobilisation of stakeholders around voluntary commitments. The Finance for Biodiversity (FfB) Pledge and Foundation are a concrete example of collaboration and voluntary commitments supported by the public sector, as a spin-off of the European Commissions’ Business Biodiversity Community of Practice (see example 7). Such efforts tend to be amplified by the organisation of Conference of the Parties (COP) meetings in a country. For example, the initiative “[Finance Sector Deforestation Action](#)” by Climate Champions was launched and supported by the UNCCC COP27 Egyptian Presidency and the COP28 United Arab Emirates Presidency. It coordinates a collective commitment by financial institutions toward eliminating agricultural commodity-driven deforestation risks (from cattle, soy, palm oil, pulp, and paper) in their investment and lending portfolios by 2025.

#### Example 7: EU Business & Biodiversity Platform

The European Commission established the [EU Business & Biodiversity Platform in 2009](#). It provides a forum for business leaders, business organisations, financial institutions, research centres, NGOs, and governments to work together to integrate biodiversity considerations into business practices and contribute to halting biodiversity decline. It is making a difference by finding pioneers in the business and finance world to demonstrate best practices and move towards common ground on tools and methods. Since 2017 there is a separate finance track within the Community.

A large number of the 26 financial institutions that launched the [Finance for Biodiversity Pledge](#) in September 2020 were part of the EU Community. Now the Pledge has been signed by 170 financial institutions, from 26 countries, with combined total assets of €22 trillion.

Similarly, the roles of central banks and supervisors extend far beyond conventional monetary measures. They also have a systemic role for long-term economic advice, which is the next step to mitigate the risks that they have the responsibility to manage. **A growing number of examples of collaboration between governments, central banks, and the private finance sector are emerging and delivering progress.**

For example, the Dutch Central Bank created a [sustainable finance platform](#) forging connections, encouraging action, promoting partnerships between the finance sector, the Ministry of Environment with the Ministry of Finance and Ministry of Economic Affairs, and also financial supervisors. Under this platform body, which includes actors of the financial sector working together on long-term planning, there is a dedicated [biodiversity working group](#). Another example is the “[Public-Private Alliance for Sustainable Finance](#)” led by Banco Central del Paraguay, the Ministry of the Environment and Sustainable Development, the National Forestry Institute and the Sustainable Finance Board of Paraguay to collaborate, consolidate, and coordinate the efforts of the public and private sectors to promote sustainable finance in-country, including the role of sustainable finance in biodiversity preservation. Finally, central banks and supervisors have a role in fostering a better understanding of nature-related risks and to include them in their mandates (see Recommendation 3 below).



## Recommendation 3:

# Actions from central banks and supervisors

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For the alignment of all financial flows to be achieved, as required in Goal D and Target 14, the correct financial architecture needs to be established. Financial supervisors and central banks have a unique position to comprehend and monitor nature-related risks. They can guide investments to help the transition to a green economy, one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. To do so, central banks and supervisors can integrate nature in their macro and micro prudential supervision, their monetary policies, and their own portfolio management. This will entail the construction of regulatory frameworks and taxonomies that incentivise the protection, restoration, and sustainable use of biodiversity, whilst ensuring that harmful externalities are reduced and their costs, or risks, are internalised in the economic system.

A significant catalyst in sparking a dialogue about biodiversity among central banks and supervisors was the report "[Indebted to Nature](#)", jointly presented by the Netherlands Environmental Assessment Agency ([PBL](#)) and the Dutch Central Bank ([DNB](#)) in June 2020. This report initiated a sequence of similar publications, including by the [French Central Bank](#), the [Mexican Central Bank](#), the [Bank Negara Malaysia](#), reasserting the profound connections between biodiversity loss, financial instability, and susceptibility to biodiversity-related hazards.

Central banks and supervisors have a fundamental role, encompassing two primary objectives: 1) fostering financial stability through systematic and efficient frameworks based on risk assessment; and 2) ensuring price stability through judicious monetary policies. In a global context, central banks and financial services regulatory authorities hold a critical stance within the economy and financial sphere, making them susceptible to formidable risks posed by extensive and unprecedented biodiversity decline. Considering this, central banks and supervisors are uniquely positioned for assessing nature-related risks and channelling financial flows toward biodiversity conservation, restoration, and sustainable use. WWF's tool called the "Sustainable Financial Regulations and Central Bank Activities (SUSREG) Tracker" can be used to assess the practices of financial regulators, supervisors and central banks (see example 8).

### Example 8: WWF SUSREG Tracker

WWF developed a tool called the [Sustainable Financial Regulations and Central Bank Activities \(SUSREG\) Tracker](#). This interactive online tool is part of its suite of assessment tools. It regularly assesses how financial regulators, supervisors and central banks integrate climate, broader environmental, and social considerations in their practices. They identified three key pillars in which these bodies can act: banking and insurance supervision, central banking, and creating an enabling environment. Yearly, over 40 jurisdictions are being assessed on how they act and progress on sustainability issues.

We have identified three key actions for central banks and supervisors: 1) mainstream the integration of nature-related financial risks into their mandates (action 7); 2) integrate biodiversity considerations into their activities of monetary policy and prudential supervision (action 8); and 3) integrate biodiversity into their own portfolio management (action 9). These actions should be led in conjunction with the central banks' and supervisors' systemic role to provide long term economic advice (see Action 6).

## Action 7:

### Mainstream the integration of nature-related financial risks by promoting nature as part of financial supervisors' mandates

Central banks and supervisors should clearly integrate and communicate that nature-related risks are part of their mandates. They should support the development of models which would include the interactions between nature and the economy, that can then be mobilised during their stress-testing operations (analyses that are conducted under hypothetical scenarios to determine whether financial institutions have enough capital to withstand negative economic shocks). In parallel, to face uncertainties, central banks and supervisors should build analytical capacities, adopt a precautionary approach, and take proactive measures to effectively reduce harm to ecosystems.

The view that nature-related risks are relevant for central banks and supervisors is increasingly accepted. The [Network for Greening the Financial System](#) (NGFS), which convenes 114 central banks with the aim to accelerate the scaling up of green finance, stated in its "[Statement on Nature-related Risks](#)" that "given the macroeconomic, macro-prudential and micro-prudential materiality of nature-related financial risks, such risks should be adequately considered for the fulfilment of their mandate", specifically by central banks and supervisors. Similarly, a key recommendation of the [WWF-Sustainable Finance Lab](#), in the report "[Finding a way with nature](#)", is to expand economy-wide stress-testing to include nature-related risks and indicators for measuring and monitoring levels of systemic risks related to nature in financial stability assessment.

Nature-related risks manifest in multiple dimensions. Firstly, physical risks can stem from the degradation of essential ecosystem services. Secondly, transition risks arise due to evolving governmental policies and regulations to mitigate harm to biodiversity. Also, reputational risks loom due to financial support extended to companies with adverse environmental impacts. These risks can have potential micro and macroeconomic effects, as identified by the NGFS in the guide "[Nature-related Financial Risks: a Conceptual Framework](#)". On a micro level, physical and transition risks can affect businesses and households that are dependent on ecosystem services to sustain their livelihood. On a macro level, they can have numerous effects including changes in prices, lower risk appetite, and higher investment needs for mitigation or adaptation. Currently, nature-related risks are not accounted for nor priced into financial markets, leaving the financial system exposed to potential systemic risks, as concluded in the report "[The Green Scorpion: the Macro-Criticality of Nature for Finance](#)". The study estimates US\$5

trillion of economic loss in a plausible scenario of an increase in extreme weather due to climate change, focusing on the nature-related impacts of global food and water shortages.

The NGFS underlines the need for improvements of the current models and scenarios, in the "[Recommendations toward the development of scenarios for assessing nature-related economic and financial risks](#)". Currently, the models will almost automatically underestimate the economic impacts generated by nature-related hazards. This can be partly explained by the fact that the models are typically designed and deployed for medium- to long-term policy analysis, rather than short-term stress testing. Models should better account for interlinkages between nature and the economy, by including more transmission channels. In addition, modelling frameworks should also incorporate certain crucial characteristics of biodiversity loss, such as tipping points. The NGFS should ensure that scenarios embed minimum criteria and dimension, and ensure coherence in the way nature-related risks are measured across countries, with some specific features for each.

**Scenarios and data limitations should not prevent action from central banks and supervisors.** Facing uncertainties, the NGFS highlights the importance of focusing more resources on capacity building for central banks and supervisors in the coming years. A key recommendation, therefore, and as put forward by WWF and the Sustainable Finance Lab, is to adopt a precautionary approach, work proactively on pre-emptive measures, and act with incomplete information, building on the recommendation put forward by the WWF in 2022 in a "[Call to Action to central banks and supervisors](#)". Interestingly, Christine Lagarde, President of the European Central Bank, stated in a [speech](#) in August 2023: "We cannot wait for the parameters of this new environment to become entirely clear before we act. We have to form a view of the future and act in a forward-looking way". To make this possible, another key recommendation of the Sustainable Finance Lab is to focus on harmful activities and the most material economic sectors for a given geography.

#### Example 9:

##### Central Bank of Chile capacity building on Biodiversity Loss and Ecosystem Degradation

The Central Bank of Chile is deploying a constant effort for capacity building. In 2022, it organised a [virtual conference](#), in partnership with the WWF, on the topic of "Biodiversity Loss and Ecosystem Degradation: Implications for Macroeconomics and Financial Stability." In 2023, it developed an [online course](#) on "Macroeconomic Modelling and Natural Capital" in partnership with the Inter-American Development Bank.

## Action 8:

### Integrate biodiversity into monetary policy and prudential supervision

Central banks and supervisors can implement tangible measures and policies to incentivise the alignment of financial flows with the goals and targets of the GBF. This entails introducing focused monetary policies and potentially encompassing constraints on expansive investments with ecological implications. Concurrently, implementing credit thresholds, ceilings, and lending quotas could bolster lending rigour. The overall financial and economic robustness can be increased by adopting a more precautionary approach in monetary policy and financial oversight. This proactive stance is pivotal, as challenges in accurately gauging systemic risks linked to biodiversity decline remain prevalent among financial institutions.

With monetary policy, on the one hand, it is arguable that the impacts of climate change and biodiversity loss could increase the challenge of maintaining stable prices for central banks. Unstable weather patterns and high-intensity environmental hazards create volatility, according to the European Central Bank in a blog post on "[The price of inaction](#)", with the additional difficulty of separating temporary from permanent shocks. In that sense, price stability should be best ensured by securing a timely and orderly transition. On the other hand, **monetary policy operations can also have an indirect impact on biodiversity loss or conservation, by creating funding conditions to support economic activities indirectly.**

In the report "[Monetary policy and climate change](#)", the NGFS surveyed member central banks to identify actions taken across three main frameworks. Firstly, adjustments to asset purchase programmes appear to be the most commonly taken measure. Asset purchase programmes are also known as quantitative easing and consist in the expansion of a central bank's balance sheet. These programmes can influence financial markets as they generate an increased demand for the assets under the scope of the programme, thus driving up their prices. Central banks have developed methodologies to skew their asset purchasing programmes according to climate-related criteria (*tilting*), have introduced criteria to accept ESG assets that were previously ineligible (*positive screening*), or have established criteria that exclude assets issued by the most polluting entities (*negative screening*). Secondly, adjustments to collateral frameworks are also commonly implemented to favour financial assets linked to defined economic activities. Collateral frameworks define the set of eligible collateral that financial institutions can use in operations with central banks to obtain central bank money. Thirdly, central banks can

amend conditions and criteria for credit operations in order to encourage lending to actors supporting the transition. This can be achieved by adjusting counterparty eligibility to consider an entity's climate performance. Such green credit facilities have already been rolled out by the People's Bank of China and the Bank of Japan, according to the Sustainable Finance Lab in the report "[Finding a way with nature](#)".

There is currently no consensus on potential risk differentials between the sustainability profiles of assets for macro-prudential requirements. **More research on the topic is needed, which could be further enabled by the development of sustainable investment taxonomies on biodiversity to identify and analyse the performance of specific assets.** For example, progress has been made by the China Banking and Insurance Regulatory Commission on measuring potential risk differentials associated with green loans, thanks to the previous introduction of the Green Loan Taxonomy and Green Bond Taxonomy (see example 10).

#### Example 10:

##### From the NGFS report "A Call to Action": The China Banking and Insurance Regulatory Commission analysis of default rates of green loans compared to the overall loan portfolio

Data from the China Banking and Insurance Regulatory Commission (CBIRC, formerly the CBRC) showed that, for the 21 largest banks in China, as of June 2017, the non-performing loans (NPL) ratios of green loans were consistently lower than those of all loans for each of the previous four years (2013-16). However, further work is needed to assess whether the differences in performance can be attributed purely to the green/brown characteristics of the related loans. China was able to conduct this study following the introduction of official definitions for green loans in 2012 and official definitions for green bonds in 2015. More recently, the People's Bank of China has included biodiversity in its Green Loan Taxonomy and Green Bond Taxonomy, offered support for biodiversity-friendly projects incentivised via low-cost funding, and has encouraged local governments to provide interest subsidies and guarantees for such projects.

For micro-prudential supervision, some central banks and supervisors have further integrated sustainability-related risks into their framework by adjusting and communicating their supervisory expectations. **Such supervisory expectations can set out how financial institutions should monitor and manage the financial risks associated with environmental risks.**

This includes ensuring these risks are integrated into governance, strategy, and risk management assessments. For example, the Sustainable Finance Lab recommends requesting that at least one board member has detailed knowledge about nature. By integrating sustainability in their supervisory expectations, authorities can contribute to improving the pricing mechanisms for sustainability-related risks and a more efficient allocation of capital.

Prudential transition plans have been qualified as the “[great enabler](#)” for effective supervision of environmental risks, bringing sustainability risk within the time horizon that supervisors can consider. Mandatory transition plans for nature are also part of the key recommendations to central banks and supervisors from the Sustainable Finance Lab. They could lead to applying stricter penalties, like capital add-ons or fines. The relevance of transition plans for managing transition risks and monitoring associated financial stability risks will be explored as part of the [Financial Stability Board's 2023 workplan](#).

### Action 9:

## Integrate biodiversity into the portfolio management of central banks

Central banks are the largest public investor group, according to the report “[How do Central Banks Invest? Embracing Risk in Official Reserves](#)” by State Street Global Advisors and OMFIF. They had total global reserves of US\$12 trillion in the second quarter of 2023, according to [IMF data](#). For comparison, sovereign wealth funds (SWF) manage between US\$6tn and US\$8.2tn, depending on the definition, and public pension funds between US\$6tn and US\$15tn. This shows that central banks have a big impact on the alignment of financial flows. **They should increase their own nature-positive and reduce nature-negative investments in their non-monetary portfolios**, in line with the NGFS “[Call to Action](#)” recommendation to central banks to integrate sustainability factors into their own portfolio management. Only a few examples of central banks sustainable investment practices can be found as of now, such as in France and Italy (see example 11).

Two leading surveys provide insights into the responsible investment dynamics of central banks. Firstly, the “[Global Public Investor Report 2023](#)”, with 75 central banks respondents, shows that 57% are investing in responsible financial assets in 2023, up from 49% in 2021, but qualifies this increase as “slow progress”. Secondly, the “[Reserve Management Survey Report](#)” of the World Bank, with 125 central banks, states that environmental, social, and governance (ESG) implementation is part of the main challenges identified by the respondents

in 2022, alongside volatility risk and inflation. It highlights that the primary motivating factors leading central banks to include ESG are (i) maintaining their reputation, and (ii) generating a positive impact.

The results of both surveys align with the facts that actions are concentrated in European countries and that investing in labelled bonds is the leading strategy for ESG implementation by central banks. However, the survey results differ from each other with regard to the main barriers that respondents are facing. In the “[Global Public Investor Report](#)”, 70% of respondents mention insufficient data. In the “[Reserve Management Survey Report](#)”, the main challenges to incorporating sustainable investing are the trade-offs between traditional objectives and sustainability and mandate constraints. The report explains that it is difficult for central banks to solve this trade-off without a specific mandate.

Considering this trade-off challenge between traditional objectives and sustainability, it appears that governments, financial supervisors, and international institutions should participate in providing clear mandates to central banks to include biodiversity and broader ESG considerations into their activities.

Central banks are only slowly starting to manage their own portfolios according to sustainable investments principles, mainly due to the limitations of data and potential trade-offs with their traditional objectives. However, **it is necessary that they develop their own sustainable investment practices, considering their volume of assets and their systemic role in the economy**. To do so, central banks need to be able to rely on recognised sustainable taxonomies to guide their investment decisions.

### Example 11:

## Central banks sustainable investment practices for biodiversity

The following examples, identified in the report “[Central Banking & Supervision in the Biosphere](#)” by INSPIRE-NGFS, demonstrate sustainable investment practices for biodiversity:

- 1 - The **Banque de France** has started integrating biodiversity in the analysis of its own funds and pension fund portfolios' ESG performances and disclosing this in its Responsible Investment report (Banque de France, 2021).
- 2 - **Banca d'Italia's** Responsible Investment Charter prioritises firms that focus on the “responsible use of natural resources and their effects on ecosystems”.

## Recommendation 4:

# Create economic incentives for businesses and financial institutions to maximise the mobilisation of private finance

Goal D, and the aligning of public and private financial flows of the GBF, is broader than the financial sector alone. Also, Target 18 of the GBF seeks to repurpose the massive level of subsidies in economies that do harm to nature and Target 19 seeks to, amongst other things, mobilise private sector financing to bridge the significant gap in the financing required to address the biodiversity crisis.

Given that financial institutions are intertwined with the real economy, to achieve the alignment of financial flows, and to meet wider biodiversity financing through harnessing the widest range of private sector resources, there has to be an economy-wide approach for incorporating nature into all commercial and policy decision-making. **This will require governments to go beyond measures that relate only to financial institutions alone and to use the full range of economic policy measures available to them, including reforming harmful subsidies. This also means that coordination between ministries is essential, particularly at the sectoral level, when it comes to incorporating the value of nature into different policy actions, including subsidies.**

To support an economy-wide approach, innovation in financial instruments can, though not in isolation, accelerate private financing for nature. As explained in the influential report, "[Financing Nature: Closing the global biodiversity financing gap](#)", there are a number of potential financial instruments and approaches that can orientate economic incentives toward nature.

The following actions for governments can incentivise action for nature: initiating coordination between ministries (action 10); reorienting tax policies and subsidies (action 11); developing sovereign green finance instruments (action 12); and mobilising private sector financing and investment for biodiversity through the use of private-public instruments (action 13).

### Action 10:

#### Initiate coordination between ministries to ensure a whole-of-government, economy-wide sectoral approach

Governments need to start coordinating an economy-wide approach to policy measures now to avoid sudden, unexpected, and reactive policy changes that may magnify the transition risk to a nature positive world. Long-term, clear and well-publicised policy signals across all significant parts of the economy will support a just transition. This is particularly important in areas where subsidies need to be repurposed to stop their significant negative impacts on biodiversity.

**We recommend that finance ministers lead on this whole-of-government approach in direct collaboration with environment ministers.** The whole-of-government approach is a process where governments actively uses formal and/or informal networks across different agencies to coordinate the design and implementation of their interventions, in order to increase their effectiveness in achieving desired objectives. Finance ministers and environmental ministers should infuse a strategy for the sustainable transformation of the economy into the programme of actions of all ministers and the entire government. In particular, other ministers who can have a strong influence on the realisation of the nature agenda are the ministers in charge of agriculture, energy, economy, business, industrial planning and infrastructures, and international affairs, among others (see example 12). **This collaboration can help support the business case for the financing plan for nature, provide the necessary expertise to tackle the multiplicity of challenges, and facilitate the effective repurposing of subsidies and economic incentives.**



Adopting a whole-of-government approach to drive the alignment of all financial flows with biodiversity objectives is the first recommendation in the paper "[Finding Common Ground on the Alignment of All Financial Flows with Biodiversity Objectives](#)" of the Interface Dialogue Finance and Biodiversity (IDFB), a coalition set up by the Dutch government to showcase best practices in greening the financial sector to the Parties of the Convention on Biological Diversity (CBD). Similarly, the Principles for Responsible Investment (PRI), has built [the case for whole-of-government policy reform](#) in order to invest for the economic transition. It states that the current policies and regulations on sustainability matters are pursued in isolation and with insufficient influence over business-as-usual strategies.

### Example 12: USA Nature Based Solutions Roadmap

At UNFCCC COP27 in 2022, the Biden-Harris Administration released the [Nature-Based Solutions Roadmap](#). It involves actions from federal agencies, like the Agency for International Development and the Environmental Protection Agency, as well as several Departments, such as Agriculture, Commerce, Defense, Energy, Housing and Urban Development, Homeland Security, Interior, and Transportation. The roadmap builds on major investments that have been made through President Biden's Bipartisan Infrastructure Law and Inflation Reduction Act. For example, US\$20 billion is directed to farmers, ranchers, and private forest owners working to increase carbon storage and reduce emissions. Another US\$5 billion is for forest management actions that can reduce wildfire risk, store carbon, and cool communities. Over US\$8.6 billion will serve to restore and conserve coastal habitats. These laws also weave nature into infrastructure investments, including over US\$8.7 billion to build climate resilience into transportation systems.

Finally, as part of the whole-of-government approach, governments should lean on their [UN CBD National Focal Points](#) (NFP) and leverage the resources put in place for them by the Convention. The focal point is the person or institution designated by a government to represent the Party between meetings of the Conference of the Parties. For both National Reporting and the NBSAP process, the focal point plays a vital role in the coordination of input for these reports, as it is important that the reports are prepared through a comprehensive, consultative process that involves as many stakeholder groups as possible. Among the resources put in place by the UN CBD for governments, the [GEF Global Biodiversity Framework Early Action Support](#) (GBF-EAS) is an effort to fast track readiness and early implementation actions.

### Action 11:

#### Reorient sectoral regulation, including tax policies, market mechanisms, and subsidies to incentivise business practices that protect and restore biodiversity

Policymakers play a crucial role in catalysing the economic transformations necessary to unlock private financing and prevent it from financing harmful activities on nature. They can facilitate these financial flows by conducting comprehensive research on sector activities and innovations, discontinuing unfavourable practices, and establishing encouraging regulations, policies, market mechanisms, and subsidies, to generate the conditions for the transformation of economic activities toward sustainable practices. An extensive list of policy instruments for environmental protection can be found in the PINE database (see example 13).

### Example 13: PINE database with policy instruments for environmental protection

[Policy Instruments for the Environment \(PINE\)](#) is a database gathering detailed information on policy instruments relevant to environmental protection and natural resource management. The database started in 1996, initially with a limited scope, and it was progressively expanded. Today, the database contains information on over 3900 policy instruments implemented in more than 130 countries globally.

Sectoral-level policy signalling has proven successful, such as where jurisdictions have set clear targets to end fossil fuel-powered car sales. This has driven consumer behaviour change and incentivised significant investment in electric vehicle technology and associated supply chains. It is important that sectoral regulation should clearly penalise harmful conduct, including prohibiting specific business activities where there are no other feasible regulatory measures that can prevent negative impacts. For instance, the [EU Regulation on Deforestation-free products](#) is creating due diligence requirements aimed at tackling deforestation and avoid forest degradation. Also, steps can be taken to prohibit deep sea mining unless it is evidenced that it can be conducted and properly regulated in a way that minimises negative impacts to an acceptable level. **Clear policies and red lines on sector-specific harmful activities on nature from governments can help financial institutions to screen their finance activities and investments.**

Governments can utilise fiscal policy to ensure that national budgets do not support activities harmful to nature, particularly by reforming environmentally damaging subsidies, which are pervasive globally, with OECD countries alone transferring at least US\$400 billion annually to various sectors. Overhauling these subsidies, especially in high-impact sectors like agriculture, aligns public spending with biodiversity goals, guiding and de-risking private investment, while systematic approaches and other available resources, like BIOFIN's [step-by-step guide](#) and Business for Nature's [recommendations](#), aid in this reform process.

Market mechanisms can provide innovative solutions for governments looking to mobilise private finance and to incentivise behavioural change, as they can be more easily accepted by society and stakeholders than sectoral-level signalling or tax policies. Some inspiring examples of market mechanisms for increasing biodiversity investments can be found in the UK and South Africa (see examples 14 and 15).

#### Example 14: UK's Biodiversity Net Gain Policy

The UK's [Biodiversity Net Gain](#) (BNG) policy will require most developers to deliver a 10% net gain to biodiversity compared to what there was before the development. Developers can deliver the 10% net gain either on-site, on another site, or, if neither is possible, by purchasing biodiversity credits through a government biodiversity credit system. The policy requires BNG to be considered from the outset of a project where biodiversity is measured (through a biodiversity metric system detailed in law). The net gain approach followed in each case will be built into the planning process. The net gain has to be delivered for 30 years from the completion of the development.

This policy not only engages developers in offsetting the damage they cause but also delivers an increase in biodiversity. Developers have proven that this can be delivered on-site, where significantly more than a 10% net gain has been seen. It also enables the creation of a domestic market for biodiversity credits, whereby farmers or landowners can restore nature and sell units to developers unable to restore nature on-site. The policy provides a useful structure to capture the negative externalities of this economic sector on nature, while engaging farmers and landowners in commercially viable nature restoration projects that deliver long-term returns for them, such as the [Eden Project Wildflower Bank](#).

#### Example 15: South Africa's Biodiversity Management Plans

The Department of Forestry, Fisheries and the Environment, has developed [biodiversity management agreements](#) (BMAs) to be implemented by three private rhino and lion owners in Limpopo. The BMAs offer unique biodiversity tax incentives for the landowners in terms of the Income Tax Act (ITA, Act 58 of 1962). The biodiversity tax incentives present a mechanism to address the mitigation of management costs as well as the potential loss of production income due to land management restrictions. These tax incentives can also ensure the continued investment of landowners and communities in long-term and effective land management.

Policy measures that develop market mechanisms at the sectoral level can enable private finance activities and investments to support the nature transformation and innovation of business activities within these companies. This can also improve the company's investment proposition. In addition to policy measures, establishing clear sectoral pathways for nature innovations empowers the private finance sector to channel their finance activities and investments into pioneering solutions within specific sectors, fostering the restoration, conservation, and sustainable use of nature. **Next to stimulating private investments in this direction via market mechanisms and sector pathways, jurisdictions can also support the development of the biodiversity credits market to channel more private financial flows towards nature - which are verifiable, quantifiable and tradeable units of restored or preserved biodiversity over a fixed period.**

Finally, and considering the growing cost of inaction, which corresponds to increased nature-related risks and adaptation costs in the future, and the potential consequences of this for the recovery of nature, we recommend that governments use all levers at their disposal to drive the sustainable transition of the economy in a just and fair manner.



### Action 12:

#### Develop sovereign sustainable finance instruments by ministries of finance

The development of sovereign green finance instruments by ministries of finance represents a critical step towards aligning government fiscal policies with environmental sustainability goals. Sovereign green finance instruments enable governments to allocate resources towards projects that promote environmental sustainability, such as renewable energy infrastructure, clean transportation, nature-based solutions and ecosystem conservation, as well as stimulate innovation.

Ministries of finance typically do not take the lead in overseeing NBSAPs and Nationally Determined Contributions (NDCs) at the country level. Still, their collaboration with ministries of the environment is crucial in developing and implementing policy instruments to encourage private finance sector action on biodiversity. This collaboration ensures a comprehensive, economy-wide response and secures sufficient and predictable financing. Additionally, the involvements of ministries' of finance enhances understanding of the interconnectedness between biodiversity, ecosystem services, and economic objectives, fostering an enabling environment. They can leverage their roles in the development of National Biodiversity Finance Plans (NBFPs), including co-chairing the national steering committee and being on technical task teams, to identify and lead on relevant finance solutions.

**The development of sovereign sustainable finance instruments can mobilise public and private investments in nature. Sovereign bonds, for example, with clear use-of-proceeds and potentially sustainability-linked, are key to attracting private finance investments into public projects.** For guidance on the development of sustainable sovereign bonds, governments can refer to the guidance of the International Market Capital Association (ICMA) on [Green Bond Principles](#) and on [Bonds to Finance the Sustainable Blue Economy](#). In addition, emerging instruments such as payment-for-ecosystem services and debt-for-nature swaps are starting to deliver results to bridge the biodiversity finance gap. Flagship transactions involving sovereign sustainable finance instruments are the Fiji's Sovereign Blue Bond, the Tasmanian Forest Conservation Fund, and the Debt-for-Nature swap by Ecuador called the "Galapagos Bond" (see examples 16, 17, and 18).

### Example 16:

#### Sovereign Bonds: the example of Fiji's Sovereign Blue Bond

A green or blue bond is a financial instrument governments can issue to attract private investments for projects and activities that benefit the local environment, climate, or oceans.

The government of Fiji issued a US\$20 million sovereign blue bond in 2023, the first-ever for Fiji or any Pacific Island Country. The bond was oversubscribed with a total bid of over US\$60 million, 3 times the issuance amount. The over-subscription shows the great interest and confidence in the sustainable financial instruments. A total of 18 projects have been selected for funding through the blue bond. They are expected to yield multiplier economic and environmental benefits focusing on four key thematic areas: coastal protection, aquaculture sector, developing sustainable towns and cities with blue town concepts, and enhancing solid waste management.

### Example 17:

#### Payment for ecosystem services: the example of Tasmania

Payment for Ecosystem Services (PES) is a concept and approach that involves compensating individuals or communities for the positive externalities they generate by maintaining or enhancing ecosystem services. The involvement of ministries of finance in PES is crucial for securing funding, ensuring financial sustainability, and aligning environmental objectives with broader economic goals. Their engagement helps integrate ecosystem services into a country's overall financial and economic framework.

The OECD explored the role of payment for ecosystem services already in 2010, in the publication "[Paying for Biodiversity](#)". One identified example was the Tasmanian Forest Conservation Fund (TFCF) and associated programmes. The TFCF was a programme using market-based incentives to target old growth and under reserved forest communities on private land. The centrepiece of the TFCF was a tender process in which participants offered the conservation of a parcel (or parcels) of land populated with forest communities of interest to the programme, nominating a price paid by the programme in exchange.

### Example 18:

#### Debt-for-Nature Swaps: The “Galapagos Bonds” in Ecuador

Debt-for-nature (DFN) swaps are transactions in which contributing countries or entities agree to purchase and cancel a portion of a recipient country's (discounted) debt obligation in exchange for the recipient country's commitment to invest an agreed amount in conservation and/or to make similar conservation commitments.

Ecuador sealed the world's largest “debt-for-nature” swap on record in May 2023, selling a new “blue bond” that will funnel at least US\$12 million a year into conservation of the Galapagos Islands, one of the world's most precious ecosystems. The swap enabled to buy back roughly US\$1.6 billion of the country's debt at a near 60% discount.

### Action 13:

#### Mobilise private sector financing and investment for biodiversity through the use of private-public instruments

Governments, financial institutions, and multilateral development banks collectively wield the crucial influence to mobilise private finance on the necessary scale, facilitating a transformative shift towards an economy with nature-positive outcomes. Their collaboration in the development of public-private finance instruments is crucial.

Blended finance stands out as a highly effective method for leveraging private investments with minimal public funding. Blended finance can take various forms of public-private instruments, such as debt (e.g. line of credits, flexible loans, sustainability-linked bonds), equity (e.g. preferred shares, first loss capital), performance-based grants, pooling of financial resources (e.g. syndicated loans, structured funds), risk-sharing, guarantee, and insurance products, each offering different rates, terms, levels of security, or priority. The Organisation for Economic Cooperation and Development (OECD) developed a guide dedicated to [evaluating blended finance instruments and mechanisms](#) and providing detailed information on each instrument.

**Blending public and private finance is a crucial approach that needs to be scaled to increase private sector investments in nature, and to reach the targets of the GBF.** The [Interface Dialogue Finance and Biodiversity](#) (IDFB) identified challenges and opportunities of blended finance in their report “[Developing blended finance capacity for nature on a national level](#)”. Among the challenges, the ticket size of the investments is often considered too small for commercial investors, there is a lack of standardised financial products notably due to difficulties in measuring biodiversity, and there are also existing policy-related barriers as biodiversity is not yet mainstreamed in national policies. These challenges mean that investment in nature often requires different types of solutions for their implementation. However, despite concrete difficulties in a nascent market, some blended finance structures are already being deployed for nature e.g. the [Indonesian Tropical Landscape Finance Facility](#), the [Land Degradation Neutrality Fund](#) and also the [Eco Business Fund](#). Hopefully, the scale of blended finance solutions is expected to grow in the coming years.

Governments can support the development, scaling, and innovative application of financial instruments that combine private and public finance and create investment opportunities. By working on the development of taxonomies, governments can guide the private finance sector to the right investments that restore and recover nature. For example, the International Finance Corporation (IFC) [Biodiversity Finance Reference Guide](#) sets criteria and develops a list of investment opportunities in nature (see example 19).

As pointed out earlier in this paper (see action 11), financial institutions managing assets for private clients seek a minimum return for their investment and financing activities. Therefore, we can expect that they are more likely to invest in innovation and activities within or through established business operations and production practices, that seek to generate biodiversity co-benefits. For example, regenerative agriculture and upgrading wastewater treatment plants. It is essential that governments provide visible support for these innovations, as well as clear sector transformation pathways to guide investments.

### Example 19: IFC Biodiversity Finance Reference Guide

The International Finance Corporation (IFC) has developed a [Biodiversity Finance Reference Guide](#), which lists various investment opportunities in nature. It has been updated to highlight how financing each activity would contribute to which of the GBF targets. The list of financing opportunities is extensive, including investment activities that are participatory and equitable, seeking to generate biodiversity co-benefits; investments in biodiversity conservation and/or restoration as the primary objective; and investments in nature-based solutions to conserve, enhance, and restore ecosystems and biodiversity. For instance, within the productive land use and agriculture section of the Guide, options include reducing pesticide use, switching from monocropping to diversified cropping systems, regenerative agriculture, and certified crop production, amongst many other options.

### Example 20: Swedish guarantee instrument

Guarantees help mobilise capital for development through risk-sharing. The Swedish International Development Cooperation Agency (Sida) has pioneered guarantees for development purposes and applied them effectively for over 20 years. Despite the complexities involved, Sida's guarantee portfolio covers a range of sectors, such as infrastructure, and debt sizes, ranging from loans from local banks to large-scale infrastructure projects. Sida has mobilised private finance effectively for sustainable development, evolved its portfolio and inspired other OECD DAC members to develop their guarantee programmes.

Moreover, multilateral development banks (MDBs), international financial institutions (IFIs) and development finance institutions (DFIs) can play an important role in providing funding for biodiversity-related projects. The report "[Biodiversity and Development Finance](#)", presents that according to the data reported to the OECD, biodiversity-related official development finance (ODF) increased from US\$10.9 billion in 2015 to US\$18.5 billion in 2021. **MDBs, IFIs and DFIs can also bring the public and private sectors together, including through scaling and de-risking projects.** However, for them to effectively mobilise the private sector at scale, this may require structural reform of their activities. The UN PRI is advocating on "[reforming the multilateral financial architecture](#)". Key recommendations include the review and revision of organisational mandates, operating models and expected outcomes to align with current global challenges. Moreover, to prioritise the mobilisation and alignment of private finance at scale with strong incentives, risk sharing, and mission clarity. This process includes scaling catalytic products like guarantees, like shown below in example 20 from Sweden.

# Conclusion

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The alignment of public and private financial flows is critical to achieving the GBF's mission of halting and reversing biodiversity loss by 2030. We encourage governments to use the recommendations outlined within this report in the development of their NBSAPs and their NBFs in order to enable financial institutions to effectively contribute to implementing the GBF at the national level.

This report advocates for a "whole-of-government" approach to implementing the GBF. Governments, regulators, central banks, and financial supervisors have the responsibility to take action and the capacity to mobilise voluntary commitments from the private sector. They can help by supporting the development of the tools and standards needed to understand nature-related impacts, dependencies, risks, and opportunities, and mandate nature transition plans based on sectoral transformation pathways.

It also asks governments to take a holistic, economy-wide approach by setting clear boundaries and promoting innovation in the most impactful sectors on nature like the food sector, chemicals and mining through policy tools such as regulation, tax reform, and subsidies; so they can steer sectoral pathways of transformation toward a nature-positive economy. Such governmental guidance enables the private sector to divest from harmful activities and redirect investments towards innovative solutions within specific sectors that can support the restoration, conservation and sustainable use of nature. Governments can also develop the necessary economic incentives and financial instruments to catalyse private finance at scale and bridge the current biodiversity finance gap of US\$700 billion per year.

In order to achieve the above, stronger cooperation between the public and private finance sectors needs to be considered as a key element for the mobilisation of additional resources for the recovery of nature and realising the vision of living in harmony with nature by 2050.

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## Invitation to join

This paper is one of the many steps in our journey towards fully integrating biodiversity as financial institutions, by advocating for an enabling environment to do so. We encourage financial institutions from all continents to start integrating biodiversity into their activities and decision-making in order to halt and reverse biodiversity loss. The Finance for Biodiversity Foundation working groups with leading banks, investors and insurers will continue to collaborate on joint actions. Financial institutions are welcome to join as a member.

## Get in touch

Responses and ideas? Please reach out to Finance for Biodiversity Foundation via [info@financeforbiodiversity.org](mailto:info@financeforbiodiversity.org)

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