



29/05/2024

UNEP Finance Initiative

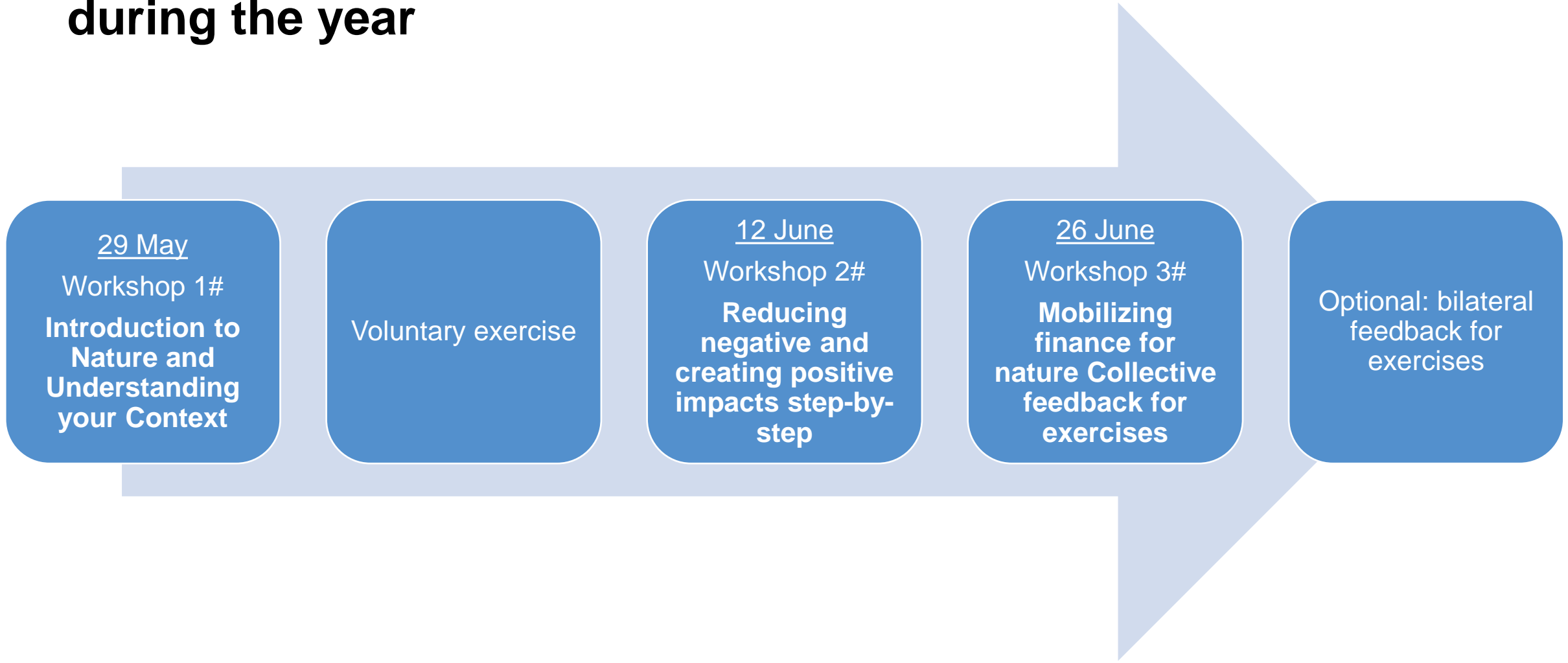
PRB Nature capacity building programme

Africa & Middle East region

Workshop 1#:
Introduction to Nature and Understanding your Context



Programme – 3 workshops and other activities during the year



29 May
Workshop 1#
Introduction to Nature and Understanding your Context

Voluntary exercise

12 June
Workshop 2#
Reducing negative and creating positive impacts step-by-step

26 June
Workshop 3#
Mobilizing finance for nature Collective feedback for exercises

Optional: bilateral feedback for exercises



MINISTERO DELL'AMBIENTE E DELLA SICUREZZA ENERGETICA

We would like to thank the Italian Ministry of Environment and Energy Security for supporting the UN system's contribution to a green and inclusive recovery by harnessing the power of financial systems to support the SDG Decade of Action, access of developing countries to sustainable finance and Multilateral Environmental Agreements.

Housekeeping rules & other information

- Slides and the recording will be shared after the workshop
- Please mute yourself during the workshop to avoid background noise
- Question and comments highly welcome during the session! You can
 - Raise your hand in Webex if you want to speak up (anytime)
 - Post questions in Webex's chat (anytime)
 - Post questions on Slido.com (voting code: **999777**) (anytime) – Slido is anonymous, so you don't even need to mention your name

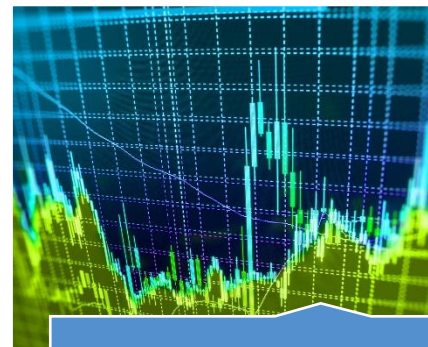
What are we going to talk about?

Different motivations for banks to deal with nature



UN environment programme | finance initiative
Principles for Responsible Banking

Impact management



Risks



Business opportunities



Emerging regulatory requirements

- Banks are increasingly recognizing the **financial risks** posed by nature degradation, such as physical risks from climate events and transition risks from regulatory changes.
- While sectors crucial to human needs are at risk, banks must balance risk management with **supporting transition pathways**.
- The interconnection of nature loss with economic stability has led global entities to develop frameworks for understanding and responding to nature-related risks.
- Banks vary in their approach to nature-positive financing, influenced by regulatory environments and market conditions.
- **Proactive banks are positioning themselves to benefit from regulatory compliance and emerging opportunities in nature-positive investments.**

Expected outcomes of the capacity building programme



Help you understand how your bank is affected by the nature crisis



Help you understand what steps every bank can take to contribute to mitigating nature loss



Help your bank draft a nature action plan and implement ideas heard at the workshops



Today's agenda

Introductions 15'

Overview of the Guidance 10'

Introduction to the PRB Nature Target Setting Guidance, its objectives, and its relevance to commercial banks

Nature for Banks 20'

Understanding the role of nature in banking and the importance of biodiversity

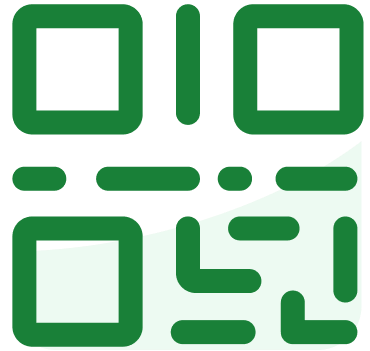
Step 1: Understand your context, analysing your baseline 60-70'

- The Global Biodiversity Framework and how it interacts with your national policies 10'
- A closer look at the Kunming-Montreal Global Biodiversity Framework 5'
- Assessing nature-related impacts and dependencies, risks and opportunities 10'
- The TNFD LEAP approach 20'
- Case study 0-10'
- The evolving sustainable finance / ESG regulatory landscape around nature 5-10'

Closing 5'

— Introductions

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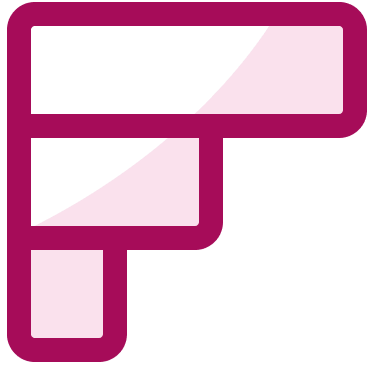
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What would you like to gain from this workshop? What are your questions?

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**Please rank the following sustainability issues for your country
(starting with the most important one!)**

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Has your bank already identified the 2 key impact areas?

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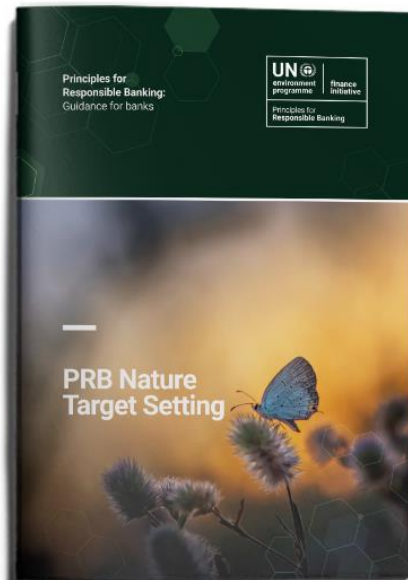
What comes to your mind when you hear the word "biodiversity"?

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— Overview of the Guidance

Introduction to the PRB Nature Target Setting Guidance, its objectives, and its relevance to commercial banks.

Overview

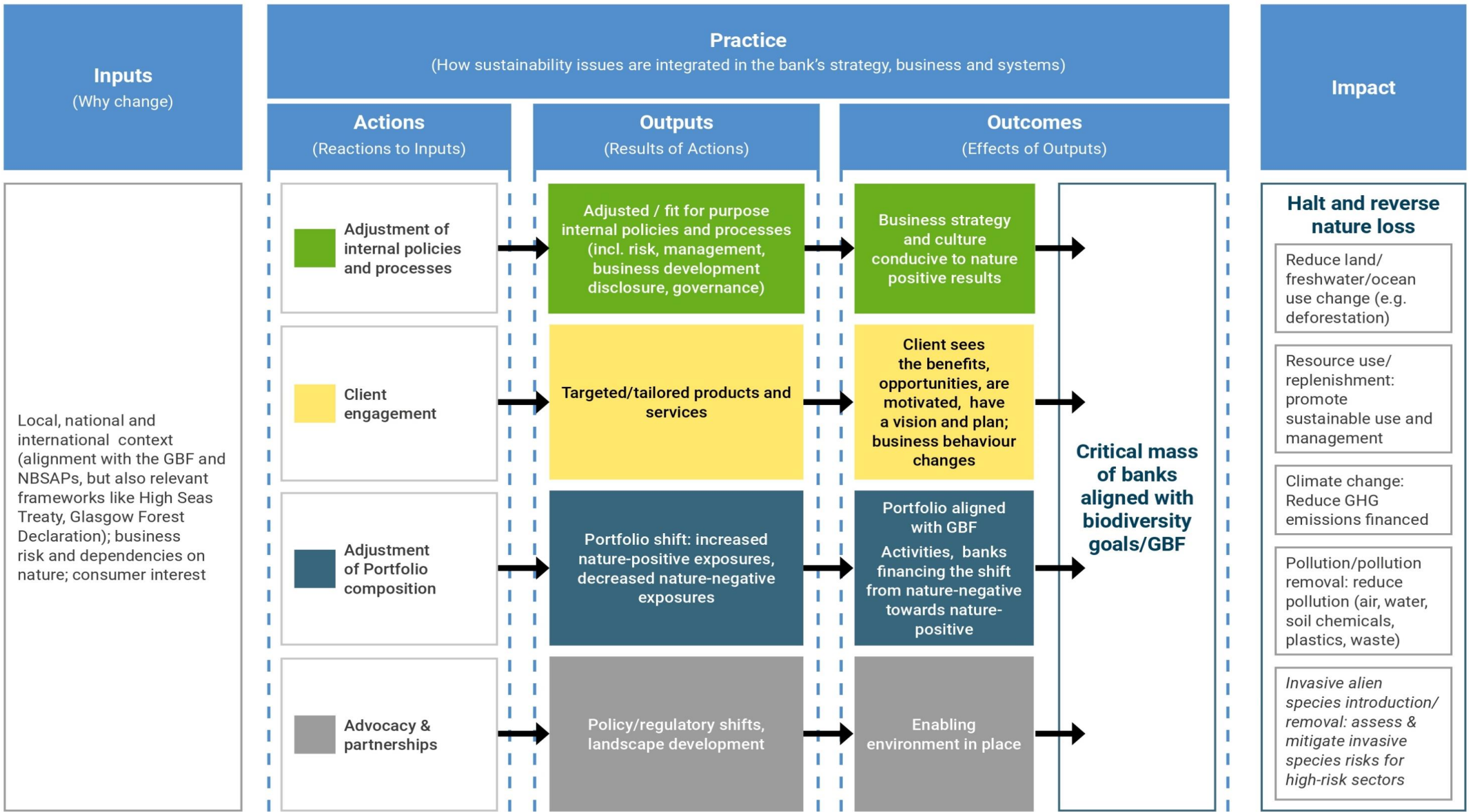


- Your role as financiers of economic activities places you at the forefront of influencing biodiversity outcomes. Banks can contribute to the shift towards sustainable practices and make a significant impact on nature-positive activities. How?
- Using the PRB guidance, we would like to help you integrate nature into your strategy, walking through the key steps:
- Why is nature important for banks?
- What is the Kunming-Montreal Global Biodiversity Framework and why it matters for banks?
- Assessing nature-related impact, risk, dependencies and opportunities and priority sectors.
- Identifying nature-related priority actions for your banks
- The target setting process step by step
- Reporting and disclosures

Find the PRB Guidance and many other resources here:

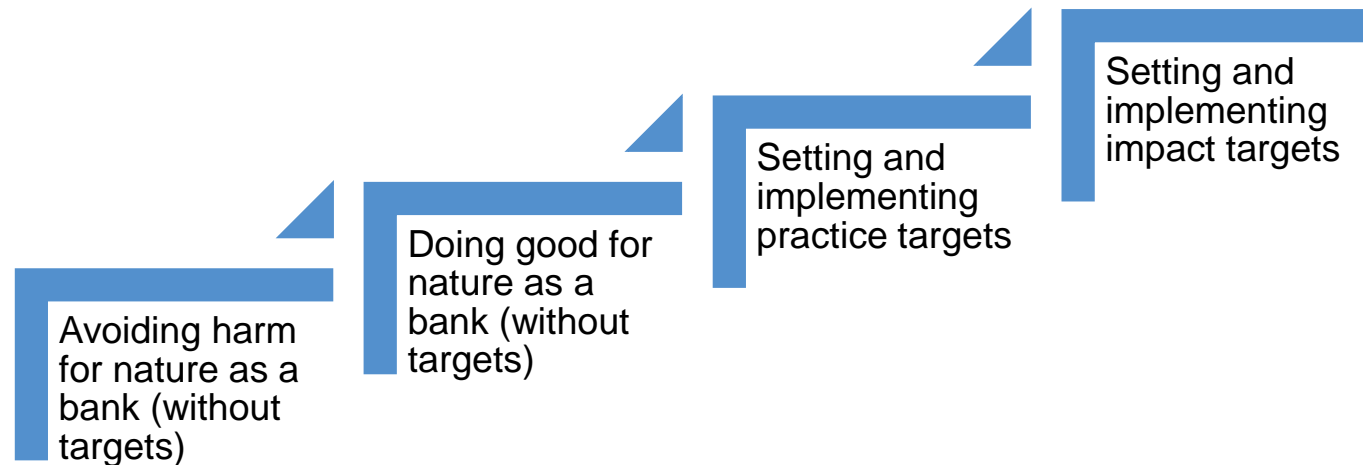
www.unepfi.org/banking/unep-fi-banking-members-space/capacity-building-activities/

Theory of Change for Nature



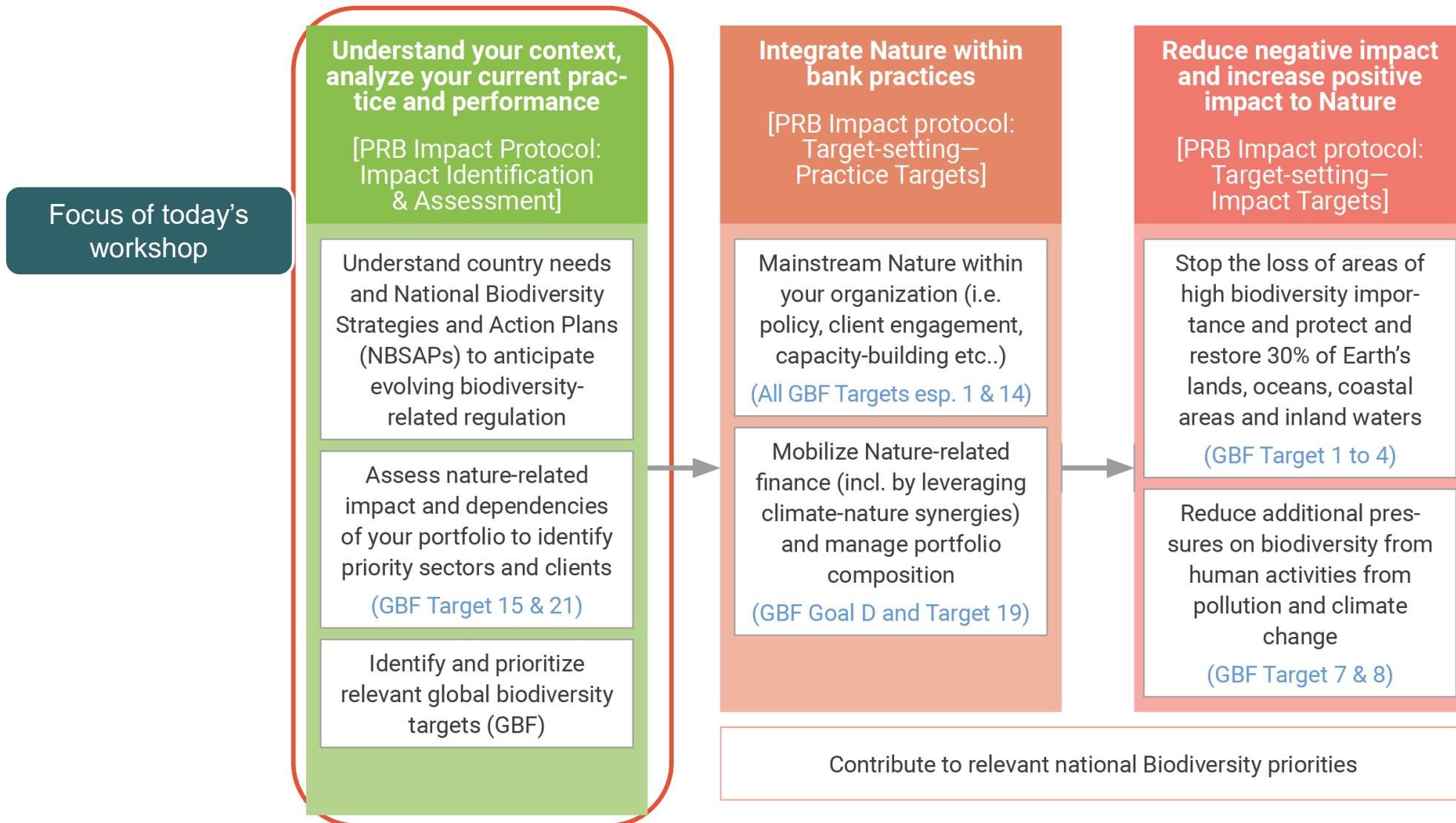
Progressive approach to manage your impacts

- Importantly, while we encourage you work on practice and impact targets, your bank can have positive impacts on nature even if your bank is not planning to set nature targets in the near future.



- If you want to set targets, you can take a progressive approach —beginning with the **practice targets** which are the basis to **impact targets**, since nature is one of the to date more nascent impact areas with regards to available tools and established methodologies.
- In order to manage impacts, both practice and impact targets are relevant; impact targets enable understanding whether outcomes are changing as desired, practice targets are what make it possible to achieve the impact targets.
- For banks, whose impacts are indirect, impact targets often present a particular challenge.
- Practice targets covering the **bank’s policies on nature and the total sum shifted in the portfolio away from harmful and towards neutral or positive activity** do practically improve the bank’s impacts in material and important ways, although they do not yet constitute a full impact target.

High-level approach to PRB nature action in the context of the Global biodiversity framework

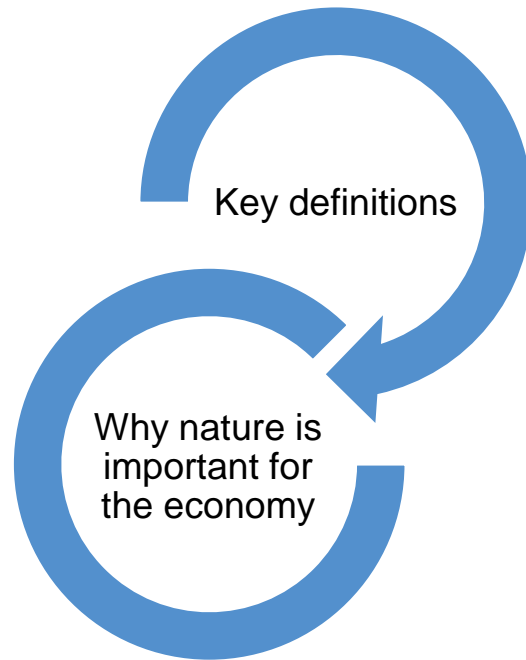




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Nature for Banks

Understanding the role of nature in banking and the importance of biodiversity

Let's start with the basics



Some definitions: biodiversity vs nature

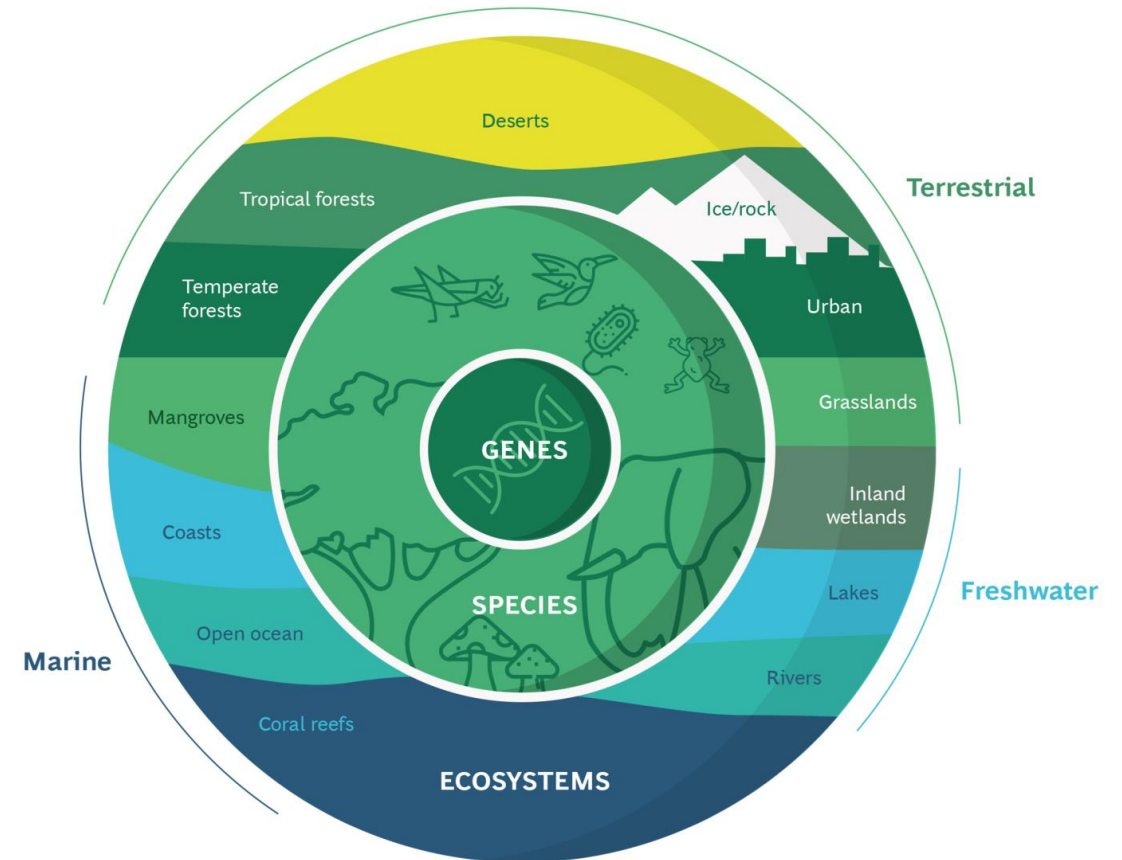
Biodiversity – the variety of life at all levels

- The variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

->Convention on Biological Diversity (1992) [Article 2; IPBES](#)

Nature – underpins and sustains human quality of life, includes ecosystems and their services

- The natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.
- Nature refers to all life on Earth including biodiversity and ecosystems (structure and functioning). This comprises forests, freshwater ecosystems such as rivers, ocean ecosystems such as coral reefs, mangroves).

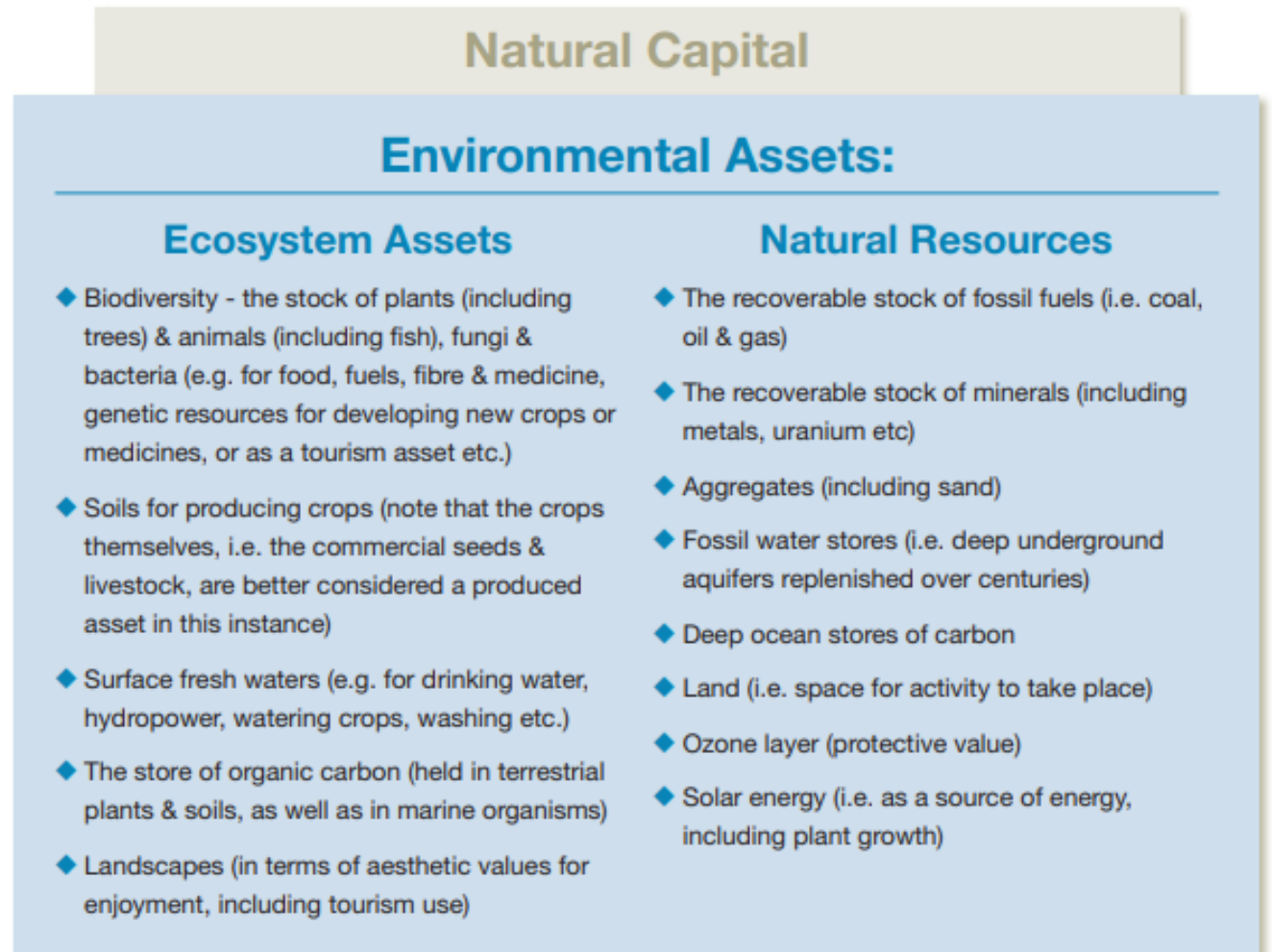
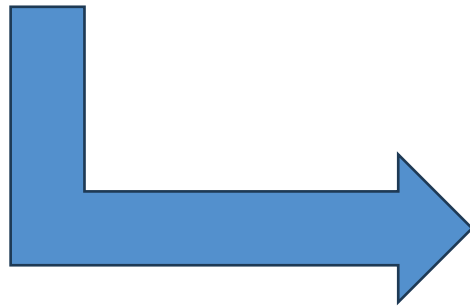


->Díaz, S et al. (2015). [The IPBES Conceptual Framework – connecting nature and people](#)

Some definitions: natural capital

Natural capital

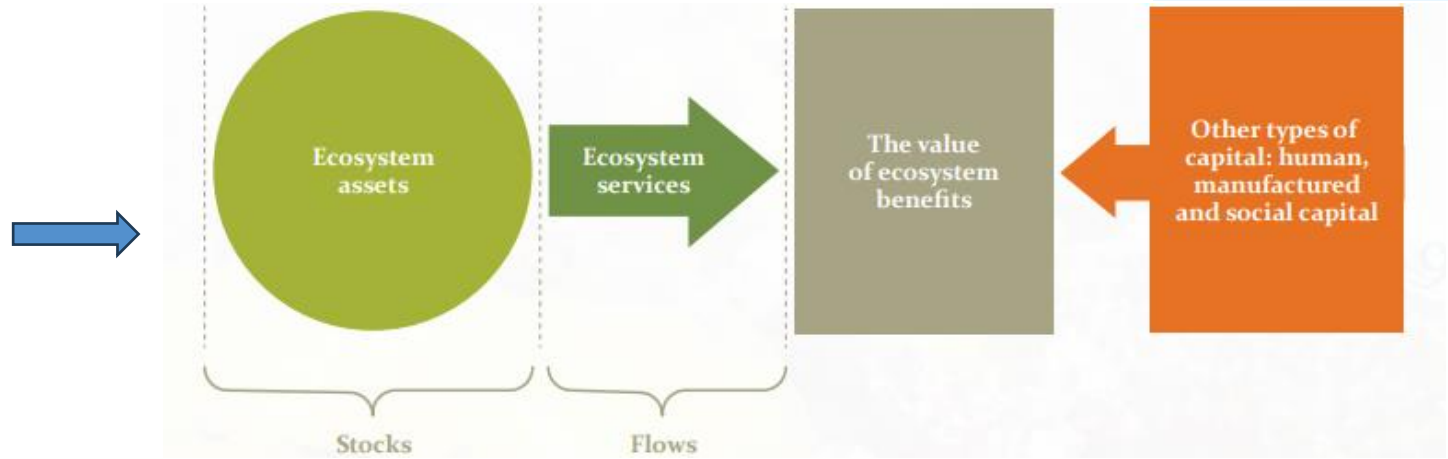
- The world's stocks of natural assets which include geology, soil, air, water and all living things. It is from this Natural Capital that humans derive a wide range of services, often called ecosystem services, which make human life possible. ->[CBD; Natural Capital Forum](#)
- Natural capital comprises both ecosystem assets (such as fresh water) and natural resources (such as fossil fuel deposits). ->[UNEP](#)



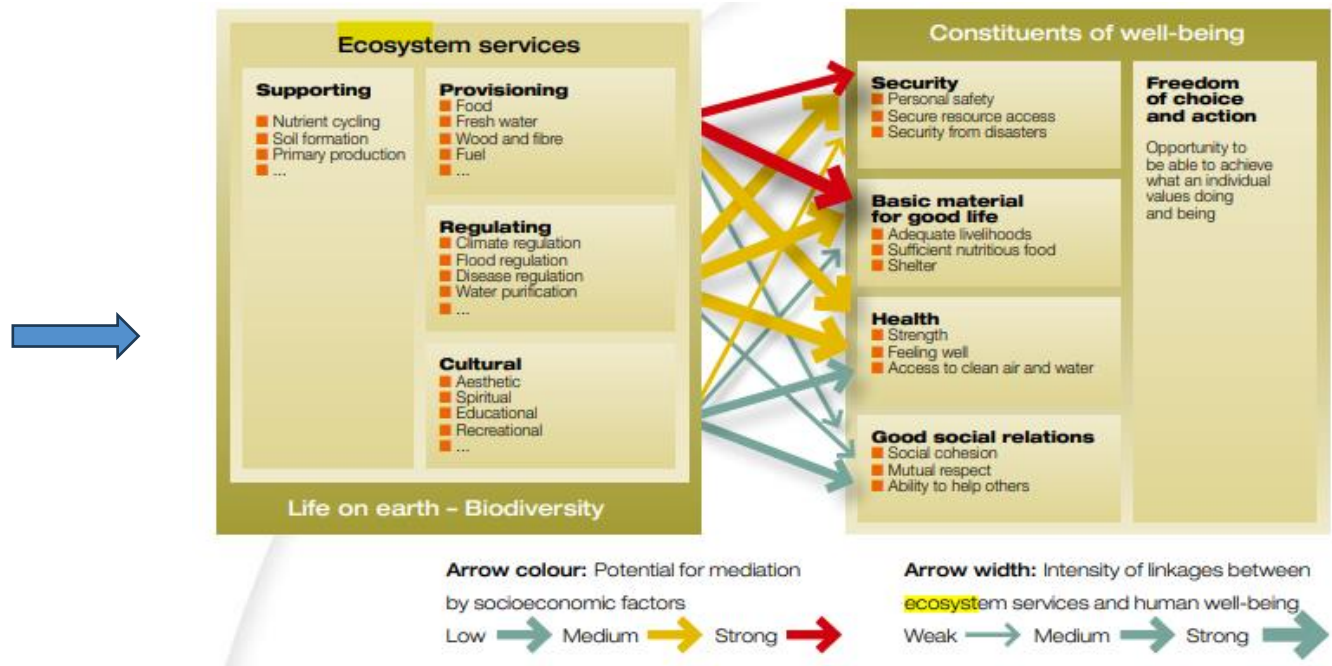
Some definitions: ecosystem services

Ecosystem services

- Ecosystem assets have the capacity to generate a basket of ecosystem services, and this capacity can be understood as a function of the extent (quantity) and condition (quality) of the ecosystem. ->[UNEP](#)



- Ecosystem services are the range of benefits that people obtain from ecosystems.
- They include soil formation, the provision of food and fibre, air quality and climate regulation, the regulation of water supply and quality and the cultural and aesthetic value of certain plants and species. ->[UNEPFI](#)



The biosphere upon which humanity depends, has been deeply reconfigured by human activities

75%

of the land area has been significantly altered, negatively impacting the well-being of 3.2 billion people

66%

of the ocean area is experiencing increasing cumulative impacts only 3% of the oceans is unaffected by human activities

>85%

of wetland area has been lost



90%

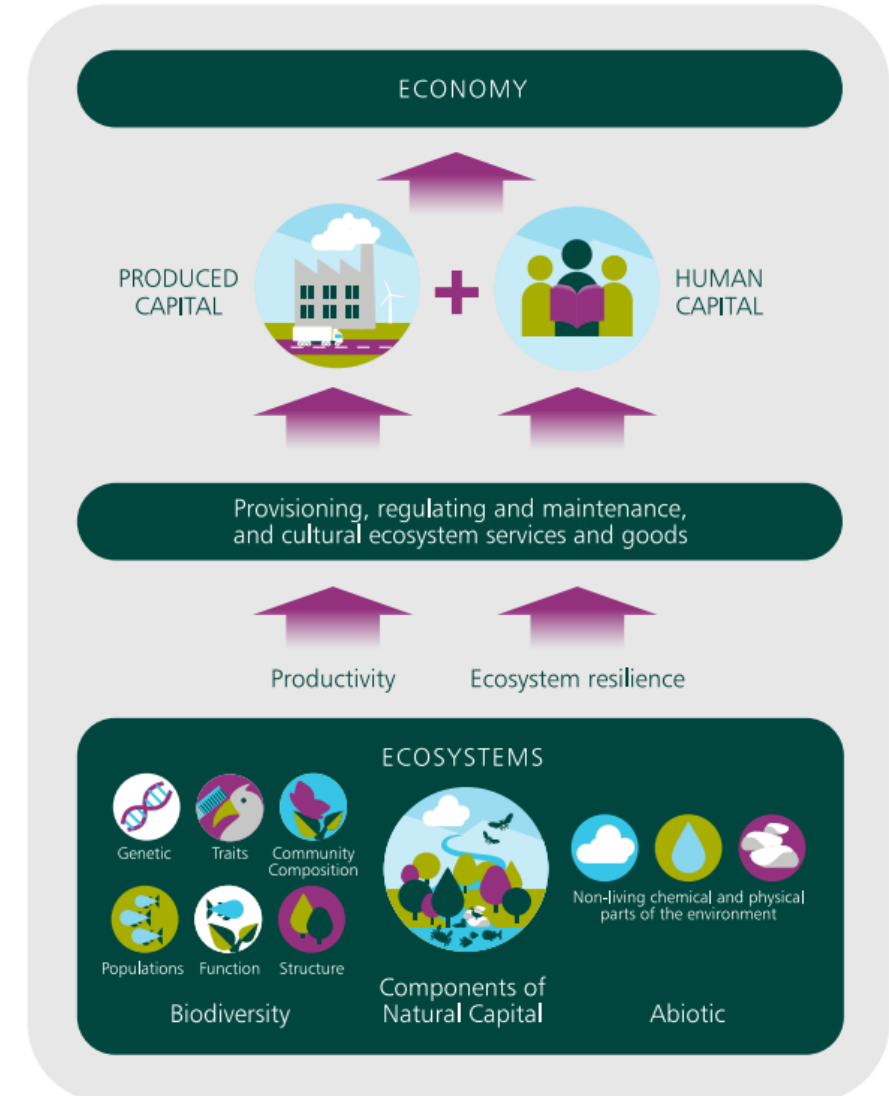
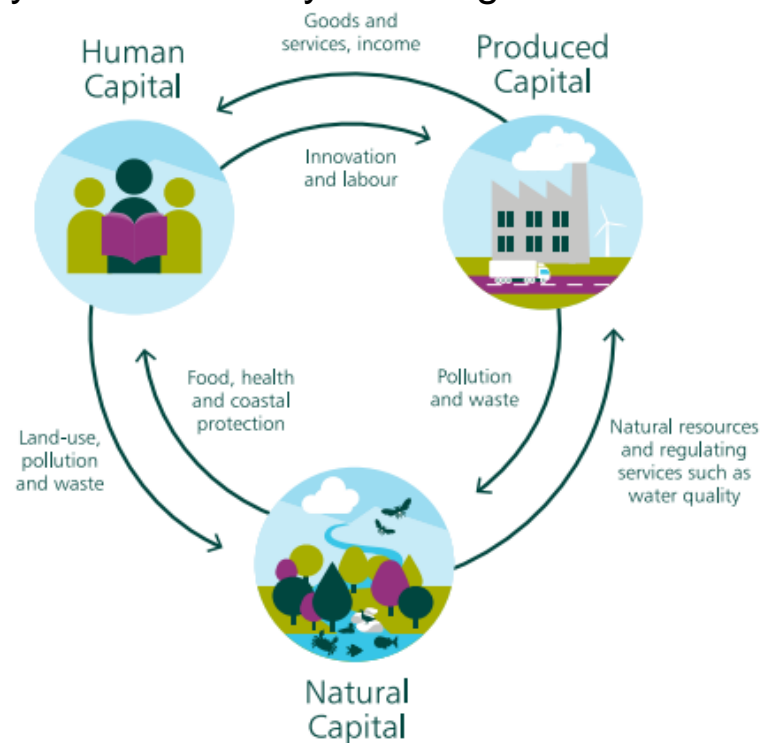
of land is projected to be significantly altered, by 2050

1 million

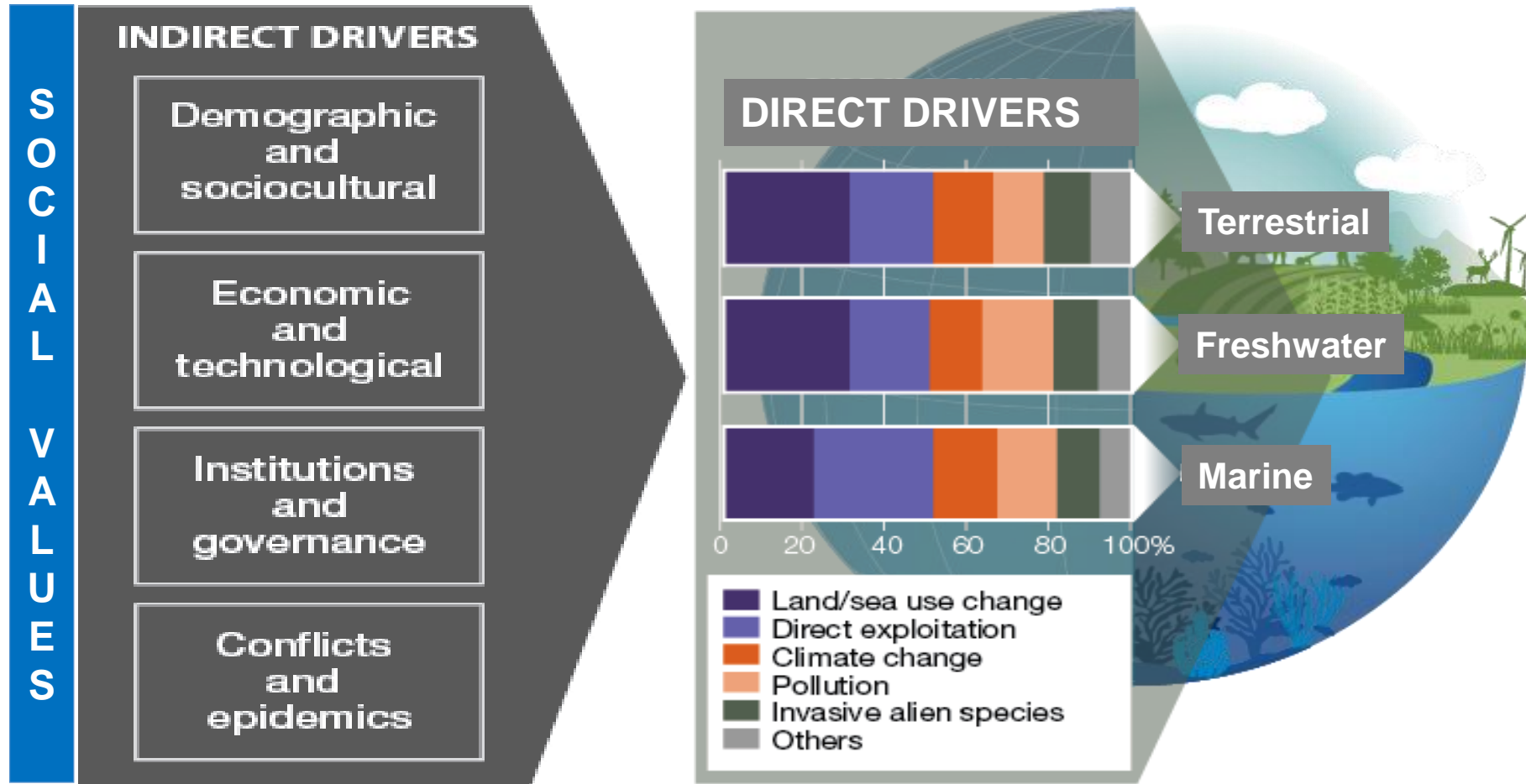
species (500,000 plants and animals and 500,000 insects) are at risk of extinction assuming a total of 8.1 million species (2.6 million plants and animal and 5 million insects)

The importance of nature for the economy

- The global economy is deeply intertwined with natural resources, relying on them for essential inputs like raw materials, energy, and food.
- A significant portion of the world's GDP is moderately or highly dependent on nature, highlighting the economic risks associated with biodiversity loss and ecosystem degradation.

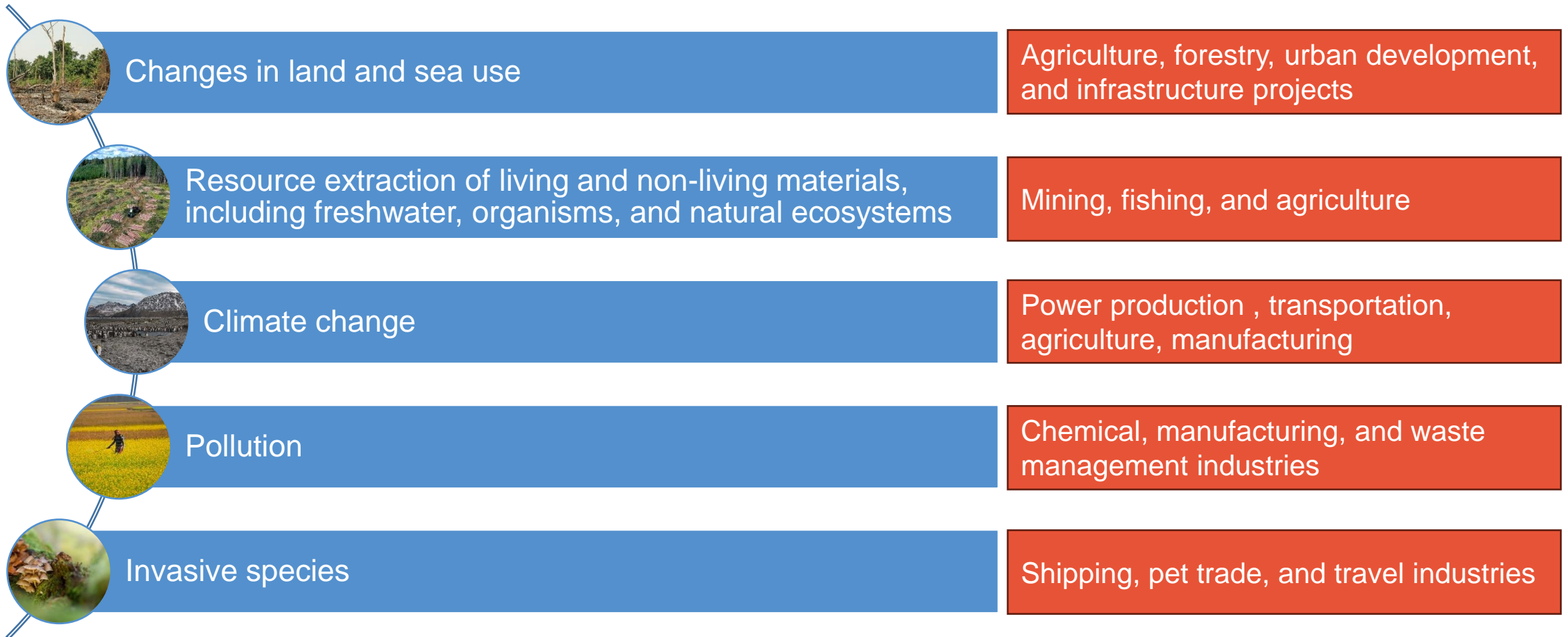


Direct drivers of change have accelerated during the past 50 years to levels unprecedented in human history

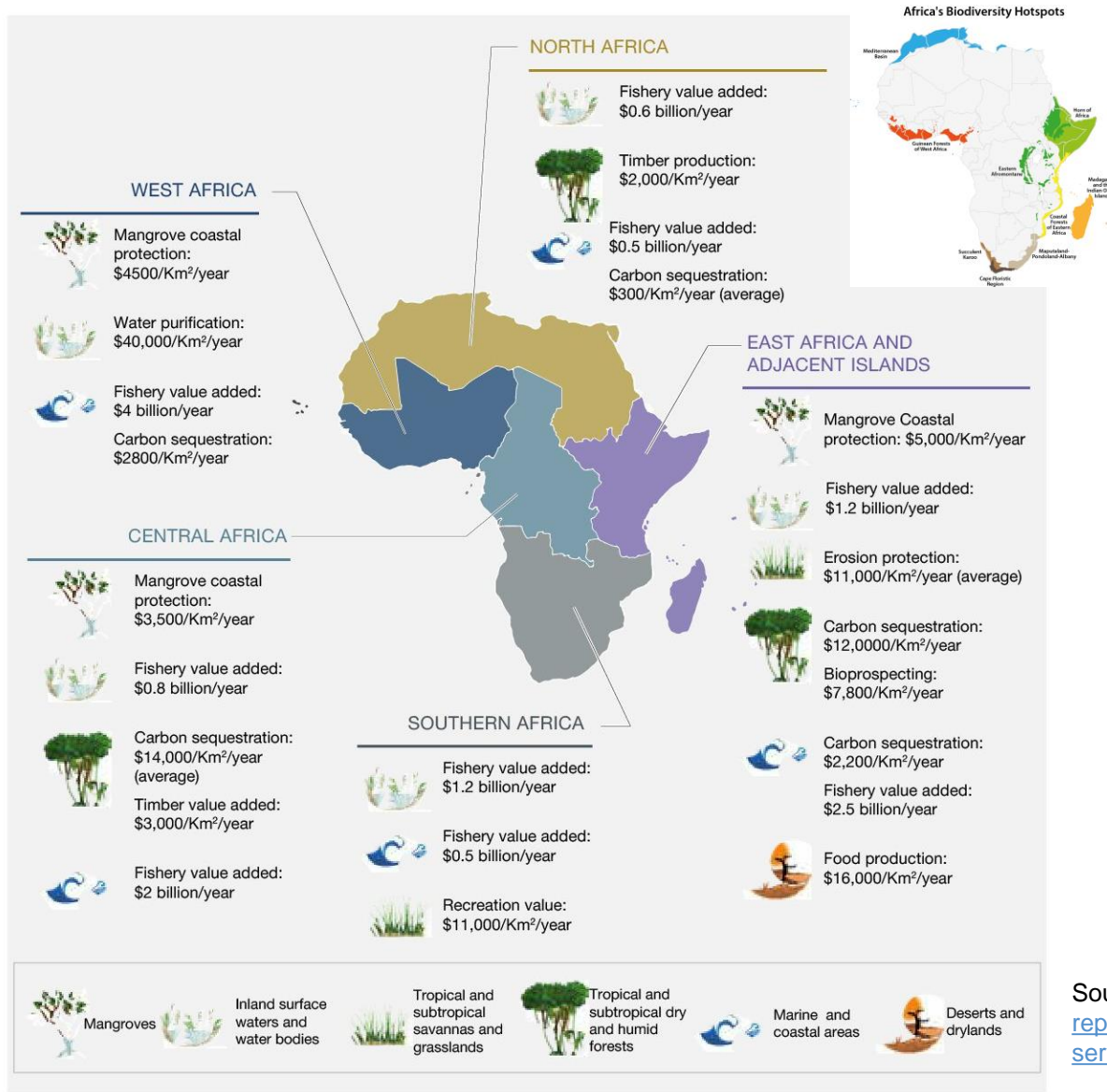


Underpinning the proximate causes of deterioration in nature are the root causes, or indirect drivers of change, e.g., economic growth, population growth, trade.

Drivers of biodiversity loss – what economic sectors are responsible for these?



Economic values of nature's contributions to people in Africa



- Individuals, Businesses, Communities, Society and Economy as a whole rely on the ecosystem services that nature provides – not only provisioning services such as water, food and biomass, but also ecosystems like mangroves, tropical forests and grasslands provide regulating ecosystem services, that are essential for climate mitigation and for protection against increasing climate change impacts and building resilience.
- Ecosystem services have an economic value either through the output derived (such as fisheries) or through the protection value (such as mangrove coastal protection).

- The true value of biodiversity and nature's contributions to human well-being tend to be under-appreciated in decision-making processes.
- Knowing their value encourages investments for their management and assist in assessing the trade-offs between different policy options and also the cost and benefits of biodiversity conservation and use policies.
- Africa has opportunities to fully realize the benefits of its rich biodiversity and to explore ways of using it in a sustainable way to contribute to its economic and technological development.

Source: [The IPBES regional assessment report on biodiversity and ecosystem services for Africa](#)

Drivers of biodiversity loss across Africa's sub-regions

Subregions	ECOSYSTEM TYPE	DRIVERS OF BIODIVERSITY CHANGE							
		Direct drivers						Indirect drivers	
		Climate change	Habitat conversion	Overharvesting	Pollution	Invasive alien species	Illegal wildlife trade	Demographic change	Protected areas
CENTRAL AFRICA	Terrestrial/Inland waters	↗	↑	↑	↑	↑	↑	↑	↗
	Coastal/Marine	↗	↑	↑	↗	↗	↑	NI	↔
EAST AFRICA AND ADJACENT ISLANDS	Terrestrial/Inland waters	↑	↗	↑	↗	↗	↑	↑	↗
	Coastal/Marine	↑	↔	↗	↗	↗	↑	↑	↔
NORTH AFRICA	Terrestrial/Inland waters	↑	↗	↗	↗	↑	↔	→	→
	Coastal/Marine	↗	↗	↗	↗	↑	NI	→	→
SOUTHERN AFRICA	Terrestrial/Inland waters	↗	↗	↑	↗	↑	↗	↗	↗
	Coastal/Marine	↗	↗	↗	↗	↑	↗	↗	↗
WEST AFRICA	Terrestrial/Inland waters	↑	↑	↑	↗	↗	↑	↗	→
	Coastal/Marine	↑	↗	↗	↗	→	↑	↗	→

- While many of the key drivers for biodiversity loss in Africa are similar to the ones on a global level, for the Africa sub-region additional challenges come to play.
- Major drivers of biodiversity loss in Africa include habitat conversion for agriculture and urbanization, unregulated development, overharvesting, invasive species, and pollution.
- Climate change and natural hazards (droughts, floods, hurricanes, earthquakes) exacerbate these threats significantly in Africa.
- Rapid economic growth and infrastructure development (telecom, energy, transport, extraction) cause significant deforestation, land degradation, and pollution.
- Poaching and illegal wildlife trafficking, linked to international crime, harm biodiversity and cultural heritage, but sustainable development options exist.

Source: [The IPBES regional assessment report on biodiversity and ecosystem services for Africa](#)

High-level approach of the PRB

Understand your context, analyze your current practice and performance

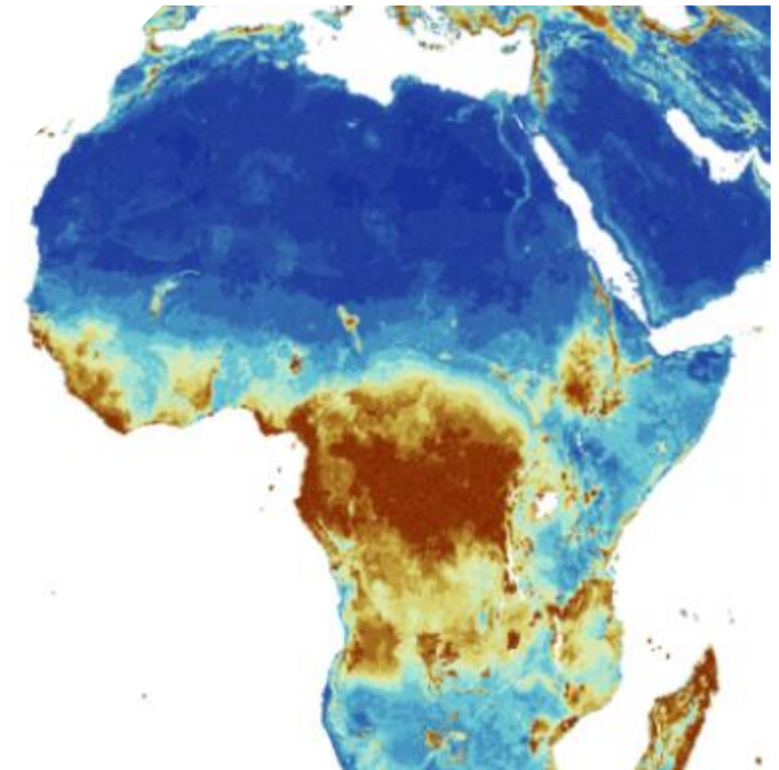
[PRB Impact Protocol: Impact Identification & Assessment]

Understand country needs and National Biodiversity Strategies and Action Plans (NBSAPs) to anticipate evolving biodiversity-related regulation

Assess nature-related impact and dependencies of your portfolio to identify priority sectors and clients
(GBF Target 15 & 21)

Identify and prioritize relevant global biodiversity targets (GBF)

- Banks should understand the **context** in which they are operating, i.e., the main **nature-related challenges and priorities** in the main countries in which it is operating and identify the relevant international, regional or national frameworks to align with.
- Let's understand how we can think about regional and country needs!
- First we start with the global picture and then we zoom on AME.



The Global Biodiversity Framework and how it interacts with your national ones

First inputs for your context analysis

Convention on Biological Diversity and the Global Biodiversity Framework

- Signed by 150 government leaders at the 1992 Rio Earth Summit, the **Convention on Biological Diversity (CBD)** is dedicated to promoting sustainable development.
- Is an international treaty aimed at conserving biological diversity, promoting sustainable use of its components, and ensuring the equitable sharing of benefits arising from genetic resources.
- The **Global Biodiversity Framework (GBF)** of 2022, agreed upon at the Kunming-Montreal meeting, builds upon the CBD by setting specific targets and goals to halt and reverse biodiversity loss by 2030, providing a more detailed and action-oriented roadmap towards achieving the overarching objectives of the CBD.
- For the moment, we'll just very briefly discuss the GBF – we zoom into it in the second half of our workshop.



Convention on
Biological Diversity



Objectives and targets of the Kunming-Montreal Global Biodiversity Framework

Four global goals for 2050

- A** Integrity, connectivity and resilience
- B** Sustainable use and management
- C** Utilization benefits
- D** Means of implementation

and 23 targets for 2030

Targets for reducing threats to biodiversity

1. Territorial planning to curb land- and sea-use change. *
2. Restore at least 30% of degraded ecosystems.
3. Conserve at least 30% of areas of importance for biodiversity through protected areas or other effective area-based conservation measures.
4. Halt human-induced extinction of species.
5. Sustainable use, harvesting and trade of wild species, preventing overexploitation. *
6. Eliminate and reduce the impacts of invasive alien species.
7. Reduce the risks and negative impact of pollution from all sources (such as fertilizers and pesticides).
8. Minimize the impact of climate change and foster positive impacts on biodiversity.

Targets for meeting people's needs

9. Sustainable management and use of wild species (production). *
10. Sustainable agriculture, aquaculture, fisheries and forestry.
11. Restore, maintain and enhance ecosystem services through nature-based solutions and ecosystem-based approaches.
12. Green and blue spaces in cities and urban areas.
13. Fair and equitable sharing of benefits from genetic resources and the digital sequence information of genetic resources.

Targets for tools and solutions for implementation and mainstreaming

14. Mainstreaming biodiversity and its multiple values in all sectors (including development planning, poverty eradication, national accounts, etc.).
15. Assessment, monitoring and reporting by companies and financial institutions of their dependence and impacts on biodiversity.
16. Encourage and support sustainable consumption (through regulatory frameworks, available information, reducing food waste by 50%, etc.).
17. Establish and implement biotechnology, biosafety and benefit-sharing measures.
18. By 2025, phase out or reform incentives that are detrimental to biodiversity and multiply positive incentives.
19. Increase financial resources from all sources (domestic, private, innovative schemes, co-benefits, non-monetary collective actions). *
20. Capacity-building and development, cooperation, innovation, access and technology transfer.
21. Management of available information, data and knowledge (including traditional knowledge and practices) for decision-making. *
22. Full and equitable participation in decision-making by Indigenous Peoples, local communities, women, girls and young people, and ensure full protection of environmental rights defenders. *
23. Gender equality in the implementation of the Framework.

So you might wonder....

What do these global frameworks mean for my bank and for my daily job?



What do these global frameworks mean for my bank?

- The GBF has a similar significance about nature as the Paris Agreement for climate!
- Your banks should align with the **GBF** (as the overarching framework), and the **respective national biodiversity priorities** of any country that it is headquartered in and/or is providing finance to.
- This is critical as understanding the main policy goals to align with in a given context—i.e. the specific nature objectives that impact and practice targets can then be derived from—is much more locally embedded for nature than banks may be accustomed from in addressing climate.
- **So understanding if the GBF is important (see later slides), but it is just as important to get familiarized with the local priorities!**

GBF highlights the importance of women, indigenous peoples (ips) and local communities (lcs). As compared to some previous CBD agreements, the GBF more prominently foregrounds a human rights-based, gender-responsive and socially equitable approach to nature which intersects with social issues and facilitates a “just nature transition”.

National Biodiversity Strategies and Action Plans (NBSAPs) and National Biodiversity Finance Plans

- **What are NBSAPs?**
- They are comprehensive frameworks set by countries in response to the **Convention on Biological Diversity's** requirements.
- They outline **strategies, actions, and measures** each country plans to take to conserve its biological diversity, promote sustainable use of its components, and achieve equitable sharing of benefits arising from the use of genetic resources.
- NBSAPs **are tailored to each country's specific needs**, priorities, and capacities, serving as a key tool for integrating biodiversity considerations into different sectors of national planning and development processes.
- These documents should provide a guide for you finance nature-positive activities, similar to the Nationally Determined Contributions (NDCs) in the climate space.

Why is it Important for Banks to Understand NBSAPs?

Aligning with National Priorities: NBSAP outlines the country's strategic goals for biodiversity conservation and sustainable use of natural resources. By aligning their financial activities with these goals, banks can ensure their investments support national priorities. This alignment helps banks contribute to national development objectives, enhancing their role as responsible banks

Identifying Investment Opportunities: NBSAP identifies specific areas where action is needed, such as combating climate change, improving biodiversity understanding, and promoting sustainable resource use. Banks can use this information to identify and invest in projects that address these needs.

Mitigating risks: Banks face financial risks when natural resources are depleted or ecosystems are damaged. Understanding NBSAPs helps banks anticipate and mitigate these risks.

Enhancing Reputation and Compliance: Supporting NBSAPs demonstrates a bank's commitment to sustainability and responsible practices, enhancing its reputation. Additionally, aligning with national and international biodiversity strategies helps banks comply with environmental regulations and standards, avoiding potential legal and reputational issues.

NBSAPs

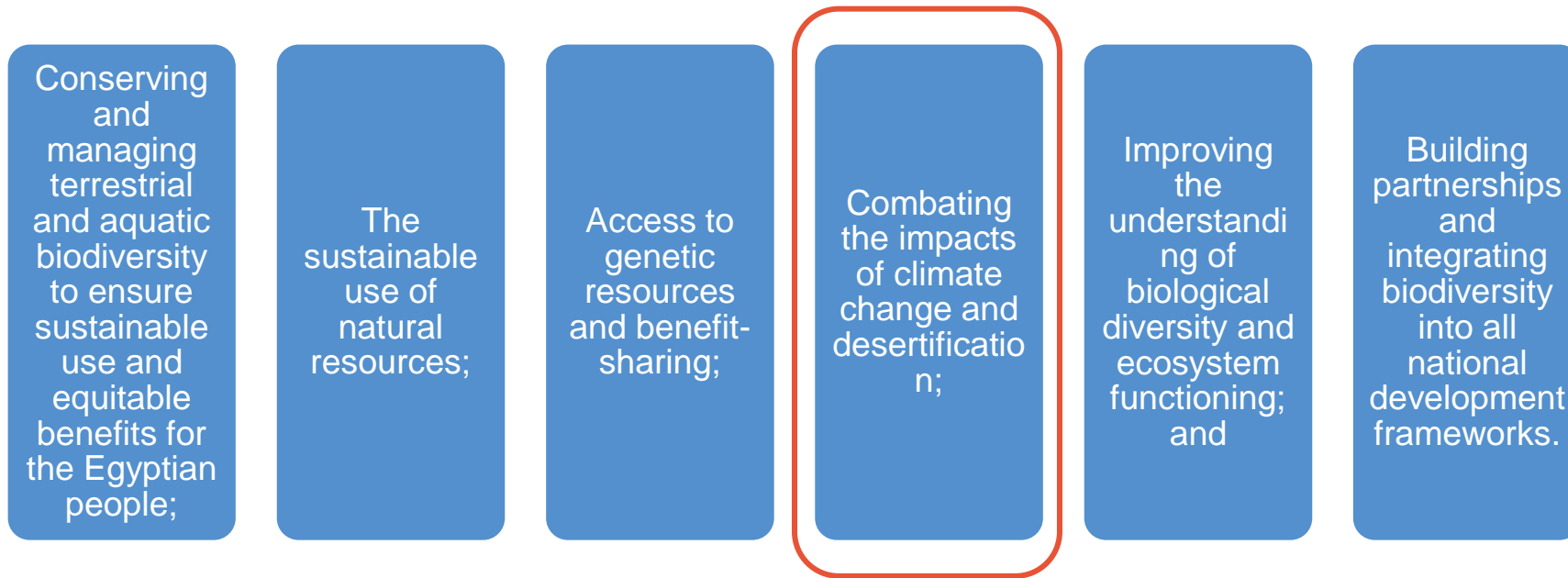
- So does my country have an NBSAP?
- Many African and Middle Eastern countries have developed at least one National Biodiversity Strategy and Action Plan (NBSAP) as part of their commitment to the Convention on Biological Diversity (CBD).
- Find your NBSAP here: www.cbd.int/countries



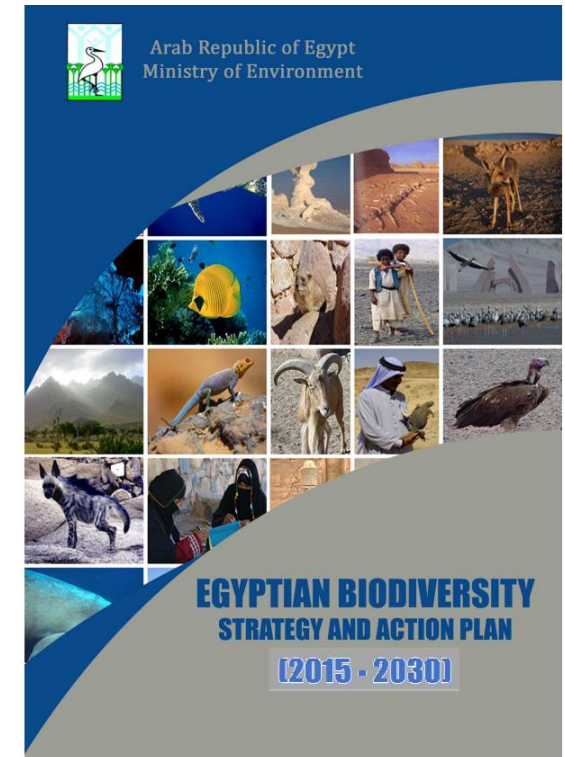
BIODIVERSITY CONVENTION | CARTAGENA PROTOCOL | NAGOYA PROTOCOL | COUNTRIES | PROGRAMMES

NBSAPs – example of Egypt

- Egypt’s revised NBSAP (2015-2030) is an update to the first NBSAP (1998-2017) and contains 6 strategic goals aimed at:



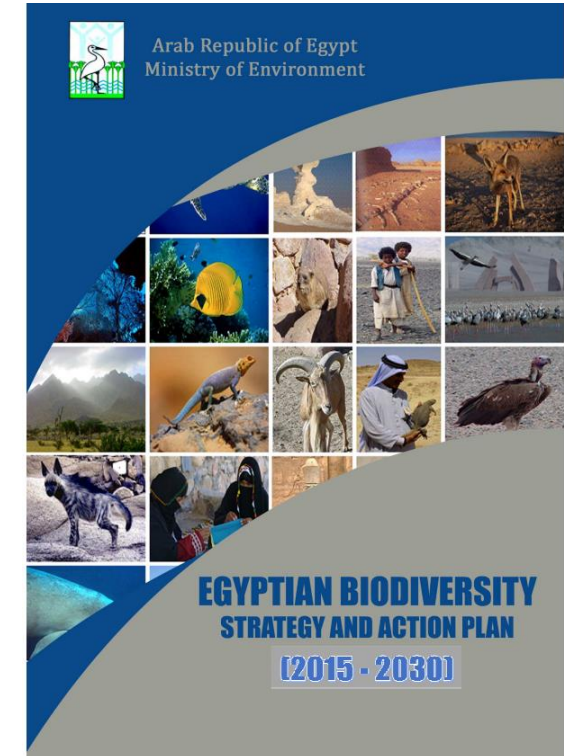
- Each strategic goal addresses specific themes that are accompanied by baselines and identified challenges.
- For each theme, Egypt has set a national target (there are 20 in total).



[See CBD Strategy and Action Plan - Egypt \(English version\)](#)

NBSAPs – example of Egypt

SECOND THEME: CLIMATE RELATED BIODIVERSITY ADAPTATION AND MITIGATION				
BASELINE		CHALLENGES		
<ul style="list-style-type: none"> Impacts and status of climate change as reported in the 5th NR. 		<ul style="list-style-type: none"> Poor mechanisms to predict the impacts of climate change. National policies and measures responding to climate change. National assessment needs including financial assistance, technical and technology transfer, monitoring systems, education, and public awareness. 		
<p>NATIONAL TARGET 14: By 2025, investigate and monitor all the effects of climate change on biodiversity and ecosystem services. (Aichi targets 15)</p>				
<p>PRIORITY ACTIONS:</p> <ul style="list-style-type: none"> Assess the impact of climate change on biodiversity in vulnerable areas and protected areas. Conduct a feasibility assessment of the application of international mechanisms, suggested by UNFCCC (e.g. international carbon market), in Egypt. Implement Climate Change Capacity Building Phase II. Continue the implementation of Integrated Solar Thermal / Natural Gas Power Plant (e.g. Kuraymat). Continue the implementation of the Energy Efficiency Improvement and Greenhouse (GHG) Reduction Projects. Promotion of wind energy for electricity generation. 				
INDICATORS		RESPONSIBILITY	DEADLINE	Proposed budget (USD Millions)
<ul style="list-style-type: none"> Number of green energy initiatives annually. 		MoE – RI	2025	15



[See CBD Strategy and Action Plan - Egypt \(English version\)](#)

Note that NBSAPs are being revised

- The Kunming-Montreal Global Biodiversity Framework (GBF) of 2022 has prompted countries to update their National Biodiversity Strategy and Action Plans (NBSAPs) to align with its new goals and targets.
- Countries are expected to integrate these updated objectives into their national biodiversity strategies to contribute to the global effort of preserving biodiversity.
- Countries are expected to submit their revised and updated NBSAPs and Action Plans (NBSAPs), aligned with the GBF, by COP 16 (happening in October/November 2024, in Colombia).
- Importantly, while your countries might be in the process to update their NBSAPs, you may want to engage with relevant [CBD national focal points](#) to understand major priorities for the update and to support the development of accompanying Biodiversity Finance Plans.

- **This represents an opportunity for closer stakeholder engagement!**
- In the case that there is no updated NBSAP, your banks should generally align with the GBF goals and targets and refer to the previous version of the NBSAP for broad guidance.

What are National Biodiversity Finance Plans?

- All NBSAPs will eventually be accompanied by a Biodiversity Financing Plan (BFP) that includes opportunities for private finance mobilisation.
- The BFP is the guiding document for implementing the most optimal finance solutions to reach national biodiversity targets.
- These plans identify current funding levels, financial needs, and gaps for implementing NBSAPs.
- Again, as a bank you might have a great opportunity to support your relevant ministries/authorities to prepare a **good biodiversity finance plan!**

We hope you don't feel like this



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The Global Biodiversity Framework of 2022 aims to guide international and national efforts to preserve and protect nature, with targets that address the urgent need to halt biodiversity loss and ensure the sustainable use of natural resources by 2050

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NBSAPs are strategic plans under the Convention on Biological Diversity (CBD) guiding national efforts to conserve biodiversity, promote sustainable use, and share benefits equitably.

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Our bank shouldn't follow the NBSAP if it is not aligned with the GBF of 2022.

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National Biodiversity Finance Plans will require each bank to prepare a strategic framework designed to increase financial support for biodiversity conservation.

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A closer look at the Kunming-Montreal Global Biodiversity Framework

The ‘Finance Target’ set by the Kunming-Montreal Global Biodiversity Framework 2022

Private sector finance to play a key role to **halt and reverse nature loss** by 2030 through portfolio alignment and transition financial flows to sustainability.



- The GBF calls for aligning finance from public and private sources with the objectives and targets of the GBF (equivalent to article 2.c in Paris Agreement)
- Each of the 4 goals and 23 targets have a link to finance.
- Banks have a key role in implementing the GBF because of
 - their lending and investing activities in high impact and high dependency sectors.
 - banking generally being the most common form of financing in emerging markets/ Global South countries and off-balance sheet such as project finance.
 - their market power in directing capital flows towards nature-positive activities.

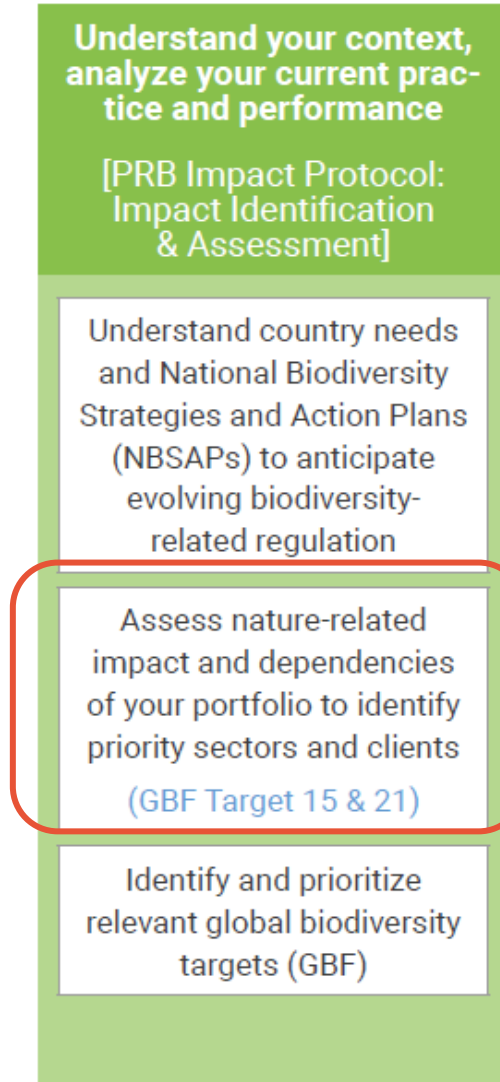
Relevance of GBF targets to banks

GBF targets	Relevance to banks
Target 14	This target calls for policies, regulations and an enabling environment for the alignment of private and public financial flows to ensure that financial institutions and businesses start aligning their activities across all sectors with the goals and targets of the GBF
Target 15	This target calls for large businesses and financial institutions to regularly monitor, assess and fully and transparently disclose risks , dependencies and impacts on biodiversity, along their operations, value chains and portfolios, with the aim of reducing negative impacts on biodiversity and increasing positive impacts.
Target 19	This target requires an increase of the level of financial resources from all sources, including by: leveraging private finance; promoting blended finance; implementing strategies for raising new and additional resources; and encouraging the private sector to invest in biodiversity , including through impact funds and other instruments.
Target 21	This target highlights the importance of education and links to banks' important roles educating and guiding their clients in transition planning and identification of new sustainable activities.
Targets 1 to 4	<p>These targets focus on stopping the loss of areas of high biodiversity importance and protecting and restoring 30% of Earth's lands, oceans, coastal areas and inland waters. This is most relevant for sectors that have a direct physical footprint within such areas or in their supply chains (e.g., agriculture, energy and mining).</p> <p>Meeting the targets will deliver co-benefits for climate mitigation and adaptation through, for example, the conservation or restoration of carbon sinks (e.g. peatlands) and habitats that play an important role for coastal productivity and protection against coastal erosion (e.g., mangroves, coral reefs, seagrass).</p>
Targets 5 to 8	<p>These targets focus on reducing other pressures on biodiversity from human activities, including from plastic pollution, fertilisers, pesticides and other hazardous chemicals (as detailed in target 7) and from climate change (target 8).</p> <p>This is most relevant to sectors with high pollution potential (e.g., agriculture, chemicals, manufacturing and mining) and with high greenhouse gas emissions (e.g., energy and transportation).</p>
Targets 9 to 13	These targets focus on meeting people's needs in relation to nature , including through the sustainable management of agriculture, aquaculture, fisheries and forestry (as detailed in target 10).

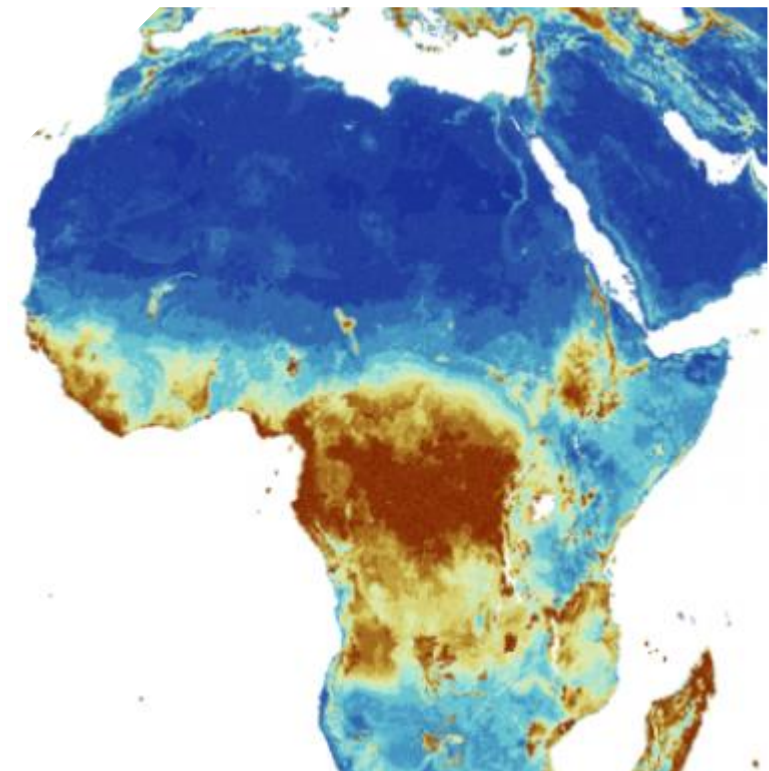
Relevance of GBF targets to banks - key areas of action for banks

Dimension	Early action	GBF target
Corporate culture	<ul style="list-style-type: none"> • Board-level acknowledgement of nature loss as priority issue alongside climate change • Build awareness/ capacity, adapted to role / position • Adopt roadmap for biodiversity mainstreaming including target setting 	T14
Risk	<ul style="list-style-type: none"> • Analyse exposure to biodiversity-related risks, dependencies and impacts per sector, geography, asset class • Integrate nature within risk assessment process with adapted materiality criteria (incl. valuation of nature loss and extended time horizon) • Assess institution wide risk exposure and build transition scenarios 	T15, T18
Sector policies and sustainability safeguards	<ul style="list-style-type: none"> • Strengthen sector policies including exclusion criteria with consideration of sectors with largest impact on nature • Strengthen safeguards application including consideration of 5 main pressures on nature (as per IPBES) 	T14, T15
Financial services	<ul style="list-style-type: none"> • Prioritise financial services most exposed to nature-related risks and impacts in risks review and safeguards application • Invest in sustainable finance products targetted at addressing nature / nature-climate crisis – eg green loans, green bonds, biodiversity credits, etc • Encourage and promote consideration of nature and climate within financial arranger / advosory mandates 	T18, T19
Front office / client engagement	<ul style="list-style-type: none"> • Strengthen client engagement on nature / climate-nature related risks, dependencies and impacts • Support client engagement into green transition eg through bonified interest rate / reduced risk premium etc 	T14, T18, T19
Reporting / disclosures	<ul style="list-style-type: none"> • Anticipate regulatory compliance eg with SFDR / CSRD • Adopt analysis & reporting framework – with particular focus on TNFD given rising policy & market support 	T15

High-level approach of the PRB



- Your bank should understand the extent to which your portfolio and business strategy are exposed to nature-related **impacts and dependencies, risks and opportunities**.
- This initial assessment should give you clarity on your bank's exposure, therefore allowing to **define priority areas for action** to
 - reduce or mitigate impacts on nature,
 - strengthen the consideration of nature within its investment policy and processes, and
 - set targets for nature (if relevant)



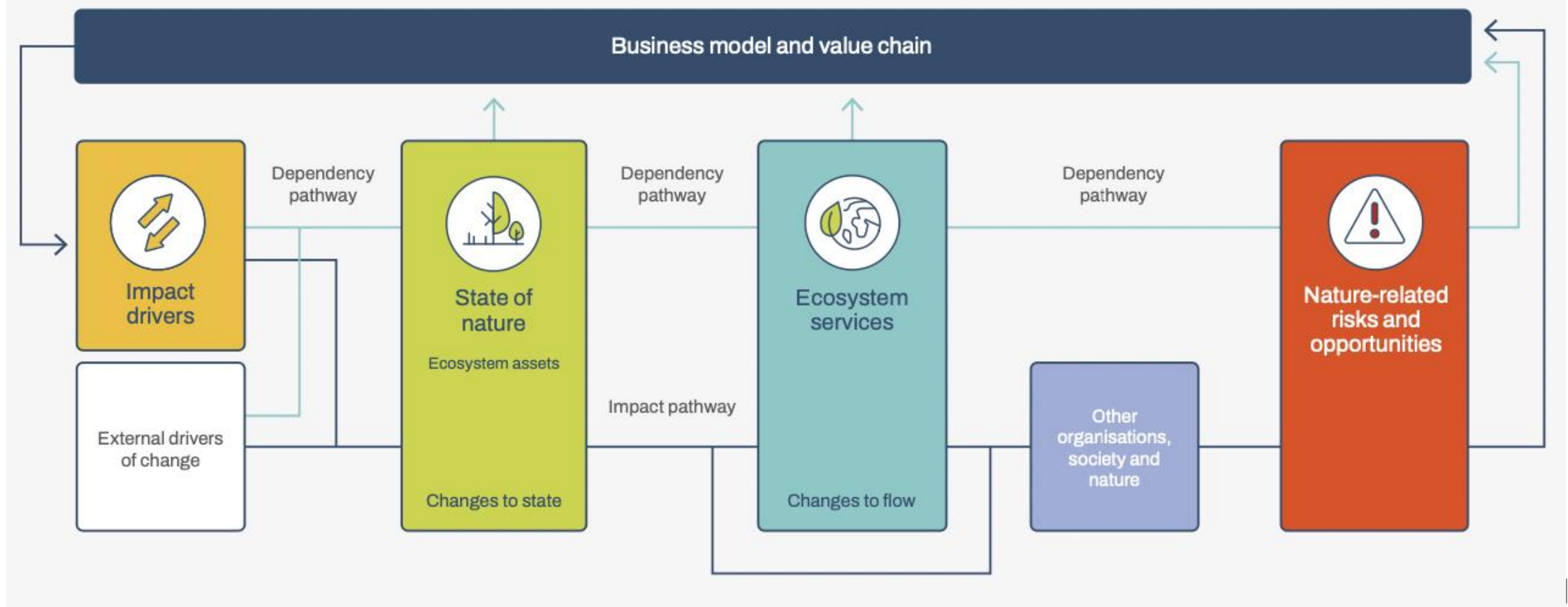
Assessing nature-related impacts and dependencies, risks and opportunities

GBF target 15

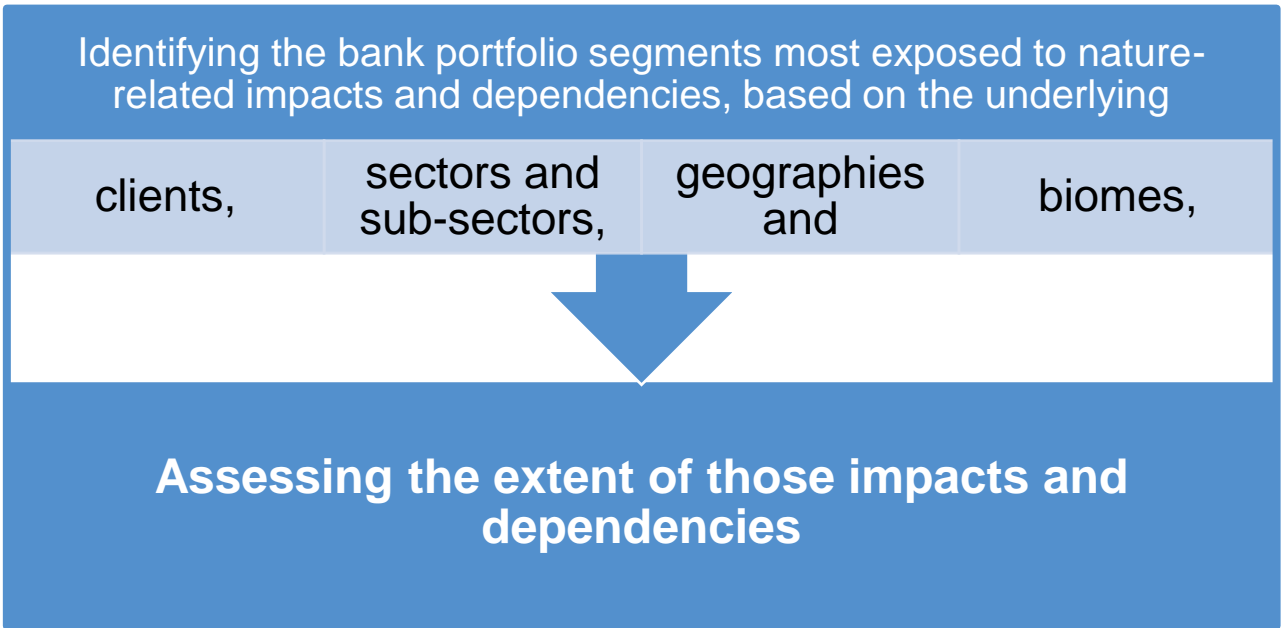
Nature and its relevance in a business context

Organizations interface with nature through 4 concepts referred to as 'nature-related' issues:

- Dependencies – of the organisation on nature;
- Impacts – on nature caused, or contributed to, by the organisation;
- Risks – to the organisation stemming from their dependencies and impacts; and
- Opportunities – for the organisation that benefit nature through positive impacts or mitigation of negative impacts on nature.

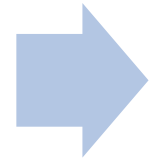


Assessment of nature-related impacts and dependencies, risks and opportunities



- Exposure to **nature-related dependencies** mean that, in the context of nature loss, the portfolio may be at risk due to its reliance on nature and its services (for instance, clean water, pollination of crops, coastal stability, etc.).
- Exposure to “**impacts**” means that the portfolio contributes to the loss of nature, thereby worsening risks related to dependencies, as well as creating nature-related transition risk potential (e.g. legal compliance risk, etc. see later).
- In the context of the PRB, the **objective** pursued is alignment with, and attainment of global sustainability related policy goals, for which the core concern is impact management.
- Risk management can contribute to impact management but not replace it. Our capacity building doesn't focus on risk management.
- Note that approaches as well as analytical methods, data, and tools are still emerging and continue to evolve.

Nature-related dependencies refer to how businesses rely on the natural world to provide essential services and resources that underpin economic activities.



These dependencies can become financial risks when the degradation of natural ecosystems impacts the availability or quality of these resources.



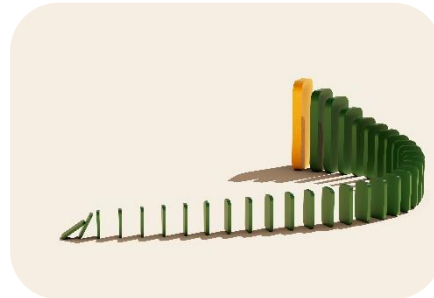
For instance, a bank that invests in agriculture may face financial risks if soil degradation affects crop yields, or a bank with clients in coastal regions may be at risk if declining fish stocks impact the local fishing industry.

Assessing nature-related impacts and dependencies, risks and opportunities – recommended approach

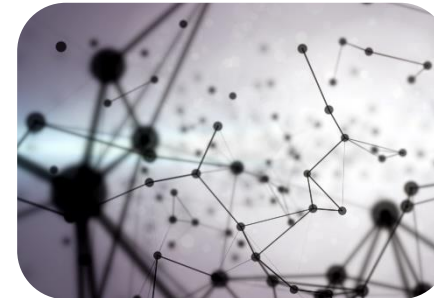
- The assessment should cover each significant business line, such as corporate, business and/or investment banking portfolios.
- Your bank should provide a justification for the selection of portfolios included in the assessment, including a rationale for excluding certain portfolios, for instance based on the limited portfolio size or lack of relevance.
- You should identify, based on the composition of its portfolio and the specifics of its business strategy within its operating context, relevant priority sectors, sub-sectors, clients and locations for nature-related action as well as the priority drivers to address in each of these locations.
- The assessment should consider the following dimensions:



Locating the organisation's interface with nature — sectors and geographies



Evaluating impacts



Evaluating dependencies



Assessing risks and opportunities

- This assessment is aligned with the **TNFD's LEAP approach**. We recommend you to use the **LEAP approach**!

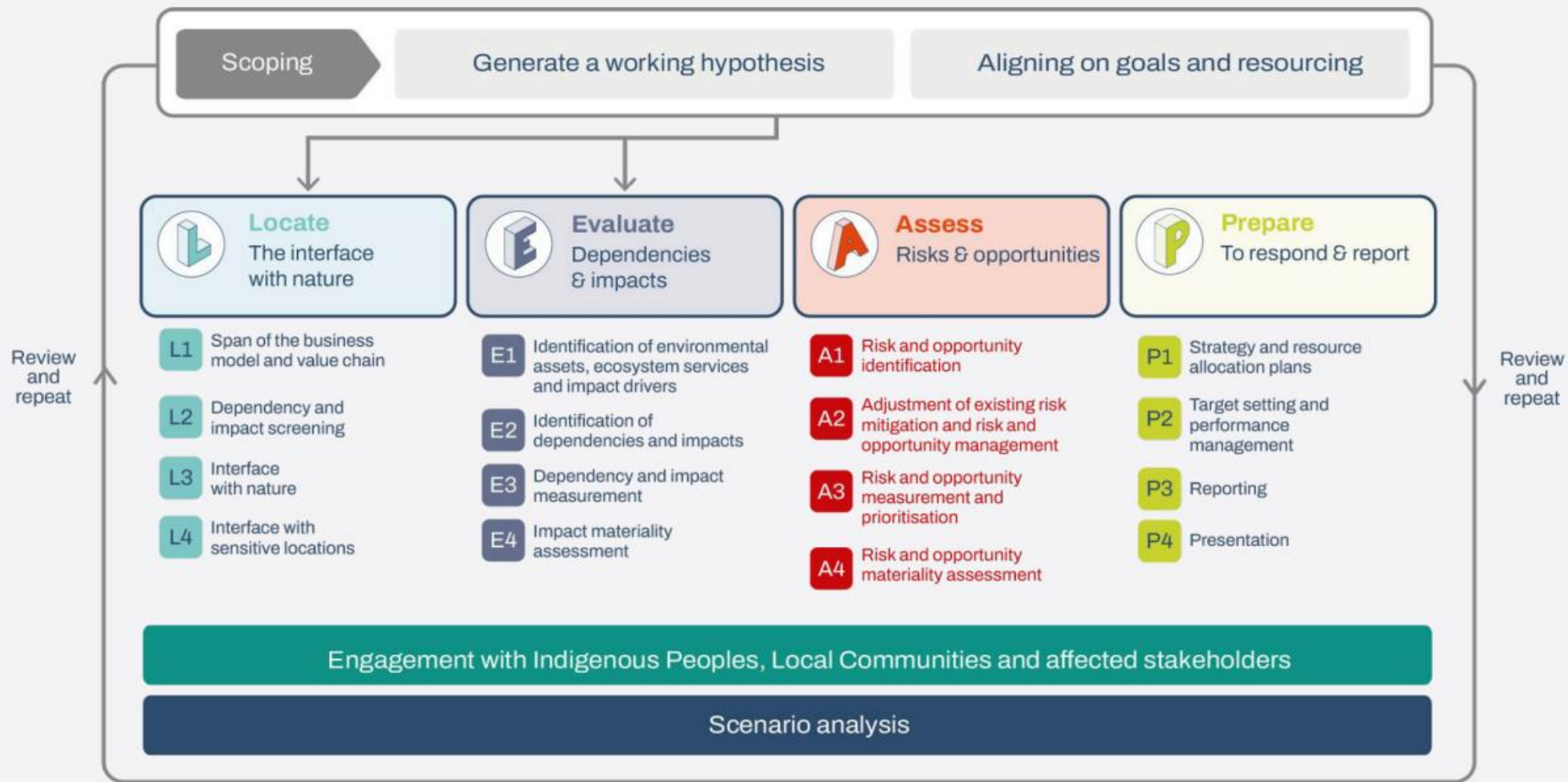
The LEAP approach – the TNFD's risk management framework

- LEAP is an integrated approach developed by the TNFD to identify and assess nature-related issues.
- It is designed for use by organisations of all sizes across all sectors and geographies.
- The LEAP approach provides structured guidance on how to identify, assess, manage and disclose nature-related issues across four iterative phases



The TNFD has published detailed guidance on the LEAP approach. Today we just give you an overview – we recommend consulting the [TNFD website!](#)

How the LEAP approach is structured



UNEP FI's TNFD pilots with global financial institutions

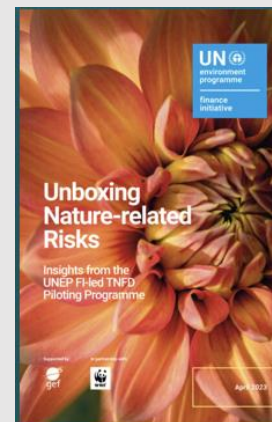


Supporting financial institutions to understanding climate and nature-related risks and integrating them into their risk management approach

- During a **one-year timeframe**, UNEP FI invited **banks and investors** to pilot the Taskforce on Nature-related Financial Disclosures (TNFD) beta framework with their industry peers
- The goal was to assess the feasibility of this emerging framework for market uptake through a **high-impact sector lens to assess exposure in portfolios and asset classes, including**

50
FIs

From
25 countries



Agriculture



Offshore wind farms

Scoping the assessment: Guiding questions

There are two main guiding questions when scoping an assessment:

Working hypothesis generation:

What are the organisation's business processes and activities where there are likely to be material nature-related dependencies, impacts, risks and opportunities?

Goals and resourcing alignment:

Given the current level of capacity, skills and data within the organisation, and given organisational goals, what are the resource (financial, human and data) considerations and time allocations required and agreed for undertaking an assessment?

UNEP FI use case: Driving action—before having all tools and skills at hand

A piloting institution from Latin America highlighted the importance of building an internal 'taskforce' dedicated to the pilot and to include nature-related risk assessment to their sustainability strategy. The team included colleagues across the sustainability, strategy, risk management, financial products and data management, with each team member bringing complementary skills. One of the pilot's outcomes involved immediate actions taken to strengthen the corporate lending due diligence process. The promising results from this approach would now be 'exported' to other countries where the bank has other branches in the region it operates.

ENCORE – A screening tool to identify sectors with potential material impacts and dependencies

Locate The interface with nature

L1 Span of the business model and value chain

What are our organisation's activities by sector and value chain? **Where** are our direct operations?

L2 Dependency and impact screening

Which of these sectors, value chains and direct operations are associated with potentially moderate and high dependencies and impacts on nature?

L3 Interface with nature

Where are the sectors, value chains and direct operations with potentially moderate and high dependencies and impacts located?
Which biomes and specific ecosystems do our direct operations, and moderate and high dependency and impact value chains and sectors, interface with?

L4 Interface with sensitive locations

Which of our organisation's activities in moderate and high dependency and impact value chains and sectors are located in ecologically sensitive locations?
And which of our direct operations are in these sensitive locations?

'Sector-based locate analysis using ENCORE'

Fig. 6 Impacts on Natural Capital of the Bank's Portfolio (conceptual image)

Sector	Land use changes			Resource use		Climate	Pollution			Other		
	Land	Freshwater	Oceans	Water	Other	GHG	Atmosphere	Water quality	Soil	Waste	Invasive species	Other
Construction and machinery, etc.												
Food and beverages, etc.												
Chemicals and materials, etc.												
Electric power, gas and water supply												
Consumer durables, etc.												
Real estate												
Healthcare												
Electronic communication services												
Information technology												



Source and notes: Compiled by the Bank using ENCORE, etc. Scope covers loans, equities, corporate bonds, etc.; sovereign debt and investments in or loans to government agencies, etc., are excluded. The reference date is March 31, 2021. Weighting was assigned according to the degree of exposure for each sector in the portfolio as at the reference date.

Assess - A risk mapping example from a piloting bank

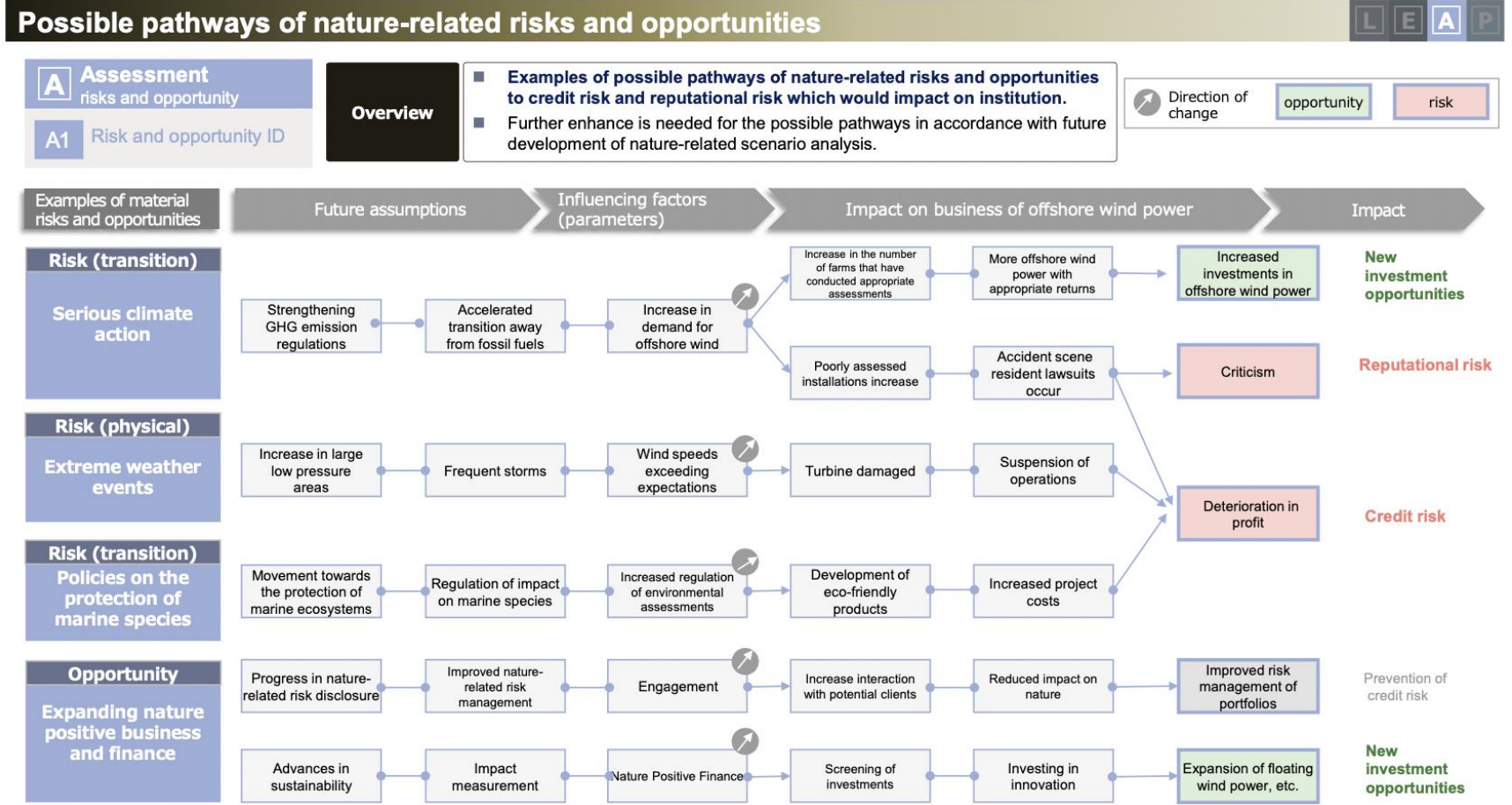
Assess
Risks & opportunities

A1 Risk and opportunity identification
What are the corresponding risks and opportunities for our organisation?

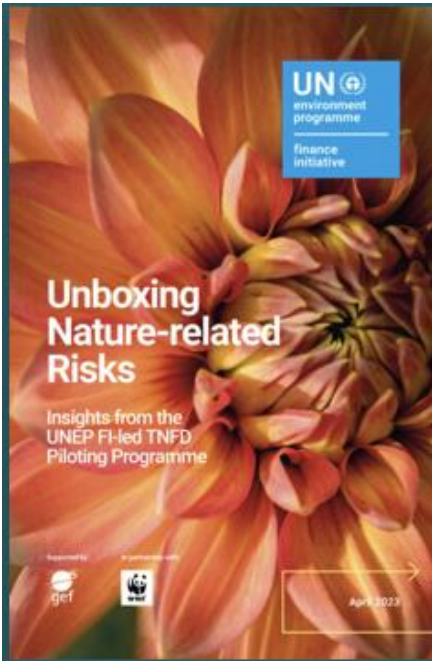
A2 Adjustment of existing risk mitigation and risk and opportunity management
What existing risk mitigation and risk and opportunity management processes and elements are we already applying?
How can risk and opportunity management processes and associated elements (e.g. risk taxonomy, risk inventory, risk tolerance criteria) be adapted?

A3 Risk and opportunity measurement and prioritisation
Which risks and opportunities should be prioritised?

A4 Risk and opportunity materiality assessment
Which risks and opportunities are material and therefore should be disclosed in line with the TNFD recommended disclosures?



UNEP FI's TNFD pilots – case studies from Africa



Case study 8: Stakeholder engagement in the African context— understanding the climate-nature risk analysis

One institution conducting its assessment for the agriculture sector in Africa has partnered with the Council of Scientific and Industrial Research (CSIR) and the South African National Biodiversity Institute to have access to more robust data and expertise.

This partnership has allowed the institution to develop an internal tool which is already used to assess physical risk exposure per clients and geographies. Going a step further, the tool will now be overlaid with transition risks and biodiversity data (e.g. including information on water use, biodiversity hotspots, and ecological support areas). The goal is to understand nature-related risks and opportunities per area and per agricultural portfolio. Seven other sectors are also prioritized and are in the pipeline to be included in the assessment tool.

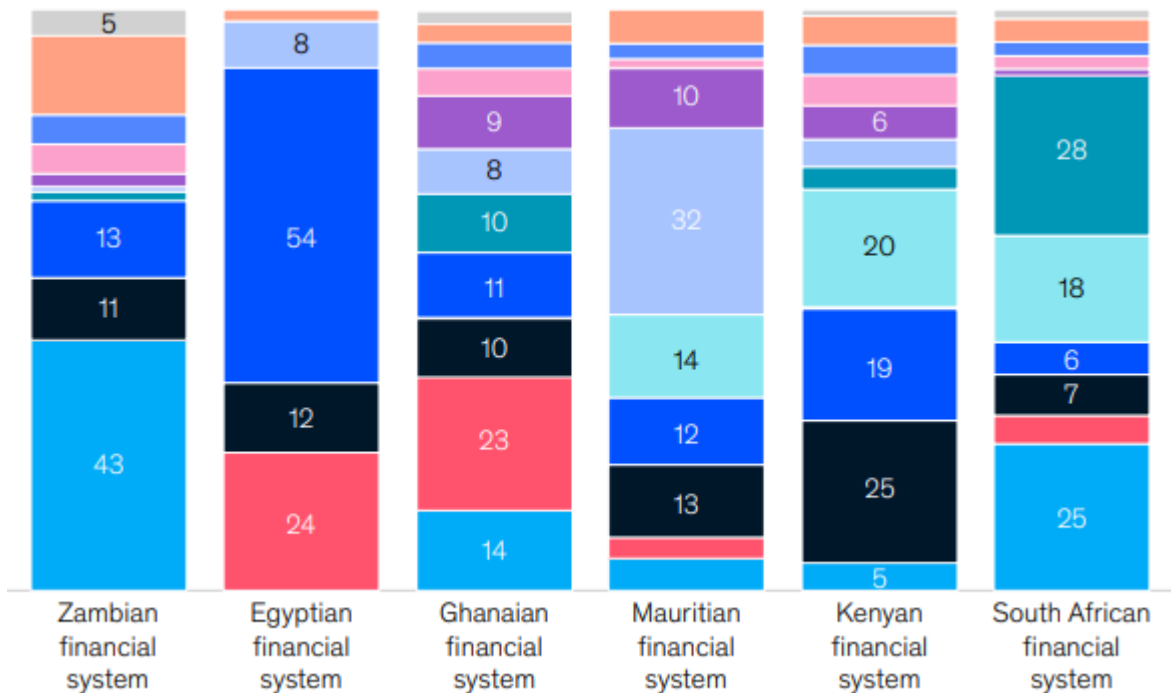
The partnership and dedicated funding for this work were made possible due to fruitful results from the previous work on climate risk, which allowed them to develop risk mitigation and adaptation plans. The institution finally highlighted how essential it is to build on the previous work already conducted on climate—and how interconnected climate and nature reporting are.

Case study 9: From the African context—scenario analysis and the development of nature-related opportunities for smallholder farmers

Another bank, working in Africa and in partnership with local scientific bodies is building an internal scenario analysis. The modelling looks at different thresholds, such as temperature changes and crop yield variability—and will soon include the addition of nature-layered information. This analysis helps the bank understand how these scenarios affect price changes, client incomes and their ability to pay, being essential for credit risk modelling.

Given a majority of smallholder farmers are in the banks' lending portfolio, stakeholder engagement and nature-related opportunities are essential. By directly engaging with clients, the bank tries to understand what the main climate and nature are risks they are exposed to—and this information becomes part of the strategy. The Board is now focused on developing innovative energy efficiency financing products and schemes to help clients notably overcome higher energy costs in the region.

Excerpt: FSD Africa study on nature-related risks – 6 African Countries (Egypt, Kenya, Ghana, Mauritius, South Africa, and Zambia)



- The portfolio composition suggests that exposure to agriculture and extractives together ranges from 2 percent to 20 percent of total portfolio value in the studied countries.
- As agriculture and extractives are considered sectors with high impact and dependency on nature, this can be translated to the assumption of material exposure in the financial sector to nature-related risks.
- The study demonstrates that nature-related risks could reduce profits in agriculture and deforestation-linked extractives on the continent by 20% and 15% respectively in 2050.

Excerpt: Report by The African Natural Capital Alliance (ANCA) [Ghana, Mauritius, Morocco, Rwanda and Zambia]



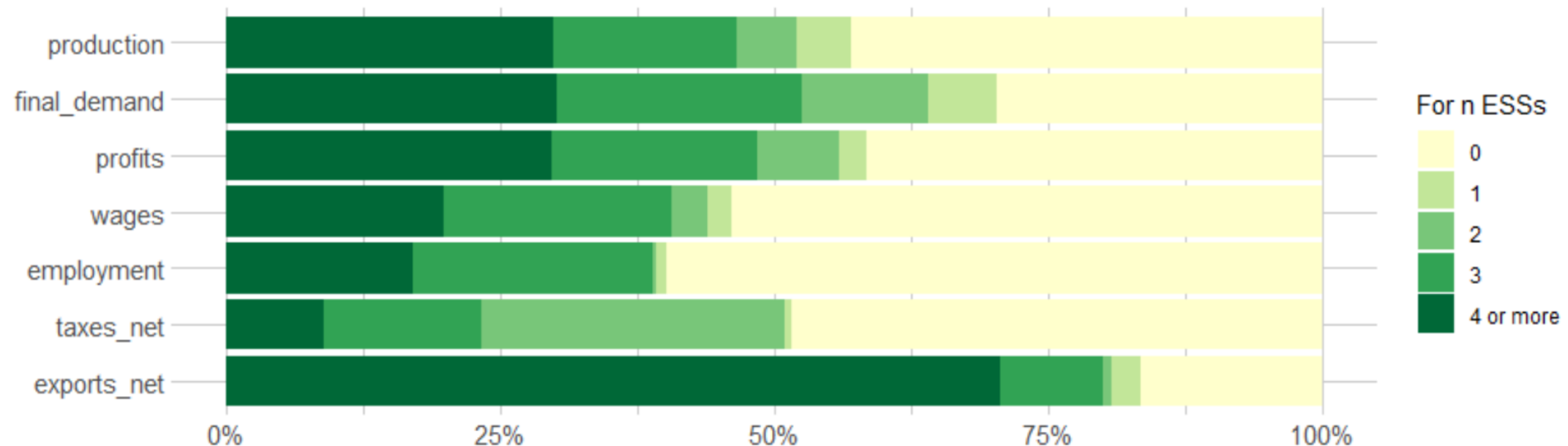
African Natural Capital Alliance stress tests exposure to nature-related risks across Africa

- Report specifically assesses the exposure of the African banking sector to nature-related risks, offering consolidated findings from a nature stress testing exercise conducted in five African countries [Ghana, Mauritius, Morocco, Rwanda and Zambia].
- The report reveals that **62% of African GDP is dependent on nature services**, with **70% of sub-Saharan African communities relying on forests and woodlands** for their livelihoods.
- The results suggest significant implications for financial regulators and private financial institutions across the continent, as their financial systems and portfolios are likely exposed to similar levels of risk.

Excerpt: Socio-economic assessment of nature-related risks – A case for South Africa

- Half of the country's output is produced by economic activities exposed to (i.e. highly dependent on) at least 2 different ecosystem services.
- Concerning the other Socio-Economic Indicators, 70% of final demand, 58,5% of profits, 46% of wages, 40% of employment, 51,6% of taxes and 83,4% of net exports appear to be generated in sectors highly dependent on at least one ecosystem service.

generated in sectors highly dependent on one or more ecosystem services (ESS)





Let's do a simple case study now together!

Bank X and the LEAP Approach



- Bank X (imaginary bank) is a proud and committed member of the PRB, having operations in several African and Middle Eastern countries.
- It decided to implement the LEAP approach to better manage nature-related impacts, risks and opportunities.
- We'll see in the next slide how it applied the approach – let's discuss what it did well and maybe not so well!

Bank X and the LEAP Approach



Locate:

- Identified the geographic locations of their operations, relying mainly on satellite imagery and remote sensing data to assess environmental impacts.

Evaluate:

- Assessed dependencies on ecosystem services in sectors with direct land use activities, engaging with local communities and indigenous groups to understand their perspectives and knowledge of the ecosystems.

Assess:

- Conducted a comprehensive risk analysis using the latest environmental data, including climate models and biodiversity assessments, exploring also potential cascading effects of ecosystem disruptions on their supply chains.

Prepare:

- Developed a biodiversity action plan, according to which data collection would start from 2028, with comprehensive client engagement activities starting in 2030, in line with the GBF.

Do you like its approach? Did it make any mistakes? Any suggestions for improvement?

slido



**Do you like the approach of Bank X? Did it make any mistakes?
Any suggestions for improvement?**

ⓘ Start presenting to display the poll results on this slide.

Bank Y and the LEAP Approach



- Bank Y (imaginary bank) is also a proud and committed member of the PRB, having operations in several African and Middle Eastern countries.
- It decided to implement the LEAP approach to better manage nature-related impacts, risks and opportunities.
- We'll see in the next slide how it applied the approach – let's discuss what it did well and maybe not so well!

Bank X and the LEAP Approach



Locate:

- Mapped the geographic locations of their major branches and operations, using only the most up-to-date data, which is from the past year.

Evaluate:

- Assessed dependencies on ecosystem services, focusing primarily on their agricultural loan portfolio, which has the largest share in its portfolio.

Assess:

- Conducted a comprehensive assessment, relying on a mix of internal data, proxies and public environmental reports available at the time.

Prepare:

- Developed an action plan and set ambitious targets for reducing impacts on biodiversity, with strategies delegated across various departments.

Do you like its approach? Did it make any mistakes? Any suggestions for improvement?

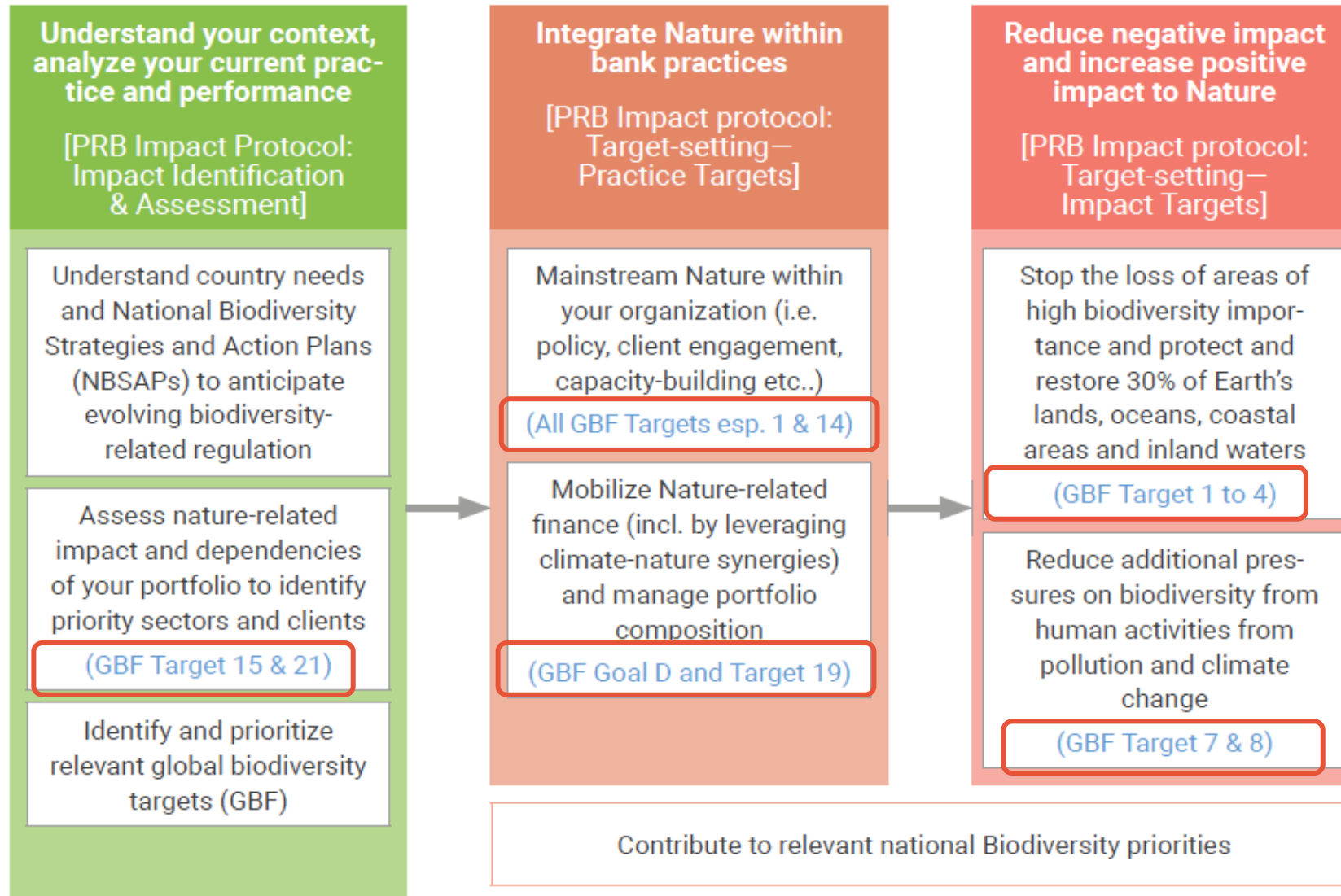
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Do you like the approach of Bank Y? Any suggestions for improvements?

ⓘ Start presenting to display the poll results on this slide.

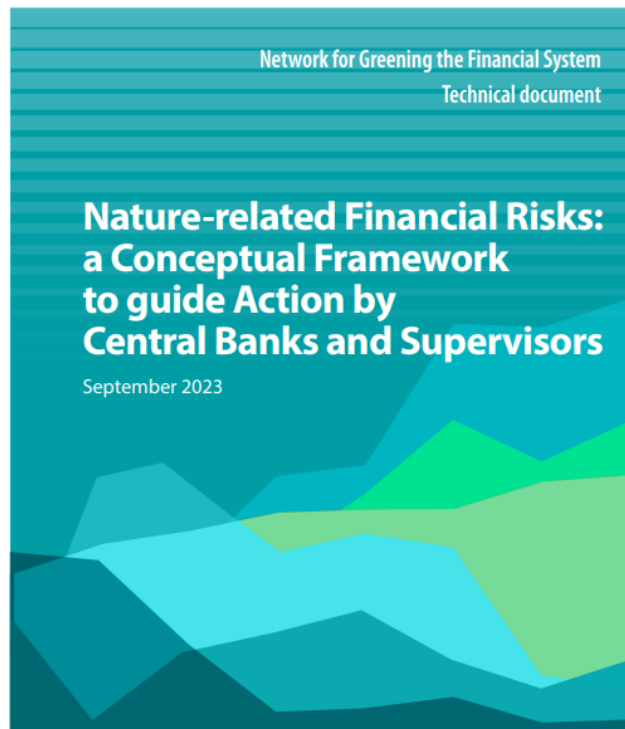
Briefly about the regulatory context



The evolving sustainable finance / ESG regulatory landscape around nature

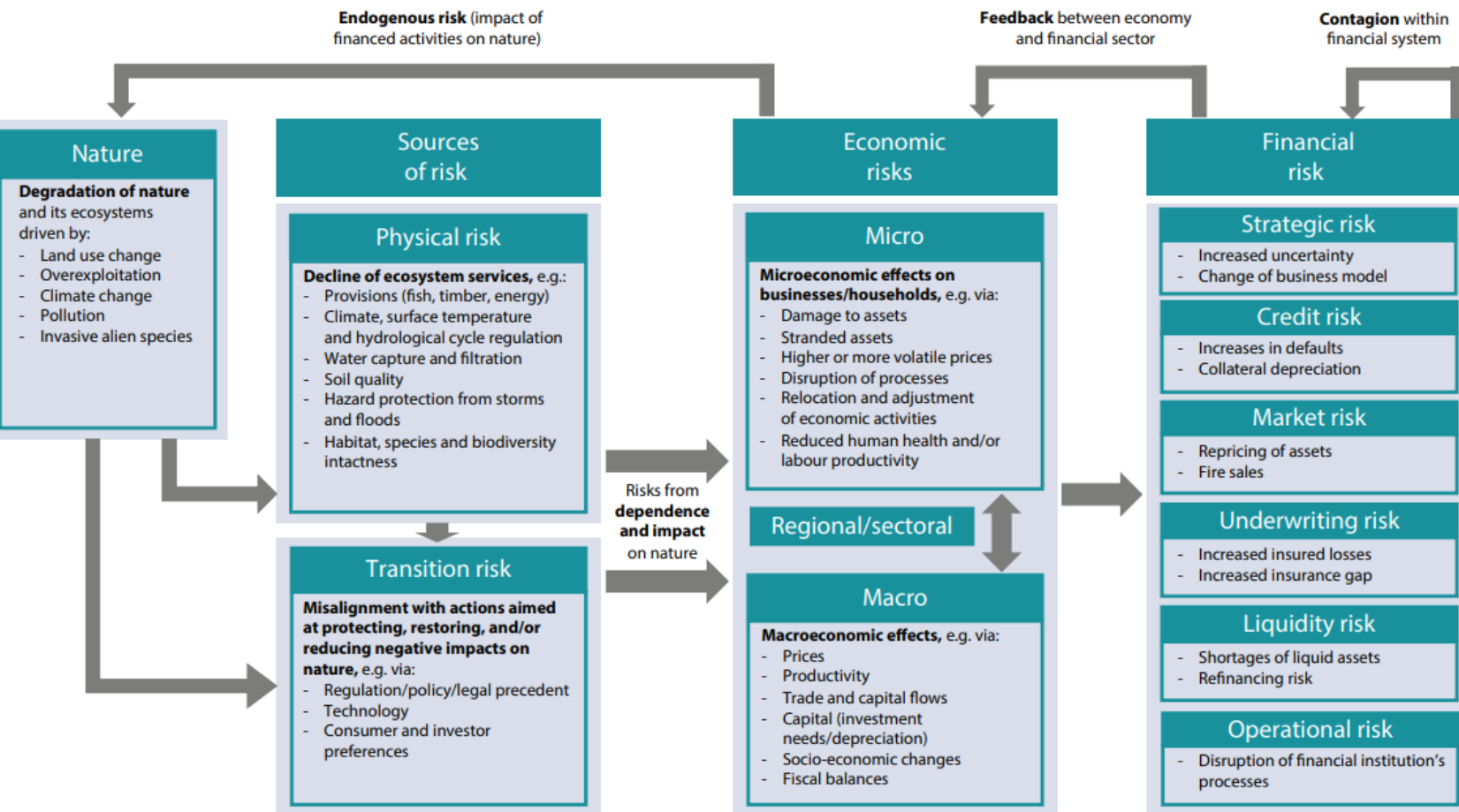
Further inputs for your context analysis

A common understanding is evolving among central banks around nature



- Definition of **nature-related financial risks** and related concepts that are needed for a high-level understanding of these risks.
- A framework to help central banks and supervisors **identify** and **assess** nature-related financial risks.
- The principle-based risk assessment framework consists of three phases:
 1. identify sources of physical and transition risks;
 2. assess economic risks;
 3. assess risk to, from and within the financial system.
- Future steps: bridging the modelling and data gaps, development of nature-related scenarios

A common understanding is evolving among central banks around nature



- Biodiversity-related events create **physical** and **transition risks** that can lead to financial instability, through chronic issues like declining pollinators affecting yields or acute crises like pandemics.
- These risks can have **local** or **global** impacts, potentially disrupting supply chains and influencing geopolitical situations.
- **Transition risks** can arise from misalignment with new biodiversity-protection policies, consumer preferences, or technologies, leading to socioeconomic shifts.
- Both risk types can interplay, potentially causing financial contagion with various economic effects, and are partially driven by financial institutions' own investment choices.

Three categories of nature-related risks

Physical risks

- Related to the loss of ecosystem benefits to the organisation, causing threat to asset integrity (eg loss of flood protection due to deforestation) or to value chains (eg loss of water supply or of key agricultural commodity).
- Strongly linked with nature-related dependencies

Transition risks

- Related to changes in the market landscape, regulatory framework, consumer behaviour, civil society action.
- May be related to impacts and dependencies

Systemic risks

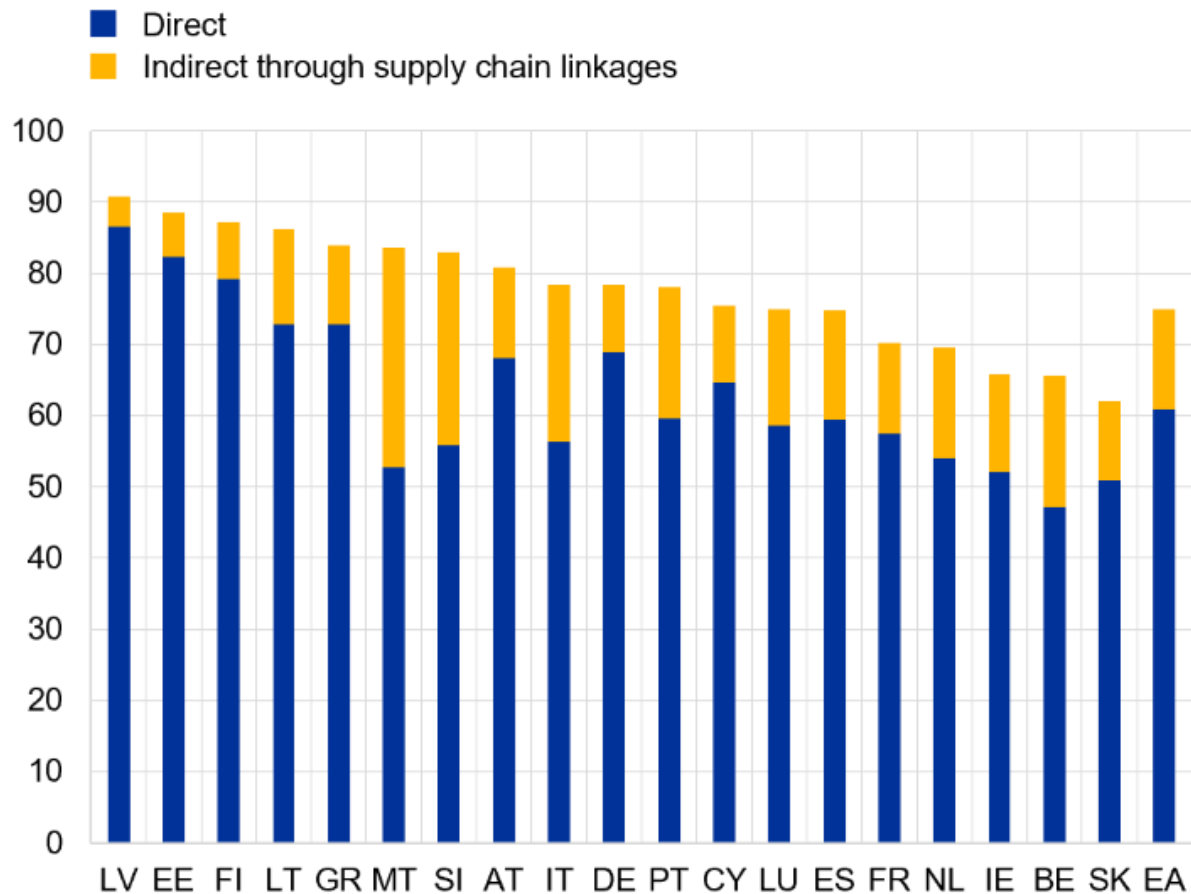
- Related to economy- and society- wide shifts related to the combined crises of nature loss and climate change (eg global/ regional health crisis, political instability and risks to peace, global/ regional trade crisis and/or economic development crisis).
- To a large extent sector-wide/ individual organisation exposure best assessed through scenario analysis

While the structure above is similar to those of climate risks, nature-related risks differ in several ways, such as their multidimensional nature (e.g., water, forests, species) and the local specificity of biodiversity and ecosystems compared to the global issue of climate change

Some central banks already try to quantify nature related risks

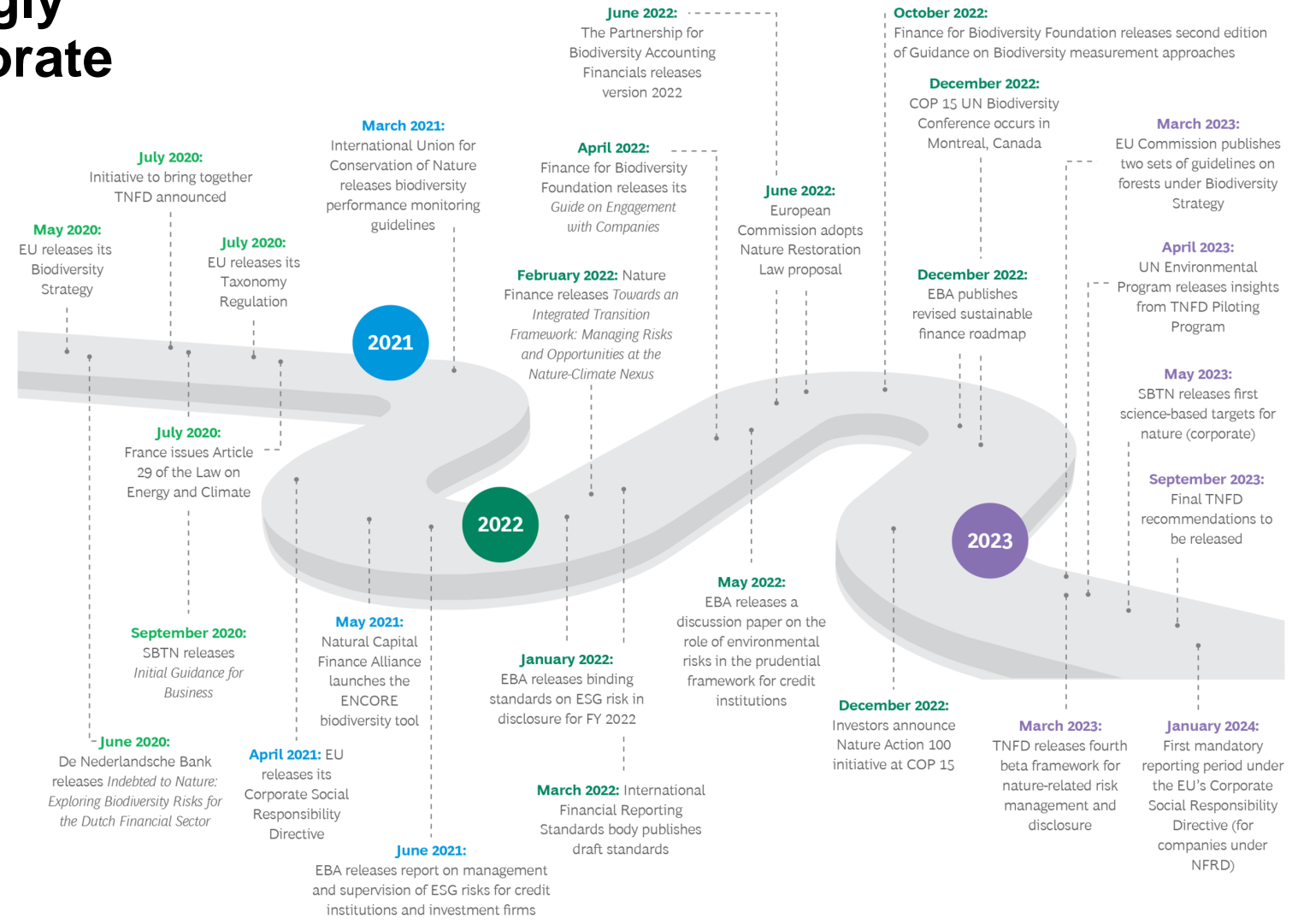
Exposure of euro area banks' loan portfolios to nature-related risks

(percentages, December 2021)



- In the euro area, approximately 72 per cent of companies are highly dependent on at least one ecosystem service.
- Severe losses of functionality in the relevant ecosystem would translate into critical economic problems for such companies.
- **Almost 75 per cent of bank loans to companies in the euro area are granted to companies with a high dependency on at least one ecosystem service.**

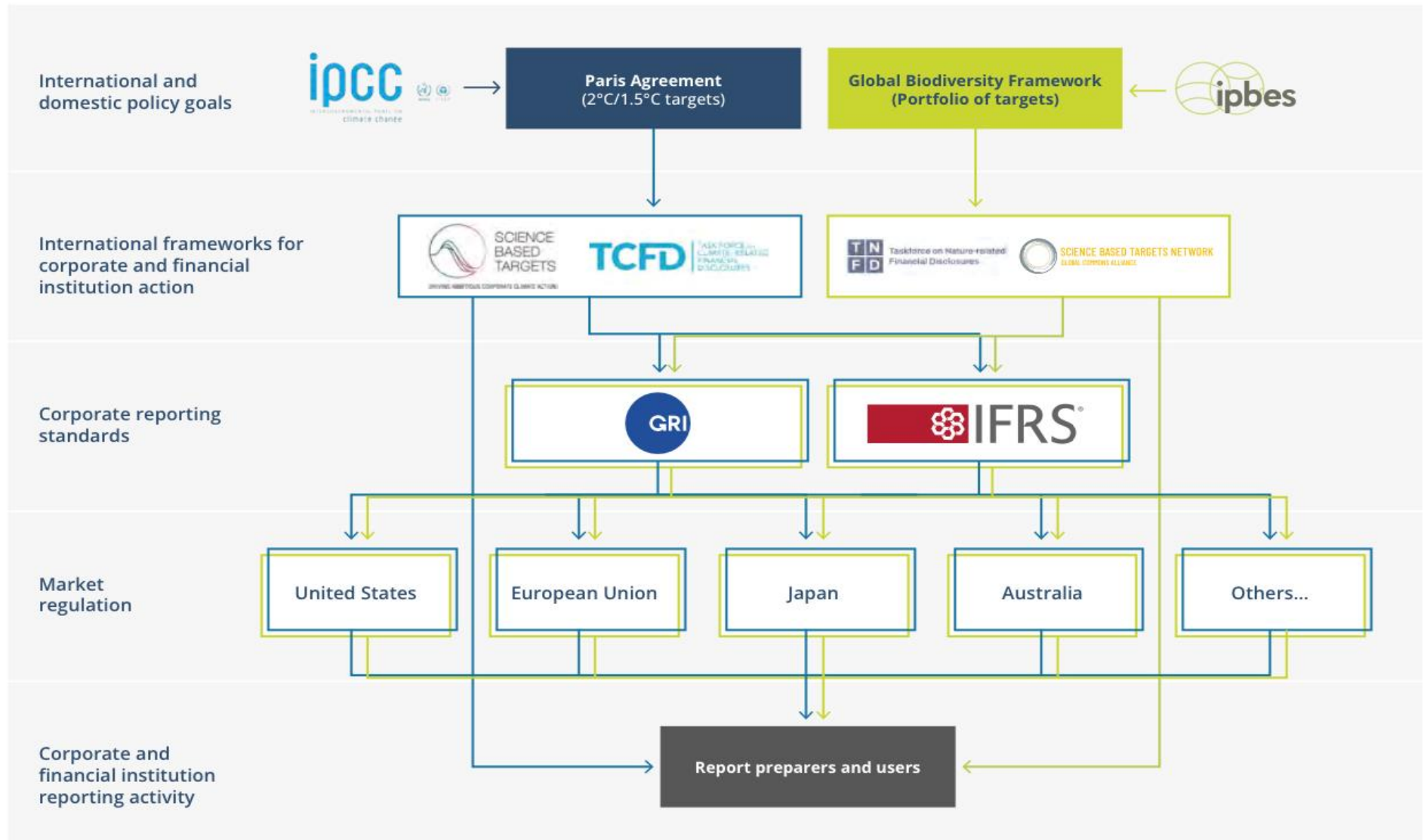
Nature increasingly included in corporate (ESG) and bank regulations



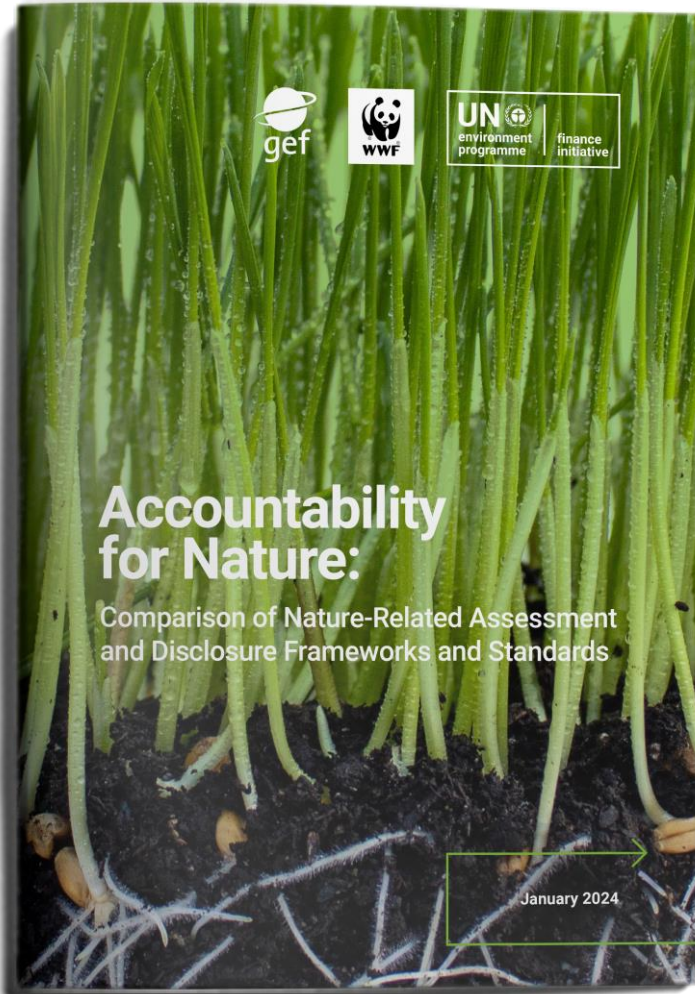
Source: BCG analysis.

Note: EBA = European Banking Authority; ENCORE = Exploring Natural Capital Opportunities, Risks and Exposure; SBTN = Science Based Targets Network; TNFD = Taskforce on Nature-related Financial Disclosures.

Converging landscape of policies & frameworks for biodiversity and climate



Accountability for nature: Comparison of nature-related assessment and disclosure frameworks and standards



Nature-related assessment and disclosure approaches reviewed (as of Nov 2023)

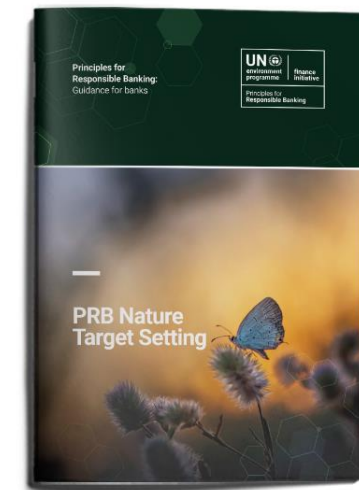
- **CDP:** CDP climate, forests and water security questionnaires
 - **European Financial Reporting Advisory Group (EFRAG):** ESRS 4 (on biodiversity and ecosystem services)
 - **Global Reporting Initiative (GRI):** GRI Biodiversity Standard (GRI 304)
 - **International Sustainability Standards Board (ISSB):** IFRS S1 and S2 Standards
 - **Capitals Coalition:** Natural Capital Protocol
 - **Science Based Targets Network (SBTN):** SBTN target-setting methodology
 - **Taskforce on Nature-related Financial Disclosures (TNFD):** TNFD's v1 framework and LEAP approach
- ➔ Overall, the study revealed that the reviewed approaches are demonstrating **an increasing level of alignment in key concepts and methodological approaches** (e.g, materiality definitions, alignment of scoping and prioritization guidance, integration of science-based assessment methodologies and alignment of disclosure requirements and recommendations).
- ➔ Continued efforts to improve alignment are however needed to provide clarity and streamline the requirements for companies.

Recent nature-related resources for banks

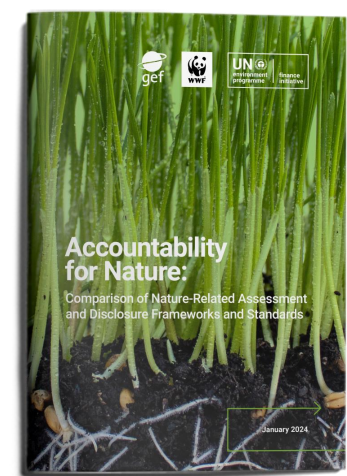
Global Biodiversity Framework



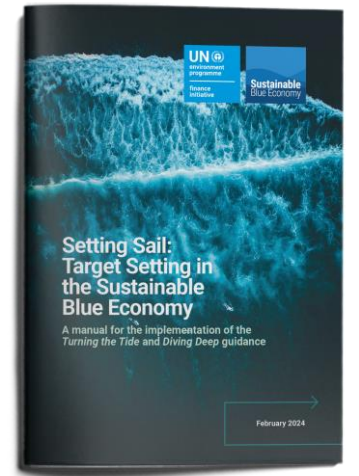
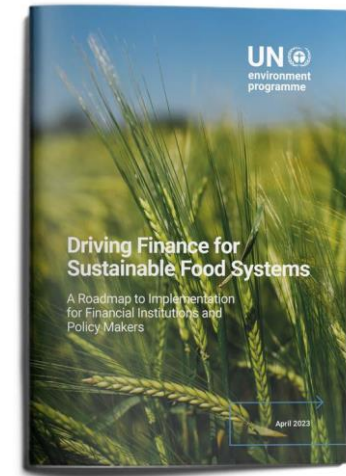
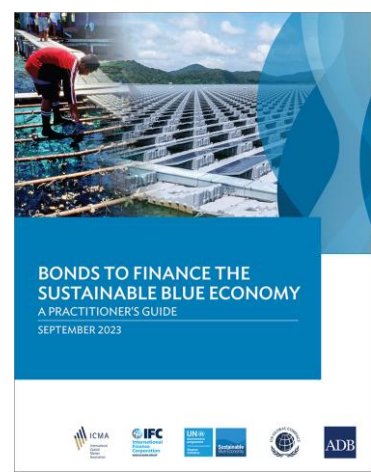
Target Setting



Nature-related risks & TNFD



Thematic: blue economy & food systems

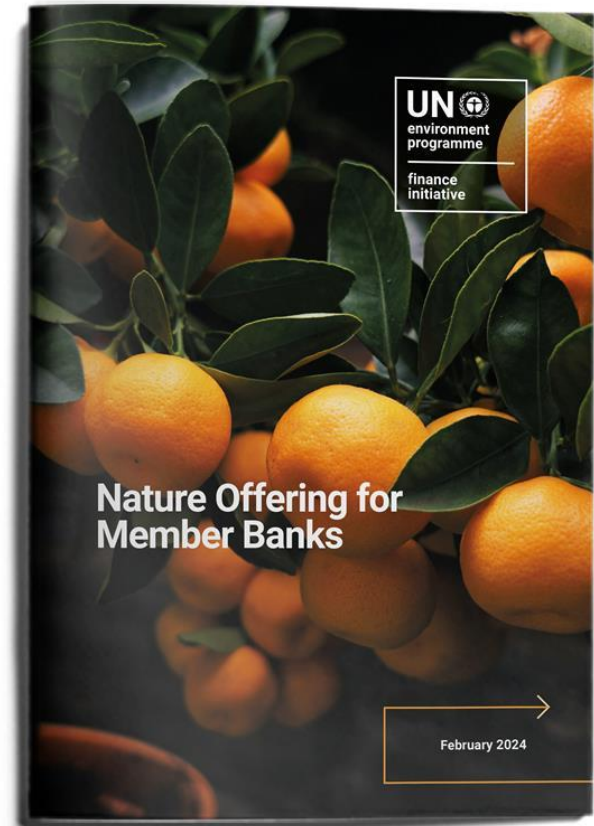


Nature offering for member banks

UNEP FI is offering a wide range of nature-related activities to support member banks in rapidly building capacity to act on nature loss.

Highlights

- PRB working groups on Nature and Pollution risk
- TNFD implementation support via new UNEP FI Risk Centre
- Regional workshop on Nature
- Individual support on target setting
- Online training through PRB Academy
- Preparations for CBD COP 16

[Download](#)

Next steps

- To support you to start off the journey...
-we will be circulating an optional written exercise that can help you to put things into practice.
- Eventhough it is voluntary, we strongly encourage you to prepare it (at least partially). You can also request an individual consultation while you are working on the exercise.
- All intructions will be sent via email

Categories	Questions	Additional support information	Your input
Bank name	<i>[Please insert your bank's name]</i>		Please provide your responses in the below cells. Note that you will be able to continuously build upon these questions throughout your participation in the capacity building workshops.
Name and Role of Respondent	<i>[Please insert your name and role]</i>		
Analysed country	Please complete the analysis for at least one country where you have significant operations. If you want to cover more countries, please create a copy of this sheet.		
State of Nature	Examine the critical nature and biodiversity issues within your country, such as key biodiversity areas and protected regions, impacts of invasive species, habitat fragmentation, and pollution on biodiversity . Identify the most pressing challenges and areas of significant ecological value. These elements will provide a comprehensive background for understanding how various economic activities or sectors contribute to nature loss	As a first step, it is recommended to review the country's profile on the CBD webpage: https://www.cbd.int/countries	
Evolving policy and regulatory framework on Nature and Biodiversity	National priorities: Identify your country's National Biodiversity Strategy and Action Plan and any other relevant strategies and/or designed to mitigate, protect or restore nature and biodiversity.		
Existing/emerging ESG-related frameworks and requirements with nature compenent relevant to the banking sector	Nature in bank/corporate ESG regulations: Identify if nature is/planned to be included in your national/regional bank regulatory framework (e.g. regulatory requirement to set up processes to identify nature risks) and also if corporations are/planned to be subject to ESG regulations that include nature (e.g. disclosure requirements that include nature related issues)		

Coming soon...

Workshop 2# – 12 June ([register here](#))

- Mainstreaming nature within the organisation
- Policies and processes
- Client engagement
- Stakeholder engagements
- Bank peer sharing part

Workshop 3# – 26 June ([register here](#))

- Mobilizing financial resources for nature
- Categorizing clients and projects
- Products and innovative solutions
- Target setting
- Case studies
- Reporting and disclosures

- We will also send you an optional (voluntary) written exercise in an email.
- We encourage you to do this exercise, as this should help you start putting things into practice

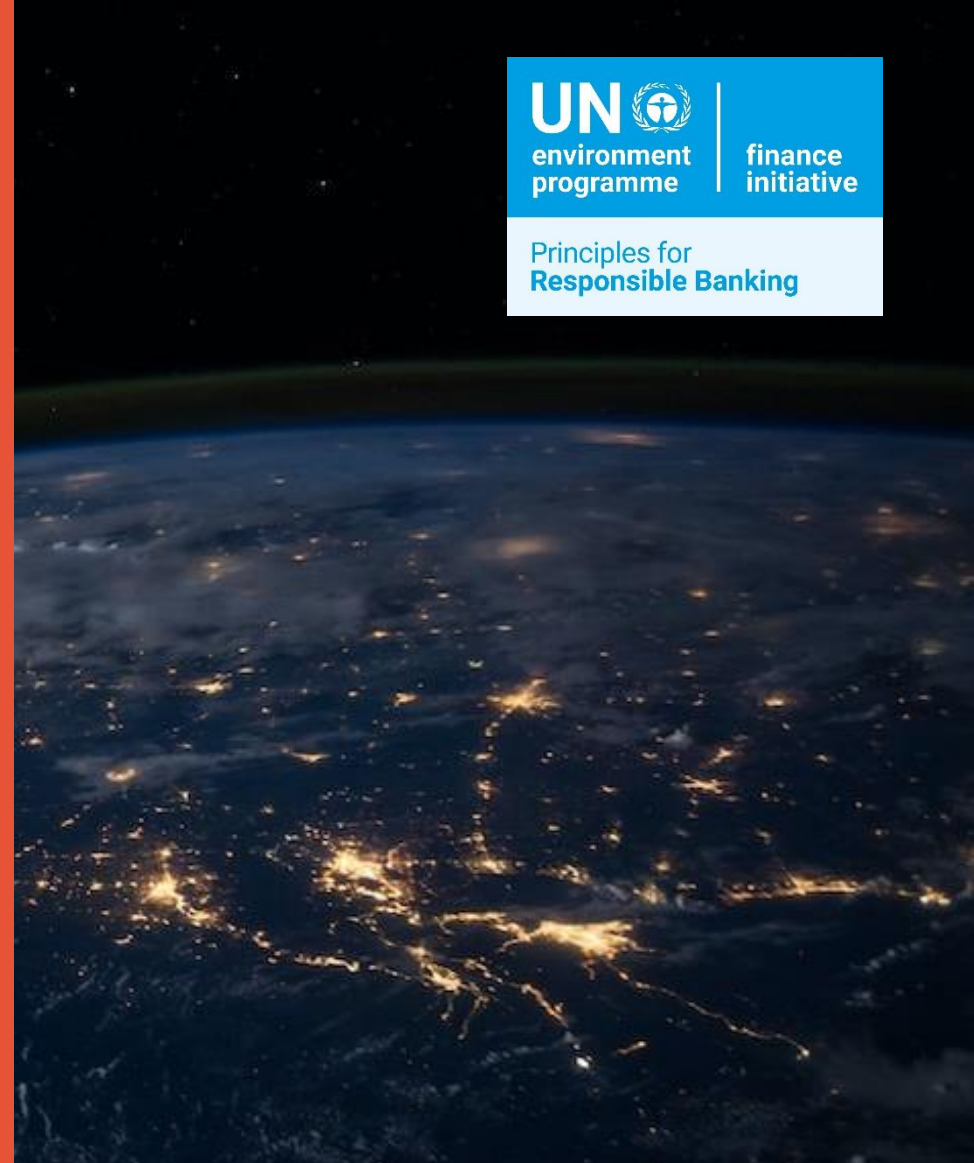
Thank you for your attention!

Slides will be shortly shared in email.

General UNEPFI contact: nuran.atef@un.org and kwa.fosah@un.org (Regional Coordinators)

Specifically for the climate capacity building:
gabor.gyura@un.org
(Capacity building consultant)

Please stay with us for 2 more minutes and evaluate the session on Slido. This is important for us to further develop the programme. You can also do this after the session (see link in the next slide).



slido



Evaluation survey

ⓘ Start presenting to display the poll results on this slide.