Finance for Biodiversity Foundation

UN environment programme | finance initiative

# Finance for Nature Positive

## Building a Working Model

September 2024

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**Citation:** Finance for Biodiversity Foundation and United Nations Environment Programme (2024) *Finance for Nature Positive: Building a working model.*

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# About the "Finance for Nature Positive" discussion paper

Led by the Finance for Biodiversity (FfB) Foundation and UNEP FI, this discussion paper intends to solicit feedback from the financial sector on a proposed **Finance for Nature Positive** working model. The working model is built to provide guidance for financial institutions aiming to contribute to the Nature Positive global goal, in line with the mission of the Global Biodiversity Framework (GBF). By fostering consensus on definitions and good practices, it aims to support the development of strategies for improving the state of nature. The effort intends to lead to a workable framework, which should not only create a lighthouse of ambition for the financial sector but also shed light on immediate and applicable actions that the private financial sector can take today.

## About Finance for Biodiversity Foundation | financeforbiodiversity.org

The FfB Foundation is an observer of the Convention on Biological Diversity and part of the Resource Mobilisation Advisory Committee. The FfB Foundation, established in March 2021, is a non-profit organisation dedicated to fostering a call to action among financial institutions worldwide with 177 signatories of the Finance for Biodiversity Pledge. With 75 active member financial institutions across 28 countries, the Foundation facilitates knowledge sharing and collaboration on biodiversity actions through its working groups.

## About UNEP FI | unepfi.org

UNEP Finance Initiative brings together a large network of banks, insurers and investors that collectively catalyses action across the financial system to deliver more sustainable global economies. For more than 30 years the initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda. It has established the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance (ESG) challenges. Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding USD 100 trillion work together to facilitate the implementation of UNEP FI's Principles for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis and the initiative helps them to apply the industry frameworks and develop practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

## Supported by the Netherlands Enterprise Agency | rvo.nl

The Netherlands Enterprise Agency (RVO) helps entrepreneurs and organisations to invest, develop and expand their businesses and projects both in the Netherlands and abroad. It is a government agency which is part of the Dutch Ministry of Economic Affairs.

## Get in touch

**Responses and ideas?**

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# Acknowledgements

The discussion paper "Finance for Nature Positive: building a working model" was coordinated by the Finance for Biodiversity (FfB) Foundation and UNEP FI on behalf of our memberships.

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The report was developed with the support of the Netherlands Enterprise Agency (RVO). It builds on the insights collected during two member workshops and two stakeholder workshops, as well as other consultations, reaching representatives from more than 100 institutions in total. A subgroup on "definitions and frameworks" of the FfB Foundation's working group on Positive Impact also supported the development of the report, co-chaired by Hadrien Gaudin-Hamama (Mirova).

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In addition to participation in consultations, the following reviewers have contributed to the process by providing valuable written feedback:

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- Irina Likhachova, IFC
- Daan Groot, NatureSquared
- Dr. Caroline van Leenders & Deborah Heijblom, RVO Netherlands
- Emily McKenzie & Tom Hegarty, TNFD
- Romie Goedicke den Hertog and Verena Kraus, UNEP FI
- Jorge Hinojosa, UNEP-WCMC
- Malcolm Starkey, The Biodiversity Consultancy
- Lisa Farroway, World Bank Group

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# Executive summary

Led by UNEP FI and the Finance for Biodiversity Foundation, this discussion paper intends to solicit feedback from the financial sector on a proposed **Finance for Nature Positive** working model, including definitions and associated practices. It aims to help operationalise the "Nature Positive" concept for the private financial sector. Published as a discussion paper alongside a questionnaire available at surveymonkey.com/r/FinanceforNaturePositive, the working model should serve to advance consensus towards a common understanding on how private finance can meaningfully contribute to the nature positive goal.

The effort intends to lead to a workable framework that addresses both positive impact and management and mitigation of negative impacts on nature. It is meant to be relevant to private sector finance and in line with the mission of the Global Biodiversity Framework (GBF) to halt and reverse biodiversity loss (avoiding harm), towards the recovery of nature (generating gains). The framework should not only create a lighthouse of ambition for the financial sector but also shed light on immediate and applicable actions that the private financial sector can take today. The co-authors hope to nourish wider debates on aligning financial flows for the implementation of the GBF.

## Nature Positive: Fostering common understanding

According to the Nature Positive Initiative (NPI), "Nature Positive" is a global societal goal. It proposes a definition anchored in the mission of the GBF to "halt and reverse biodiversity loss by 2030 on a 2020 baseline, and achieve full recovery by 2050". In other words, it calls for a clear path towards more nature in the world, with thriving ecosystems, species, and genetic diversity. The NPI emphasises that the mitigation and conservation hierarchies are central to the definition (see the website for a full definition and more details).

Achieving the Nature Positive goal requires achieving nature positive outcomes, which are improvements in the state-of-nature, including the provisioning of ecosystem services. Positive outcomes are achieved at site- and/or landscape-levels, and are quantifiable in terms of state-of-nature improvement relative to a static baseline. Using 2020 as a baseline is recommended by the NPI, and implied at the global policy level by the GBF. The Nature Positive goal is commonly illustrated by an upward trajectory along biodiversity indicators, from 2020 to 2050. Overall, positive outcomes from individual actions should be contextualised towards the collective objective of generating more nature in 2030 than in 2020.

The discussion paper presents the growing diversity of references and research available around the concept of Nature Positive which are supporting a better understanding for the finance sector. These references enable the identification of key concepts, such as the mitigation and conservation hierarchies, the importance of risk management and social safeguards, measuring positive outcomes for nature in relation to a baseline ambitious

enough to lead to nature recovery. They provide common principles to be integrated into a practical vision of Finance for Nature Positive, as much as they alert us to open questions.

## Nature Finance: Definitions from the World Bank Group

The working model developed by the Finance for Biodiversity (FfB) Foundation and UNEP FI toward a Finance for Nature Positive builds from the definitions proposed by the World Bank Group (WBG) in its Note on Nature Finance Tracking Methodology.

The definitions used in the Finance for Nature Positive working model of are as follows:

- **Nature Impact Mitigation Finance** is finance for activities undertaken to address adverse impacts on nature in accordance with the Work Bank Group's Environmental and Social Framework (ESF) and IFC and MIGA Performance Standards (PS).
- **Nature Finance** is defined as finance contributing to the nature positive goal of halting and reversing nature loss and supporting the implementation of the Global Biodiversity Framework.
- **Nature Positive Finance** is finance that is expected to deliver measurable positive outcomes for biodiversity or ecosystem services, relative to business-as-usual; and
- **Nature Mainstreaming Finance** is finance that is expected to enable a broader economic transition toward practices aligned with delivering the nature positive goal.

## Finance for Nature Positive: Building a working model

The FfB Foundation and UNEP FI have developed a Finance for Nature Positive working model for review and feedback. This model aims to operationalise the definitions and to guide practices in the private finance sector to contribute to GBF implementation. It constitutes a first step—or lighthouse—towards a more complete framework. By fostering consensus on definitions and good practices, the working moel aims to support the development of strategies toward the improvement of the state of nature, and facilitate opportunities selection.

The Finance for Nature Positive working model builds on the definitions of the World Bank Group, including Nature Impact Mitigation Finance, Nature Mainstreaming, and Finance for Nature Positive. It underlines the improvement of the state of nature above the 2020 baseline as an overaching goal, in accordance with the recommendations of the Nature Positive Initiative. Financial institutions are called to monitor their contributions to the GBF as they aim to avoid nature deterioration and biodiversity loss (by phasing-out activities with adverse impacts and reducing drivers of loss), generate biodiversity gains, and transform value chains (by supporting system scale changes).

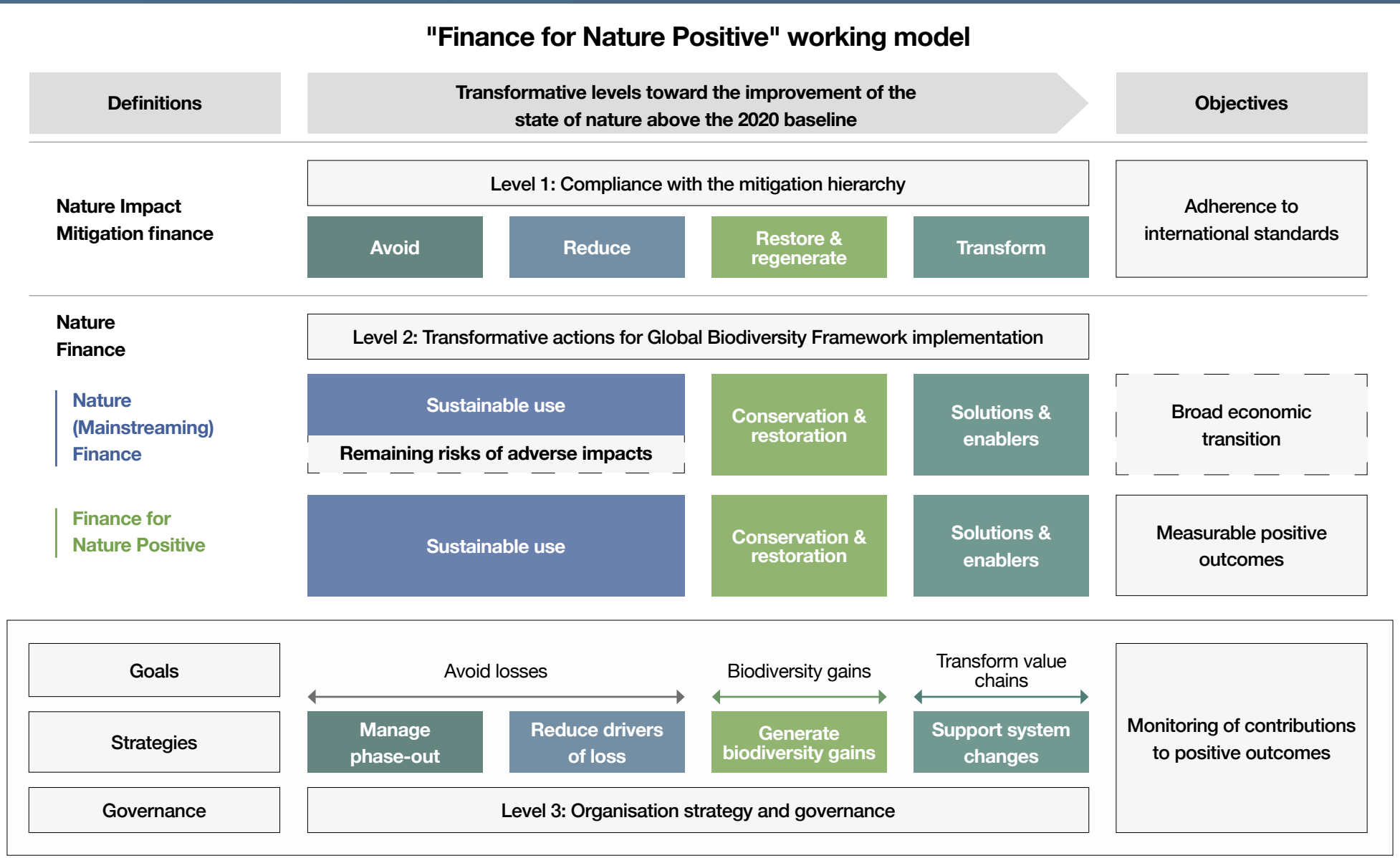
The working model is structured into three "transformative levels" for financial institutions:

- Compliance with the mitigation hierarchy;
- Transformative actions for the implementation of the GBF;
- Organisation strategy and governance.

The categories of opportunities presented for financial institutions are the following:

- Sustainable use;
- Conservation and restoration;
- Solutions and enablers.

## "Finance for Nature Positive" working model



## Strategies to shift financial portfolios away from negative impacts

Managing a financial portfolio with the aim to contribute to the Nature Positive outcomes involves a multifaceted approach that prioritises nature-impact alongside financial returns.

The proposed strategies to achieve specific goals towards the implementation of the GBF are the following:

- Accelerated phase-out;
- Reduce drivers of loss
- Generate biodiversity gains;
- Support system changes to transform value chains.

The strategies are presented in a sequence following the mitigation hierarchy. Such parallel is made to recommend that financial institutions prioritise understanding and reducing the existing negative impacts of their portfolios. Avoiding biodiversity losses is of the most pressing urgency by 2030. However, the overall economic transformation towards the Nature Positive goal already requires supporting biodiversity conservation and restoration, as well as the solutions transforming value chains. Thus, it is not necessary to wait to start to restore nature until all negative impacts have been reduced to the greatest extent possible, as long as a plan is in place and underway for the "phasing out" and "reducing drivers of loss" strategies.

Financial institutions can refer to the PRB Nature Target Setting guidance (UNEP FI, 2023) and the Target Setting Framework on Nature for Investors (FfB Foundation, 2024) to set their targets on reduction of impact drivers. Further guidance can be expected on targets for positive impact. All in all, the strategies presented in the visual must be supported by a transition plan at the institutional level supported by the board.

## Good practices recommendations

Inspired by existing impact finance frameworks, the FfB Foundation and UNEP FI recommend the following set of good practices within the Finance for Nature Positive working model:

- Assume an active role on the generation of positive outcomes;
- Ensure traceability of funds to outcomes;
- Monitor contributions to positive outcomes;
- Set targets and develop organisation strategies approved by the board.

## Market needs to be answered

This section identifies three key fields of work, including further research, policy developments and multi-stakeholder collaborations, in order to answer the needs of the financial sector to meaningfully contribute to the global Nature Positive goal.

The identified market needs are the following:

- Measurement, disclosure, and data;
- Reducing barriers to nature conservation and restoration finance;
- Policy and sectoral transformation pathways.

## Alignment of financial flows with the GBF

This discussion paper aims to nourish wider debates on aligning financial flows for the implementation of the GBF. The current Finance for Nature Positive working model implies that:

- The financial sector can play a pivotal role in driving biodiversity conservation and sustainable development, ultimately contributing to a more resilient and nature-positive future. Financial institutions contribute to GBF implementation by supporting transformative actions and monitoring contributions to nature positive outcomes.
- The alignment of financial flows requires the reduction of harmful financial flows and the increase of financial flows generating positive outcomes for nature. Financial institutions should set targets and develop strategies both to avoid losses and to generate gains.
- Financial institutions express the importance of sustainable taxonomies including biodiversity, to guide their analysis of market opportunities and help with the exercise of tracking financial flows aligned with the mission of the GBF.

The private finance sector calls for clear policy pathways from governments on GBF implementation, building on their National Biodiversity Strategies and Actions Plans (NBSAPs). These policies should focus on the transformation of underlying economic activities in order to genuinely mobilise private resources at the scale and speed required. Beyond the COP, FfB and UNEP FI will continue working with their members and partners to further develop the concepts in this paper into a framework for Finance for Nature Positive.

# Introduction

This paper proposes a "Finance for Nature Positive" working model for discussion and feedback. It aims to help operationalise the "Nature Positive" concept for the private financial sector. Published as a discussion paper alongside a questionnaire available at surveymonkey.com/r/FinanceforNaturePositive, it tries to advance consensus towards a common understanding on how private finance can meaningfully contribute to the nature positive goal. The co-authors hope to nourish wider debates on aligning financial flows for the implementation of the Global Biodiversity Framework (GBF). This section introduces the objectives and the scope of the paper.

## Objectives of the discussion paper

The international community has called on the private financial sector to play its part in halting and reversing biodiversity loss by 2030. The need to progressively close the biodiversity finance gap of $700 billion per year and align financial flows is included in Goal D of the GBF, while the need to gather financial resources from "all sources" is mentioned in target 19. Furthermore, the recognition that nature deterioration and biodiversity loss poses a significant risk to economies and businesses has pushed the private sector to adopt and promote nature strategies. All in all, the private financial sector is increasingly embracing its responsibility to contribute to halting and reversing nature loss through the products and services it provides, both to business and sovereign states. However, to seize opportunities, develop innovative strategies and demonstrate sustainability leadership, the financial sector requires a recognised and measurable definition of Nature Positive for finance practices, which is appropriate for its role vis-à-vis its clients.

There has so far been a lack of convergence between efforts on nature finance mobilisation and wider efforts to define measurement of "nature positive" in real economy sectors. A number of different approaches have been proposed for measuring the financial flows that have a positive or negative impact on nature, yet none is widely in use in practice and lack of agreement on a credible common approach remains. At COP16, Parties to the CBD will adopt a reporting approach for indicator D3 measuring private finance flows to nature-related outcomes (see Background note), which so far has not had significant review or consideration by private finance actors. A crucial aspect of the Biodiversity Plan is the establishment of robust monitoring and accountability mechanisms, and measurability is central to success. Therefore, a better understanding of how finance can generate Nature Positive outcomes may serve the objective of piloting resource mobilisation efforts towards the goals and targets of the GBF.

Following experts and industry consultations in June and July 2024, this discussion paper will be further developed and published ahead of COP16 to support wider consideration on this topic, including negotiations on the D3 indicator. Led by UNEP FI and the Finance for Biodi-

versity Foundation, this discussion paper intends to solicit feedback from the financial sector on the proposed **Finance for Nature Positive** definitions and associated practices.

The working model should serve to advance consensus towards a common understanding on how private finance can meaningfully contribute to the nature positive goal. The effort intends to lead to a workable framework that addresses both positive impact and management and mitigation of negative impacts on nature relevant to private sector finance, in line with the mission of the GBF to halt and reverse biodiversity loss (avoiding harm), towards the recovery of nature (generating gains). The framework should not only create a lighthouse of ambition for the financial sector but also shed light on immediate and applicable actions that the private financial sector can take today.

# Scope of the discussion paper

## Coverage

The discussion paper aims to provide a *working model* of Finance for Nature Positive and to establish the basis for a framework to guide the activities of private financial institutions within major asset classes, covering the activities of banks, asset managers, and asset owners.

By providing clarity on definitions, considerations, and current limits of the Finance for Nature Positive approach, the discussion paper provides a frame to scale nature finance effectively, while limiting risks of greenwashing. It does not allow a financial institution or portfolio to claim to "be" Nature Positive. Instead, it builds an understanding of how to justify whether a strategy or transaction is delivering positive outcomes to contribute to the global Nature Positive goal.

## Audience

The discussion paper is meant for financial institutions seeking to develop and implement nature strategies aimed at achieving positive outcomes and contributions in alignment with the GBF.

The discussion paper can also be relevant for public or private project holders engaged in nature-related activities looking to establish relationships with the private finance sector. It also aims to provide information to stakeholders on the needs of the market in terms of research development, measurement methodologies, and policy frameworks.

# The "Nature Positive" global goal

The Finance for Nature Positive working model developed in this discussion paper is contextualised within the concept of Nature Positive and overall sustainable finance practices.

## Emergence of the concept

The concept of "Nature Positive" emerged as a response to the need for a clear, measurable global ambition for Nature (see Locke et al 2020). According to the Nature Positive Initiative (NPI), "Nature Positive" is a global societal goal. It proposes a definition anchored in the mission of the GBF to "halt and reverse biodiversity loss by 2030 on a 2020 baseline, and achieve full recovery by 2050". In other words, it calls for a clear path towards more nature in the world, with thriving ecosystems, species, and genetic diversity. The NPI emphasises that the mitigation and conservation hierarchies are central to the definition (see the website for a full definition and more details).

This definition of the concept of Nature Positive is closely intertwined with the mission, goals and targets of the GBF, though the precise term is not used in the text of the agreement. The GBF sets four goals for 2050 and 23 targets for 2030, which should guide all actions implemented towards the vision of living in harmony with nature. For example, its targets include ensuring that 30 per cent of degraded ecosystems are under effective restoration by 2030 (Target 2) and reducing pollution risks and the negative impact of pollution from all sources by 2030, with a focus on excess nutrients, pesticides and hazardous chemicals, and plastic pollution (Target 7).

The GBF is key to guiding sustainable finance practices, as it is the first international agreement on biodiversity to explicitly set a collective ambition on the alignment of financial flows with global goals. Going into COP16, Parties will submit and review their National Biodiversity Strategies and Action Plans (NBSAPs) and National Biodiversity Finance Plans (NBFPs). Ensuring common approaches, understanding, and even measurement of what constitutes finance contributing to the achievement of the GBF is key to support the development of the right policy pathways enabling the alignment of financial flows.

The demand for a clear and interoperable definition of "Nature Positive" came from environmental organisations, the scientific community, businesses and financial institutions. Notably, the NPI, composed of 27 organisations, came together to drive alignment around the use of the term 'Nature Positive' and support broader, longer-term efforts to deliver nature-positive outcomes. The term has also gained traction in the business world, with the World Economic Forum (WEF) emphasising that a nature-positive approach can drive sustainable economic growth in its report 'The future of Nature and Business".

It is also important to note some limitations in the uptake of the term nature positive. One reason is a potential lack of clarity, as pointed out by the NPI: "use of the term 'nature positive' has grown without a clear and aligned understanding" among business, finance, government and civil society actors about what the phrase represents and does not represent". Similarly, Ermgassen *et al.* (2022) state that "the low levels of adoption of nature-positive practices is not surprising given that the concept is new, has been subject to numerous definitions, and little operational guidance has yet been provided."

The relevance of using the term Nature Positive in the finance sector is an open question for some stakeholders. This paper does not specifically advocate for its use but aims to accompany a growing trend with research and information. This paper aims to further the understanding and applicability of the "Nature Positive" concept in finance, as part of a broad array of practices contributing to achieving the mission of the GBF. By creating a lighthouse of ambition, it hopes to drive sustainable strategies, encourage the mobilisation of additional resources for nature, and support tracking the alignment of financial flows with global biodiversity goals.

## Net Zero and Nature Positive: Building from experience

The discussion paper builds from the assumption that responsible financial institutions are taking action on climate in line with the Paris Agreement. In many cases, there will be opportunities within financial institutions already measuring financial flows towards various impact areas, and there are clear and important inter-relationships between mitigation, adaptation, resilience-building and nature-positive objectives, which encourage financial institutions to streamline their approaches to these topics as far as possible.

There are, however, important differences between the ways we can consider finance's role in decarbonisation and halting and reversing nature loss which require careful consideration:

- **Location-specific impacts:** Biodiversity values and ecosystem services vary globally, making it more complex to establish a universal global measurement system than that for net-zero alignment.
- **Metrics and deadlines:** Net-zero initiatives have established methods for measuring financed emissions across entire portfolios with a 2050 target (many platforms emphasise a 2030 mid-point), while the Nature Positive actions goal is due in a shorter timeline from a less established starting point: there are only a handful of financial institutions that have already set impact targets for nature at present, for example, and no standardisation on the appropriate metrics for this yet.
- **Prioritisation of strategies:** In the case of climate finance, all transition strategies—phase out, engagement, transition finance, climate solutions—require immediate action in parallel. In the case of nature, the "halt" comes before the "reverse" in the global goal intentionally—this is not to say that financial institutions should wait until one strategy is completed to proceed to the next, but to emphasise that the harmful flows are considerably high and the greatest improvements will be made by reducing these (UNEP, 2023).
- **Readiness of portfolio companies:** TNFD guidance for nature transition will be released in Q1 2025. Broadly, work on transition pathways and scenarios is at a much earlier stage for nature than for climate, and TNFD disclosures are fewer, meaning that it can be more challenging to assess Nature Positive commitments on a portfolio company basis.

There should be continued mutual efforts, further development of tools and methodologies for helping to achieve Net Zero and Nature Positive in tandem, as one cannot be delivered without the other.

# Overview of overarching frameworks

As "Nature Positive" emerges as a rallying international concept, it cannot be grasped and implemented in isolation. Sustainable practices in business and finance must be anchored in science, notably developed in the spheres of ecology and economy, but also in international policy, and rely on the legitimacy of recognised business and finance frameworks, notably for impact management.

## Scientific models and international sustainability objectives

Nature Positive practices in finance must be anchored in recognised scientific models and international sustainability objectives in order to drive the transformation of the economy.

Some of the key existing sustainability models of reference include:

- The United Nations Sustainable Development Goals (UN SDGs) as the most encompassing, overarching list of sustainability objectives in the world. Among them, two goals directly concern biodiversity: Goal 14 "Life Below Water" and Goal 15 "Life on Land". All practices implemented towards Nature Positive outcomes must support the realisation of this set of seventeen goals, or at least never compromise any.
- The Planetary Boundaries, based on nine processes that regulate the stability and resilience of the Earth system that, if crossed, increase the risk of generating large-scale abrupt or irreversible environmental changes: climate change, novel entities, stratospheric ozone depletion, atmospheric aerosol loading, ocean acidification, biogeochemical flows, freshwater change, land-system change, and biosphere integrity. As of 2023, six out of nine boundaries have been crossed.
- The Doughnut Economics framework, which offers a new frame of analysis for sustainable development. Between social foundations and the ecological ceiling of planetary boundaries, it presents an area considered a safe and just space for humanity and the economy.
- The Impact Inequality outlined in the Dasgupta Review on the Economics of Biodiversity, which sets out the imbalance between our demands on nature and nature's supply. It outlines how human demands on nature are affected by the size and composition of our individual demands, the size of the human population, and the efficiency with which we both convert Nature's services to meet our demands and return our waste back into nature. Nature's supply is affected by the stock of natural assets and its ability to regenerate.

### Impact finance frameworks

Impact finance frameworks have developed principles and criteria to ensure practices are ambitious and relevant to the needs of a sustainable transformation of the economy.

For this paper, foundational considerations on impact finance are:

- **Positive Impact Finance:** from the UNEP FI Impact Finance Principles, it serves to finance Positive Impact Business and to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental, and social) once any potential negative impacts to any of the pillars have been duly identified and mitigated. This has been the basis for establishing UNEP FI's Holistic Impact Methodology, at the heart of implementing the unique Principles for Responsible Banking Framework which offers a unique framework for embedding impact analysis and management at the heart of business strategy and across business lines.
- **Definitions of impacts (on Nature):** All of the above sustainability initiatives and frameworks, together with further peers have consolidated the notion of impact management via a collaboration called the Impact Management Platform, which defines impacts as the effect(s) of organisations' actions on people and the natural environment. Focusing on biodiversity, the Taskforce on Nature-related Finance Disclosures (TNFD) defines impacts (on nature) as changes in the state of nature, positive or negative, which may result in changes to the capacity of nature to provide social and economic functions.
- **Leading reference networks and frameworks:** On impact mainstreaming in the finance sector, leading frameworks and networks include the Global Impact Investor Network (GIIN), the Impact Management Project within Impact Frontiers, and the UNEP FI Positive Impact Finance Principles.

Private finance organisations developing strategies to achieve positive outcomes for nature need to rely on such established frameworks for impact investment and impact management.

# Principles and open debates

Nature Positive is an emerging concept. It is currently generating a large amount of research aiming to shape its meaning. This section presents references on the objectives, principles, current research and open debates about the concept.

## Underlying objectives of Nature Positive

The Nature Positive societal goal is aligned with the mission of the GBF "to take urgent action to halt and reverse biodiversity loss to put nature on a path to recovery". Achieving the Nature Positive goal requires achieving nature positive outcomes, which are improvements in the state-of-nature, including the provisioning of ecosystem services. Positive outcomes are achieved at site- and/or landscape-levels, and are quantifiable in terms of state-of-nature improvement relative to a static baseline. Using 2020 as a baseline is recommended by the NPI, and implied at the global policy level by the GBF. The Nature Positive goal is commonly illustrated by an upward trajectory along biodiversity indicators, from 2020 to 2050, as visible in Figure 1. Overall, positive outcomes from individual actions should be contextualised towards the collective objective of generating "net gains" of nature.

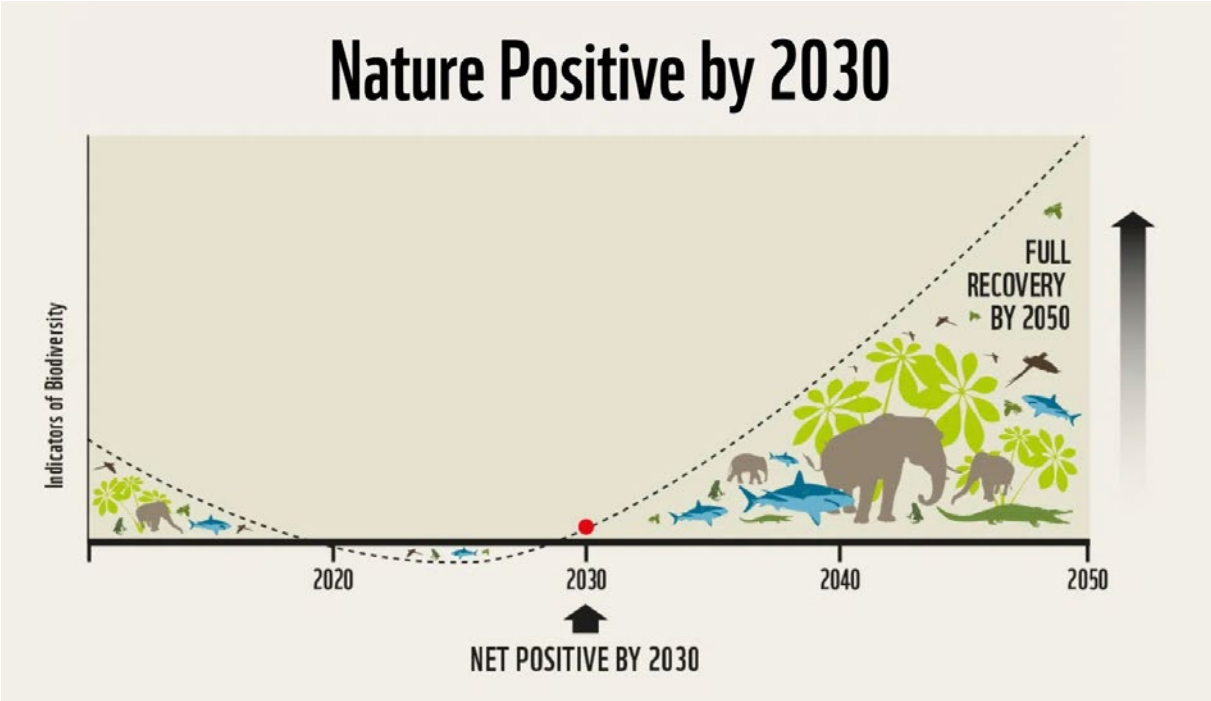



**Figure 1:** An illustration of the objectives underlying the Nature Positive global goal. Source: Nature Positive Initiative.

The Biodiversity Consultancy proposed the following objectives to explain that companies can contribute to the Nature Positive goal of halting and reversing biodiversity loss by acting at three scales:

1. **Do less bad:** avoid & minimise on-going and future impacts from operations and value chain in absolute terms as far as possible, to halt further declines in nature as attributed to the organisation.
2. **Do more good:** restore & regenerate nature, to at least counterbalance on-going unabatable impacts and begin to address historic, indirect & diffuse impacts, to contribute towards nature recovery.
3. **Change the system:** transform land/seascapes, value chains and sectors through collaborative action, to guard against leakage, tackle systemic issues and work towards full recovery on a societal scale.

### Existing principles for Nature Positive

Due to the rapid emergence of the Nature Positive concept, it is necessary to collectively agree on sound principles to safeguard ambition and accountability of practices. The following publications propose different sets of Nature Positive principles to guide practices:

- The **Nature Positive Initiative**, in its definition paper, highlights the following key expression to express the importance of the mitigation and conservation hierarchy approach: "protect what is left and improve the rest". In addition, it developed a set of safeguarding principles to answer concerns around the use of the 'net' (gains) principle relying on compensatory actions. Among them, we can notably find that:
  - High conservation value habitats, highly intact ecosystems and sites, sites that are critical to the persistence of biodiversity (such as Key Biodiversity Areas, including Alliance

for Zero Extinction sites and Important Bird and Biodiversity Areas), and rare/unique ecosystems must be strictly protected.
    - Conservation actions to compensate for economic activity should ideally take place in the same administrative jurisdiction or cultural territory and ecoregion as the impacts.

- The European Business & Biodiversity Platform proposed the following 10 principles of Nature Positive for a business context:

    1. Nature Positive is a collective effort;
    2. The full scope of nature needs to be covered;
    3. Material impacts of the value chain and within the spheres of influence need to be covered;
    4. Positive impacts need to outweigh negative impacts;
    5. Nature Positive needs to be implemented in full compliance with the mitigation hierarchy and complemented by conservation measures;
    6. Targets and actions should be ambitious, science-based and integrated, and measured;
    7. Potential need for transformation of production processes or business models;
    8. The Nature Positive ambition needs to be endorsed by the Board;
    9. Nature Positive requires immediate actions;
    10. Communicate in full transparency.

- **Booth *et al.* (2024)** proposed the following 8 principles: comprehensive; ambitious; wider spatial and institutional scope; wider temporal & systemic scope; mainstreamed; integrated; implemented; evidenced. More detail on these principles can be found in Figure 2.

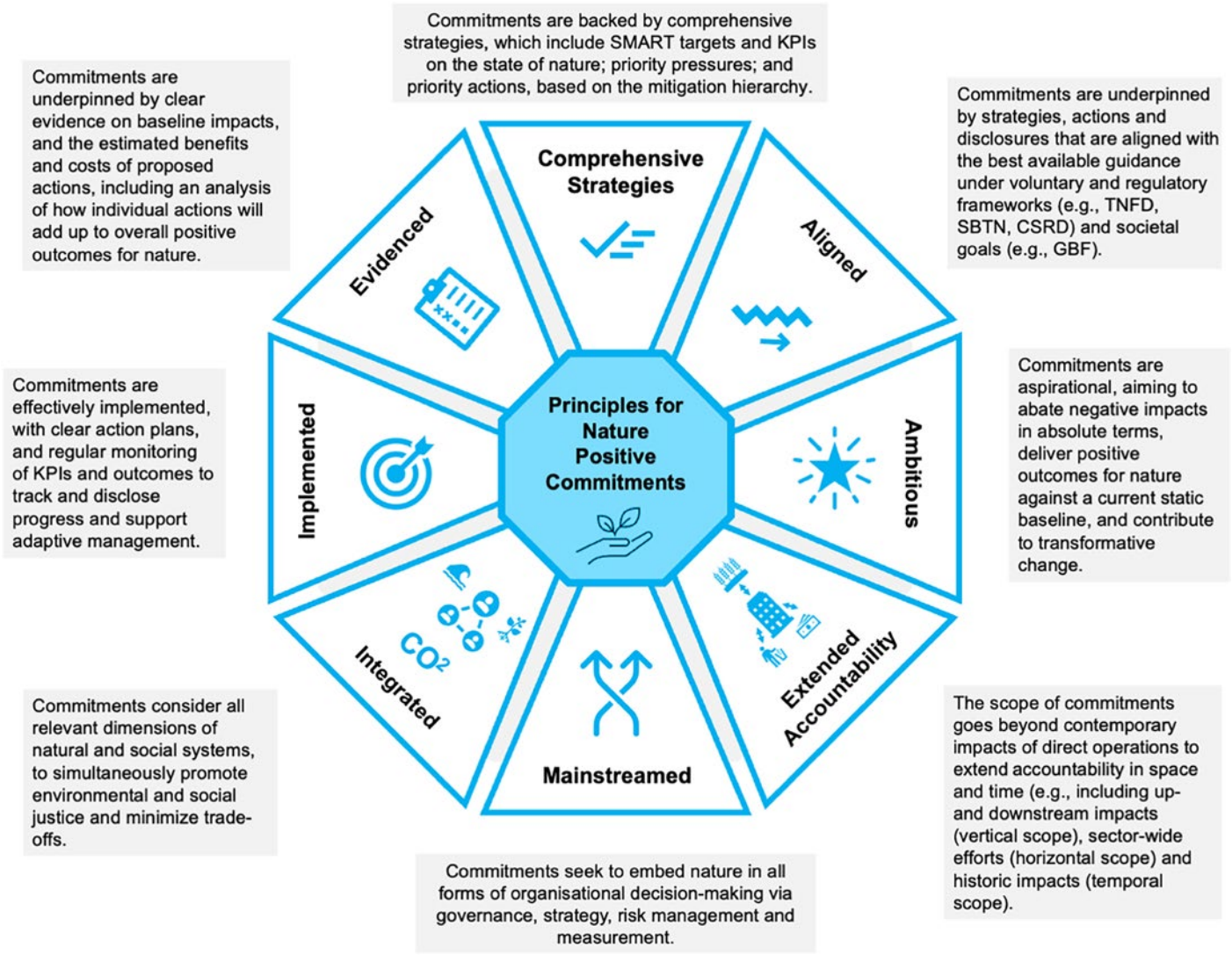



Figure 2: A summary of the core principles for Nature Positive contributions. Source: Operationalizing transformative change for business in the context of Nature Positive, Booth *et al.*

## Open debates and current research

Numerous questions are still open and currently being explored by scientists around the concept of Nature Positive. These debates will be touched upon on different occasions in the paper. Some examples of recent research questions and examples are:

- How can individual actions of companies and financial institutions drive system-scale transformations? In the paper, "Operationalizing Transformative Change for Business in the Context of Nature-Positive", a model is proposed with classes of actions (private; social signalling; collective) over three scales (corporate; land/seascape; sector & value chain), expressing that only collaboration among stakeholders can generate a lasting positive impact on nature and society.
- How does the concept of Nature Positive interact with the mitigation hierarchy? Maron *et al*. (2024) explain that the term 'Nature Positive' is increasingly being used to characterise restoration projects only, generating the risk of undermining the importance of avoidance of impacts of biodiversity and fully offsetting any unavoidable impacts prior to moving focus to positive gains over and above this. They advocate that "Nature Positive must incorporate, not undermine, the mitigation hierarchy".
- The research paper "Financing ecosystem conservation" underlines the potential misalignment of private finance objectives with conservation objectives, which could be biased toward low-risk areas and projects with a marketing appeal. The author insists on civil society oversight, as well as investment in low-cost robust ecological monitoring.
- A key piece of research needed to support 'forward-looking' approaches to Nature Positive will be the development of scenarios of reference on the desired future state of nature. This could be provided by the project "Nature Futures Framework" by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). This framework, which can be found illustrated in Figure 3, places relationships between people and nature at its core and forms the foundation for developing scenarios of desirable futures for nature.

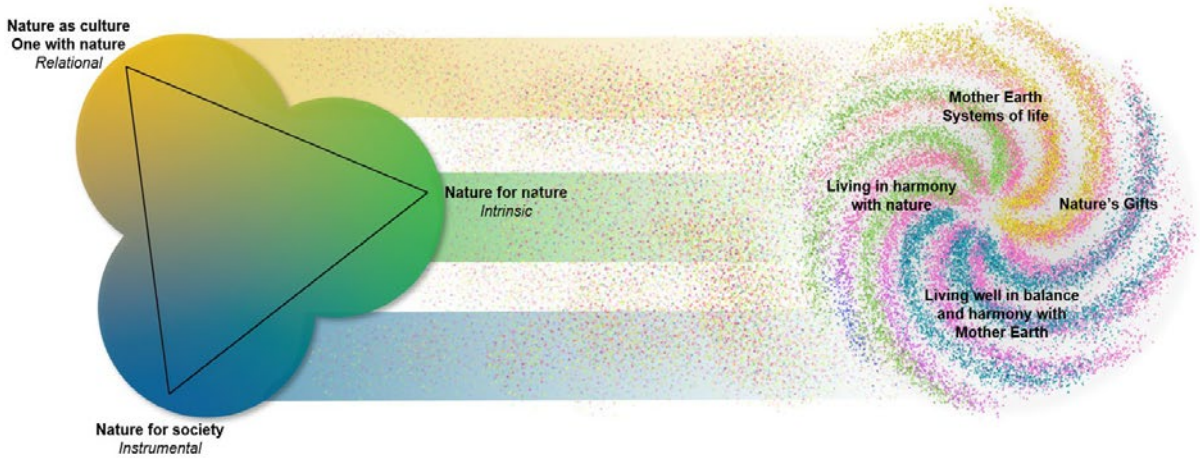



**Figure 3:** Illustration of the Nature Futures Framework, a flexible tool to support the development of scenarios and models of desirable futures for people, nature, and Mother Earth. Source: IPBES.

- In the paper "Don't dilute the term Nature Positive", E.J. Milner-Gulland criticises the erosion of the importance attached to measurable net gains as the aspirational term Nature Positive is increasingly being used by diverse stakeholders. The author urges us to resist the trend leading to calling Nature Positive any action that increases biodiversity anywhere, and by any amount. She insists that implicit in the definition of Nature Positive is the balance to reach more nature in 2030 than in 2020. Hence the need for the following: a measured biodiversity baseline; a timeframe; a target; a clear set of actions; an analysis of how action will add to net gain; and regular monitoring and disclosure.
- **White at al.** (2024) developed a nature-positive conceptual research framework outlining the processes and actions through which business contributions to a nature-positive future could be realised to meet the goals of the Global Biodiversity Framework. As illustrated in Figure 4, it highlights four core components where research is needed: (1) understanding the systemic drivers of nature-positive change, including how regulators, markets, or society can influence the direction and effectiveness of business action for biodiversity; (2) the broad strategic approaches available for businesses; (3) the practical implementation of these strategies and what actions they involve at the level of individual businesses; and (4) how the outcomes of business action for nature should be monitored and reported to ensure nature positive is being delivered in absolute terms.

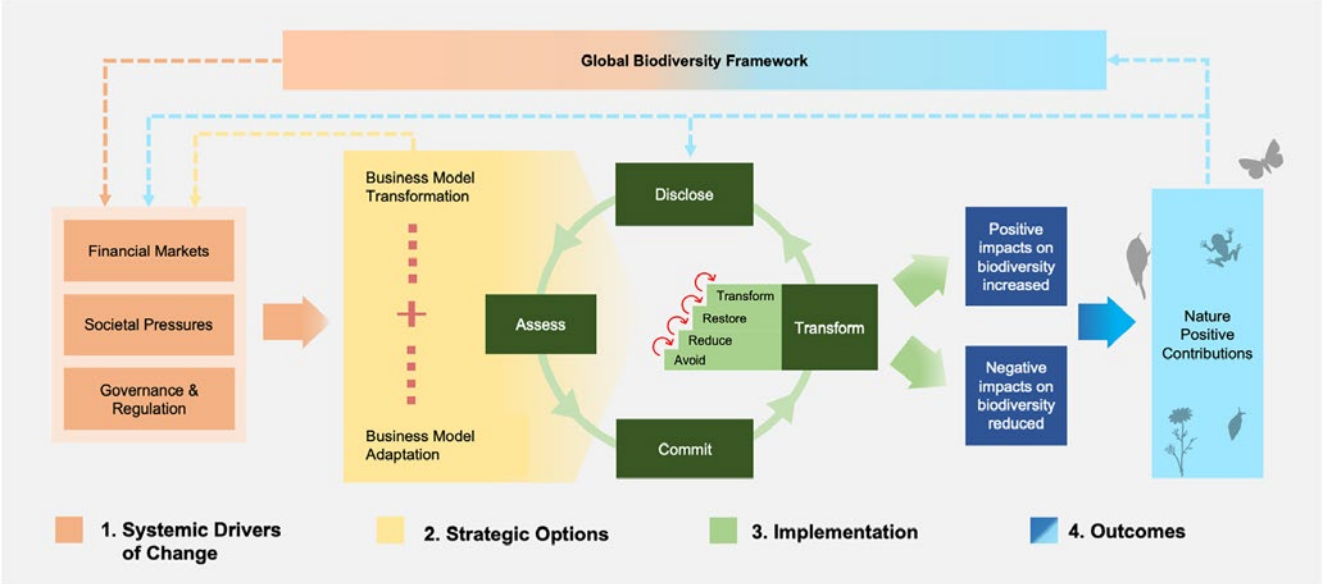



**Figure 4:** A proposed nature-positive research framework. Source: The "nature-positive" journey for business, T. B. White *et al.*

All in all, the growing diversity of references and research available around the concept of Nature Positive supports a better understanding for the finance sector. They enable the identification of key concepts, such as the mitigation and conservation hierarchies, the importance of risk management and social safeguards, measuring positive outcomes for nature in relation to a baseline ambitious enough to lead to nature recovery. They provide common principles to be integratedinto a practical vision of Finance for Nature Positive, as much as they alert us to open questions and limitations.

# Definitions and working model for financial practices

This discussion paper proposes a working set of definitions on "Finance for Nature Positive". These should be coherent and applicable at both portfolio and transaction levels for banks, asset owners and asset managers via different asset classes.

## Set of definitions from the World Bank Group

The working model developed by the Finance for Biodiversity (FfB) Foundation and UNEP FI toward a Finance for Nature Positive builds on the definitions proposed by the World Bank Group (WBG) in its Note on Nature Finance Tracking Methodology.

The definitions used in the Finance for Nature Positive working model of are as follows:

- **Nature Impact Mitigation Finance** is finance for activities undertaken to address adverse impacts on nature in accordance with the Work Bank Group's Environmental and Social Framework (ESF) and IFC and MIGA Performance Standards (PS).
- **Nature Finance** is defined as finance contributing to the nature positive goal of halting and reversing nature loss and supporting the implementation of the Global Biodiversity Framework.
- **Nature Positive Finance** is finance that is expected to deliver measurable positive outcomes for biodiversity or ecosystem services, relative to business-as-usual; and
- **Nature Mainstreaming Finance** is finance that is expected to enable a broader economic transition toward practices aligned with delivering the nature positive goal.

## A working model for financial practices

Based on the WBG definitions for Nature Finance, the FfB Foundation and UNEP FI have developed a Finance for Nature Positive working model for review and feedback. This model aims to operationalise the definitions and to guide practices in the private finance sector to contribute to GBF implementation. It constitutes a first step—or lighthouse—towards a more complete framework.

This section will present the working model developed to provide guidance for financial institutions aiming to contribute to the Nature Positive global goal. By fostering consensus on definitions and good practices, it aims to support the development of strategies toward the improvement of the state of nature, and facilitate opportunities selection. Figure 5 illustrates the proposed working model of Finance for Nature Positive.

## "Finance for Nature Positive" working model

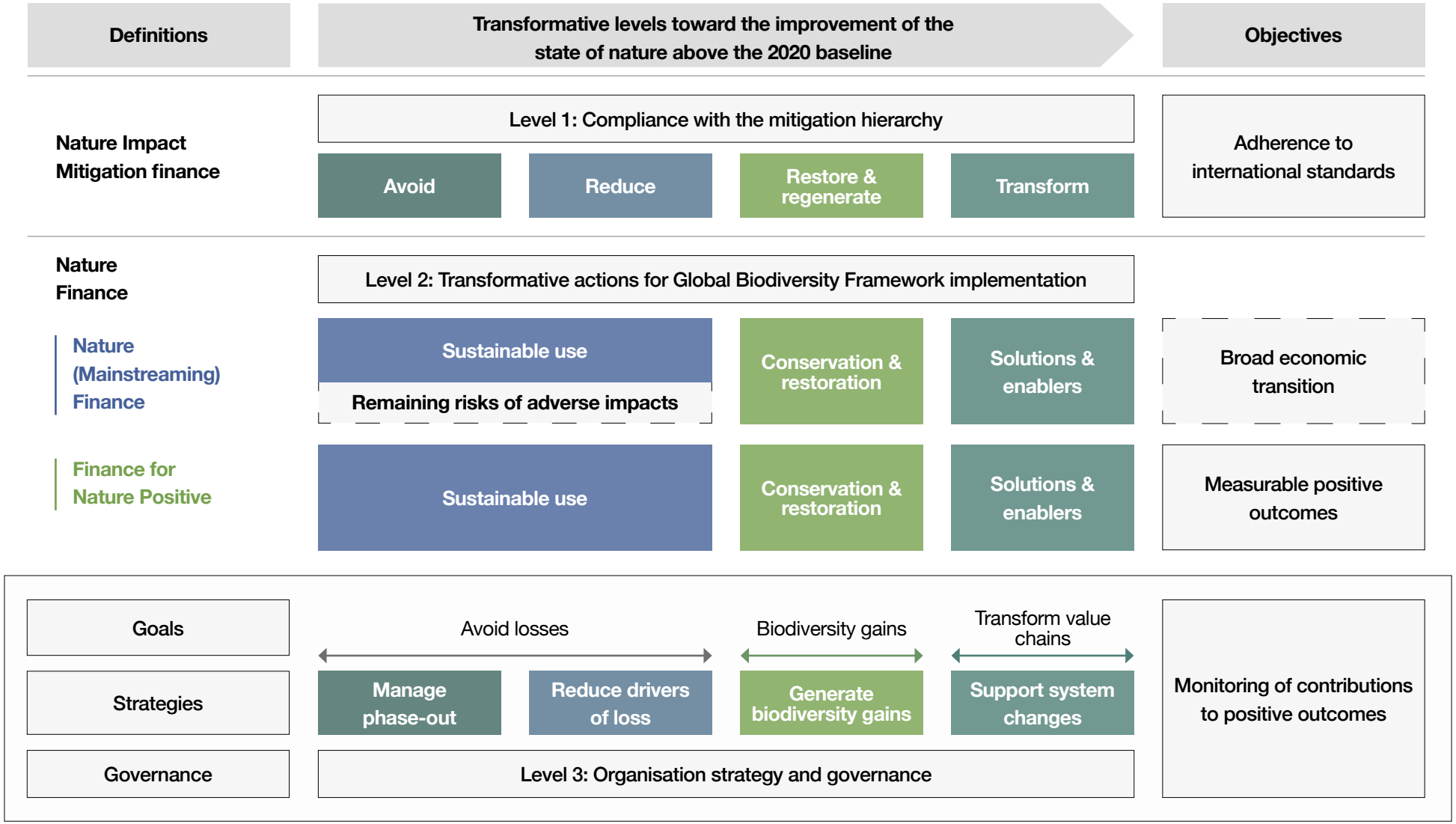



Figure 5: Illustration of the Finance for Nature Positive working model.

The Finance for Nature Positive working model builds on the definitions of the World Bank Group, including Nature Impact Mitigation Finance, Nature Mainstreaming, and Finance for Nature Positive. It underlines the improvement of the state of nature above the 2020 baseline as an overaching goal, in accordance with the recommendations of the Nature Positive Initiative.

It defines three "transformative levels" for financial institutions: firstly, compliance with the mitigation hierarchy; secondly, support of transformative opportunities for the implementation of the Global Biodiversity Framework; and thirdly, organisation strategy and governance. Financial institutions are called to monitor their contributions to the Global Biodiversity Framework as they aim to avoid nature deterioration and biodiversity loss, (by phasing-out from activities with adverse impacts and reducing drivers of loss), generate biodiversity gains, and transform value chains (by supporting system scale changes). The categories of opportunities presented for financial institutions are "sustainable use", "conservation and restoration", and "solutions and enablers".

### The detailed explanation for the working model's will follow the structure of the visual

- Transformative level 1: Compliance with the mitigation hierarchy
- Transformative level 2: Transformative actions for GBF implementation
- Transformative level 3: Organisation strategy and governance

### Nature Positive global goal: improving the state of nature above the 2020 baseline

For financial institutions, contributing to the Nature Positive goal is about supporting activities improving the quantity and quality over time, compared to a reference baseline. At the global level, using 2020 as a baseline is recommended by the NPI and implied at the global policy level by the GBF. This baseline is meant as the point of reference to halt and reverse biodiversity loss by 2030 and for a full recovery of nature by 2050. While we recommend adopting 2020 as the baseline year to ensure consistency with the GBF and NPI, we encourage more ambitious baselines when possible, earlier in time and/or using the pristine state of nature as a reference state.

### Level 1: Nature impact mitigation finance—required compliance with the mitigation hierarchy

Contributing to the Nature Positive goal requires full adherence to the mitigation and conservation hierarchies at site-level. This is the foundation of the proposed "Nature Finance" definition, as all investment operations of the World Bank Group are implemented in compliance with its Environmental and Social Framework (ESF), and IFC and MIgA Environmental and Social Performance Standards (PS). This is also in line with the SBTN AR3T approach (avoid, reduce, regenerate, restore, and transform). This approach guarantees that all best efforts have been put in place to avoid activities harmful to nature and that each specific project can demonstrate "no net loss" or even "net gains" at site-level. It also implies that positive impacts resulting from restoration measures cannot compensate for negative impacts unless the full potential of the mitigation hierarchy is fully realised. Offsetting, while complex and requiring caution, should prioritize local solutions and address the specific ecosystems and species impacted, rather than shifting solutions to different locations or ecosystems/species.

The **mitigation and conservation hierarchy** is an established framework in conservation science serving to address biodiversity risks at project-level and develop appropriate responses. The mitigation hierarchy comprises four action steps, to be implemented sequentially: "to anticipate and avoid impacts on biodiversity and ecosystem services; and where avoidance is not possible, minimise; and, when impacts occur, rehabilitate or restore; and where significant residual impacts remain, offset." (see the Cross-Sector Guide on Implementing the Mitigation Hierarchy). As per Arlidge *et al.* (2018): "arguably the most important step of the mitigation hierarchy is its first step, impact avoidance. This requires developers to predict and prevent negative impacts on biodiversity prior to any development actions taking place. The conservation benefits of avoiding impacts are likely to outweigh taking more uncertain remediation and offsetting measures once damage has occurred."

### Level 2: Nature Finance—Transformative opportunities for GBF implementation

While essential, the mitigation hierarchy alone is insufficient to achieve nature positive outcomes. It is essential that financial institutions actively look for opportunities to contribute to the nature positive goal of halting and reversing nature loss and supporting the implementation of the Global Biodiversity Framework. To do so, the WBG relies on a taxonomy of activities as a selection tool. In addition, wihtin Nature Finance the criteria for understanding how finance can meaningfully contribute to the Nature Positive goal is twofold: i) not cause significant harm to nature, ii) deliver measurable positive outcomes for nature.

The Finance for Nature Positive working model visual displays categories of opportunities that can contribute to implementing the GBF: sustainable use; conservation and restoration; and solutions and enablers. These opportunities correspond to specific goals: reducing drivers of loss, generating biodiversity gains, and transforming value chains. These objectives express that each transaction should support activities meaningfully contributing to the Nature Positive goal, further than simply seeking compliance with the mitigation hierarchy. It is not enough for a company to monitor and measure net gains at project-level, it must pro-actively develop transformative actions. In that sense, taxonomies can guide decision-making by providing a scientific standards to identify sustainable activities.

A meaningful contribution to the nature positive goal requires behavioural change and the transformation of business models, as expressed in the following publications:

- In its preliminary taxonomy of Nature Finance qualifying activities, the World Bank Group aims to capture a broad range of transformative actions that need to take place to achieve the nature positive goal. These activities go beyond ESF/PS compliance by providing "value addition" for nature.
- In the IFC Biodiversity Finance Reference Guide, it is explained that potential investment opportunities can help enable a transition to nature-smart business models and practices that combine conservation needs with sustainable development.
- In the Sector Guidance developed by Business for Nature, WBCSD & the World Economic Forum, the sector actions serve as a guide to transform business practices and value chains and ensure that a company plays its part in halting and reversing nature loss by 2030.

- The EU B&B Platform indicates that "the mitigation hierarchy is key, but more is needed". The ALIGN project stated that transformational change of the underlying business models could translate into both the mitigation and conservation hierarchies.
- In the paper "The "nature-positive" journey for business: A research agenda" (White *et al.*, 2024), the authors argue that realising ambitions toward Nature Positive requires transformative changes in business operations, which will be challenging given the uncertainties surrounding possible strategies and pathways.

## Using taxonomies to identify activities that can improve the state-of-nature

### List of existing taxonomies including Biodiversity or Nature

- BIOFIN Global Biodiversity Expenditures taxonomy: 1. Access—Benefits; 2. Awareness—Knowledge; 3. Biosafety; 4. Green economy (green supply chain; extractive industries; sustainable consumption; s. energy; s. tourism; s. transportation; s. urban and rural areas); 5. Planning and financing; 6. Pollution management; 7. Protected areas—Conservation; 8. Restoration; 9. Sustainable use (agrobiodiversity; sustainable agriculture; s. Aquaculture; s. Fisheries; s. Forestry; s. Freshwater; s. Marine and coastal management; s. rangelands; s. wildlife).
- GIIN: Agriculture and other biodiversity-related projects led by Indigenous Peoples and local communities; Control, management, and eradication of invasive species; Habitat conservation and restoration services, including protection of coastal mangroves, coral reefs, and other vulnerable flora and fauna; Information technologies for global-level monitoring and planning of sustainable agriculture; Low-impact production systems; Nature-based solutions and green infrastructure; Ocean farming and cultivation of sea plants, seashells, mangroves, and other marine resources; Payment for ecosystem services (PES); Preservation, enhancement, restoration, or creation (PERC) of wetlands, streams, or habitat conservation (mitigation banking).
- IFC (relying on ICMA Green Bonds Principles): Investment activities that seek to generate biodiversity co-benefits. (e.g. climate smart agriculture; marine sustainable production; waste and plastic management; ecotourism services; R&D); Investments in biodiversity conservation and/or restoration as the primary objective; Investments in nature-based solutions to conserve, enhance, and restore ecosystems and biodiversity.
- State of Finance for Nature: protected areas/ avoided conversion (avoided deforestation, avoided peatland, mangrove, grassland, seagrass conversion); restoration (reforestation, restoration of peatland; mangrove; saltmarshes; seagrass); sustainable use management (Agroforestry—silvoarable; silvopasture, Cover crops, Grazing-optimal intensity).
- National taxonomies including nature: Singapore Sustainable Finance Taxonomy, China, Taxonomia sustentavel brasileira, European Taxonomy of Sustainable Economic Activities, (under development in Colombia).

### Recommendation

The International Capital Market Association (ICMA) published its Overview and Recommendations for Sustainable Finance Taxonomies in May 2021, proposing key success factors for taxonomies. Taxonomies should be: 1. Targeted in their purpose and objectives. 2. Additional in relation to existing international frameworks. 3. Usable by the market for all intended purposes. 4. Open and compatible with complementary approaches and initiatives. 5. Transition-enabled incorporating trajectories and pathways.

### A. "Nature Positive" criteria: do not cause significant harm to nature

The criteria for "Nature Positive" in finance presented by the World Bank relies on screening potential adverse risks to and impacts for nature, including activities that may inadvertently increase the drivers of biodiversity loss. This criteria relies on the consensus that economic activities considered as contributing to the nature positive goals should not cause significant harm to living and non-living components of nature. Such limit guarantees the priority to avoid harm to nature before turning to restoration practices, thereby mitigating the risk of greenwashing.

The screening ensures that an activity: (i) does not introduce significant risks to or impacts on nature that exacerbate the direct drivers of loss; (ii) does not introduce risks of conversion of natural habitat or critical habitat; and (iii) does not introduce risks of adverse impacts on Critically Endangered or Endangered Species. Financial institutions should align risk screening practices with the World Bank's Safeguards Policies for Natural Habitats and the IFC Performance Standard 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resources.

In addition, financial institutions may define their own '**red lines**', or levels of ambitions, to phase-out key negative activities in accordance with research and best practices. Such red lines would be expressed as objectives for substitutions or exclusions and should ideally be claimed publicly. Such red lines could be provisions in ESG policies concerning no residual impacts on critical habitat, endangered species, activities in Key Biodiversity Areas (etc.). A good practice when aiming to define a red line is to involve a diversity of stakeholders to understand scientific recommendations and local situations (i.e. scientists, NGOs, clients, suppliers, local populations, etc.). Further research and collaborative action is necessary to diffuse good practices and defining levels of ambitions in order to limit the risks of "leakages"—when an institutions restrict an activity that can still be financed by another financial institution.

#### Regulations in the European Union supporting a Finance for Nature Positive

In the European Union (EU), increased regulations are guiding the management and mitigation of impacts on nature. The Sustainable Finance Disclosure Reporting (SFDR) requires disclosures on Principal Adverse Impacts (PAI) indicators. The EU Taxonomy of Sustainable Economic Activities, in addition to providing visibility on sustainable opportunities, introduced the "Do Not Significant Harm" principle, also including social and human rights safeguards. Under the European Sustainability Reporting Standards (ESRS) E4 on Biodiversity, 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. Finally, the EU Nature Restoration Law is a clear example of integrating environmental and development considerations into national budgets, as it mandates member states to implement nature restoration measures across various ecosystems.

## B. "Nature Positive" criteria: measure (contributions to) positive outcomes

### Understanding measurable positive outcomes

Delivering a positive outcome for biodiversity and ecosystems services is the heart of the "nature positive finance" criteria of the World Bank group. A positive outcome is a potential or realised improvement in the state-of-nature, including the provisioning of ecosystem services, relative to a static baseline, based on the difference between a scenario with mitigation and conservation actions and one without such actions (i.e. business as usual in terms of ecosystems, species and ecosystem services provisioning). **Positive outcomes are spatially explicit, operate at the site- and/or landscape-levels, and are quantifiable in terms of state-of-nature improvement.** Thus, achieving measurable nature positive outcomes should be assessed through location-based, spatially explicit methods.

### Difference between achieving and contributing to positive outcomes

Referring to the ALIGN project, nature positive outcomes always occur at landscape level (including site level) but contributions to these outcomes can occur at multiple, nested levels, i.e. site, landscape, value chain, corporate and sector level. Corporate nature positive roadmaps ("transition plans") are the ideal instrument for describing these contributions and should include actions at multiple levels.

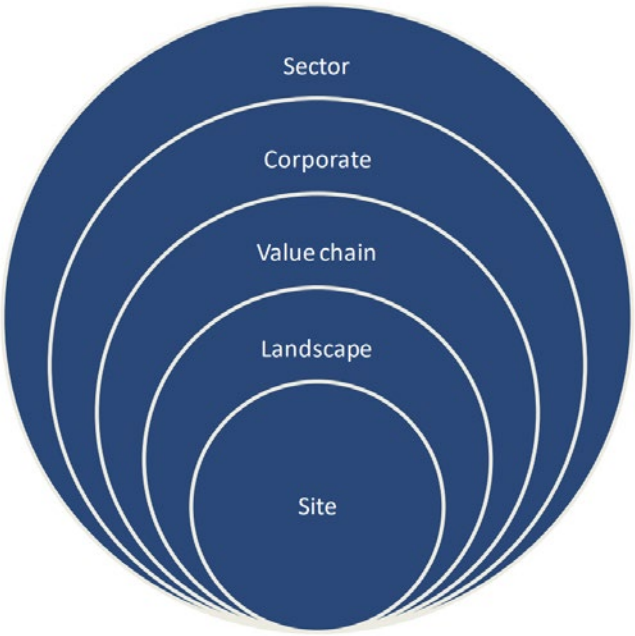



**Figure 6:** Possible levels of contributions to nature positive outcomes. Source: ALIGN.

### Additional explanations

- At site-level, measuring "Net Gains" or "Net Positive Impact" is the established framework for measuring positive outcomes. It requires responsive indicators with time-series to track change over time.

- Positive outcomes can best be achieved by multi-stakeholder cooperation at different levels, thus measuring contributions to the outcomes is a multi-actor and multi-level effort. Thus, in some cases, business and financial institutions may focus on measuring pressures to assess their contributions.
- The relevant accountability aspects for businesses are: target-setting; taking action; undertaking measurement (pressures, state), and ultimately the achievement of positive outcomes.
- As shown in Figure 6, the possible levels of action are: site, landscape, value chain, corporate, and sector.

### Causal pathways: a theory of change expressing causality

The last step of the "Nature Positive" screening process developed by the World Bank Group consists in asking: "Can a causal pathway demonstrate that finance enables the improvement of the state of biodiversity or ecosystem services, compared to business as usual?" The purpose of this step is to assess whether a transaction is expected to deliver a meaningful and measurable positive contribution to nature outcomes. The methodology underlines that the causal pathway and means of measurement should be clearly defined and justified through an auditable track of information. A causal pathway can be understood as a theory of change expressing a "strong causality" between the financial transaction and the expected enhancement of biodiversity and ecosystem services.

### Use benchmarks to identify potential for positive outcomes

An opportunity analysis should compare business-as-usual (i.e., current state of practices and expected trajectory of biodiversity) and expected outcomes from the transformative model of the opportunity, including any factors that may influence these outcomes (e.g., social, economic, and/or political risks). Sectoral, market or product-level benchmarks delineate the prevailing conditions against which opportunities and projects are evaluated, to ensure potential opportunities are in the right pathway compared to one or various benchmarks. For example, investors may employ sectoral impact screening methods to obtain sector-wide averages, or use existing sectoral benchmarks available in the market. Examples include Nature Action 100's companies benchmark and the World Benchmarking Alliance's Nature benchmark. The IFC Biodiversity Metrics supplement to the Biodiversity Reference Guide wil provide an extensive list of sectoral benchmarks.

### Rely on baseline to measure the absolute improvement of the state-of-nature

The baseline-setting process, at site-level, should take into account the different biodiversity components and pressures that are material for the financial institution (see the next section for more details). The goal of this process is to enable the comparison between the baseline scenario and the anticipated or targeted scenario. In both scenarios, both the positive and negative impacts exerted directly or indirectly by the project holders supported by the financial institution must have been accounted for. Only after determining the net results of both the reference scenario (baseline) and the anticipated or target scenario can a financial institution assess a project's progress towards achieving its no net loss or net gain objectives. As previously described, using 2020 as a baseline is recommended by the GBF and NPI. While

we recommend this point of reference for consistency with these frameworks, we encourage more ambitious baselines when possible, earlier in time and/or using the pristine state of nature or the year before construction/project kick-off as a reference state.

### Summary of the Nature Positive criteria

All in all, opportunities that are part of "Nature Finance" by contributing to the implementation of the GBF can be considered fitting the "Nature Positive" criteria developed by the WBG if they i) do not significantly harm nature and ii) deliver measurable positive outcomes for nature. The remaining opportunities within Nature Finance are still important to enable a broader transition of economic activity away from harmful practices.

## Transformative Level 3: Organisation strategy and governance

### A. Spectrum of goals and strategies

The following components should be considered when monitoring negative and positive impacts on biodiversity. These components are aligned with current main frameworks and guidelines, including the Recommendations of the TNFD and LEAP approach and the ALIGN project, among others. Although not all financial institutions currently use or have access to data to fully address their interactions with these components, it is important to understand the optimal scenario for when such data becomes available:

#### Goal: avoiding and reducing pressures on nature

- **Drivers of biodiversity loss:** Financial institutions should consider avoiding and, if not feasible, reducing, the five direct drivers of biodiversity loss, as identified by the IPBES: land/freshwater/ocean use change; climate change; pollution; resource use; and invasive alien species. The TNFD Recommendations refer to the drivers of nature change, using the term 'change' instead of 'loss' and rewording the terms to emphasize that positive impacts must also be considered.
- **Sensitive locations:** Financial institutions should understand and quantify their interactions with sensitive locations for biodiversity. Investors should look at the interfaces of their clients and investees with sensitive locations, including areas important for biodiversity (including species), areas of high ecosystem integrity, areas of rapid decline in ecosystem integrity, areas of high physical water risks, and areas important for ecosystem service provision (including benefits to Indigenous Peoples and Local Communities).

**Goal: Generating biodiversity gains**

- **Biodiversity (living component of nature):** The three components of biodiversity — ecosystems, species and genes[1]— constitute the state of biodiversity, reflecting the present condition and composition of biodiversity in a particular area. Biodiversity represents the living component of nature (biotic).
  - **Ecosystems:** There are two aspects to consider for the biotic component of ecosystems: extent and condition. Ecosystem condition (also referred to as integrity) can be assessed by measuring elements including the composition of ecological communities, ecosystem structure (including the spatial structure of patches at the landscape level), and ecosystem functioning.
  - **Species:** There are two aspects to consider for individual species: population size and extinction risk. These provide insight into the health of a species' population and its relative resilience to human-induced and naturally occurring changes.
- **Ecosystem services:** Ecosystems produce flows of benefits to people and the economy, or ecosystem services. Ecosystem services form the basis for understanding dependencies on nature and are crucial for risk management. Any restoration or compensation action should consider the effect and changes in the provisioning of ecosystem services. Ecosystem services fall into three categories: provisioning (flow of benefits extracted or harvested such as timber and water), regulating and maintenance (ability of ecosystems to regulate processes and cycles such as air filtration by trees and storm surge protection by mangroves) and cultural (experiential and intangible services related to the perceived or actual qualities of ecosystems such as recreational value of coral reefs for tourism and the spiritual value of a landscape). See BOX 1 for further information on ecosystem services.

**Goal: Supporting system-scale and value chains transformation**

- **Innovations:** Technological and process innovations hold the potential to render economic practices more efficient, both in reducing drivers of loss and in improving the state of nature. They can provide solutions and act as enablers for other companies to transform their overall business models.
- **Transformative changes:** System-scale transformation is the last step of the extended mitigation hierarchy. The IPBES defines "transformative changes" as a fundamental, system-wide reorganisation across technological, economic and social factors, including paradigms, goals and values, needed for the conservation and sustainable use of biodiversity, good quality of life and sustainable development.

Booth *et al.* (2024) express that transformative change is key to meeting most other global goals. Contributions toward transformative change require that individual companies participate in social signalling and collective action to drive structural change, as illustrated in Figure 7.

1 Genes, as a biodiversity component, is not further addressed in this work due to the absence of methodologies and data for measurement.


**Figure 7:** A conceptual diagram of expanding classes and scales of actions, which businesses can implement along with other actors to create change at a societal scale. | Source: Operationalizing transformative change for business in the context of Nature Positive, H. Booth *et al.*

To conclude, the diversity of strategies in the Finance for Nature Positive working model calls for a diversity of indicators enabling sound monitoring, verification, and reporting (MRV).

## B. Measurement and indicators

Financial institutions are recommended to develop a dashboard of indicators enabling sound piloting and MRV of their strategies to contribute to nature positive. They should disclose separately, and in parallel, their targets and achievements for the reduction of negative impacts and increase of positive impacts. This section presents recommendations on choosing appropriate metrics and share further information on the two different types of available indicators: monitoring indicators and impact assessment indicators (Fondation pour la Recherche sur la Biodiversité, 2021).

### Choosing metrics

Attempting to calculate, analyse and describe the state of biodiversity with a single metric lacks credibility and it does not embrace the full complexity of nature. Rather, a set of diverse metrics representing the various components of biodiversity is essential to account for shifts in their state and significance, which may be combined to develop a composite index. Employing multiple metrics allows us to reflect the multi-dimensional nature of nature and its interconnectedness.

This work is not intended to provide a set of metrics. Instead, it will align with and build upon the guidelines and recommendations undertaken by established initiatives specialising in nature-related metrics and accounting. These include the metrics from the TNFD Recommendations and Additional Guidance for financial institutions, the work being performed by the Nature Metrics Working Group of the NPI, the IUCN's research on Measuring Nature Positive, among others. Although the mentioned initiatives may not currently be fully aligned, this work will reference and build upon their guidelines and principles to the greatest extent

possible, this seeking robust and standardised measurement practices (this section must be considered a placeholder subject to changes in anticipation of future developments in the field through various initiatives with which this publication will align).

### Monitoring indicators

These indicators report on the evolution of the state of biodiversity for one or more of its dimensions. To monitor contributions along the three main goals of the working model, we recommend a distinction between measuring the reduction of pressures (avoid adverse impact, sustainable use, solutions and enabler) and measuring state of nature improvements (conservation and restoration, solutions and enablers). The distinction is based on the OECD "Pressure-State-Response" Framework (Figure 8), that identifies three types of indicators:

a. Indicators of environmental pressures correspond to the "pressure" box of the PSR framework. They describe pressures from human activities exerted on the environment, including the quality and quantity of natural resources.
b. Indicators of environmental conditions correspond to the "state" box of the PSR framework and relate to the quality of the environment and its development over time, and the quality and quantity of natural resources. As such they reflect the ultimate objective of environmental policy making.
c. Indicators of societal responses correspond to the "response" box in the PSR framework. Societal response indicators are measurements which show to what degree society is responding to environmental changes and concerns. Ideally, the response indicator should reflect society's efforts in tackling a particular environmental problem.

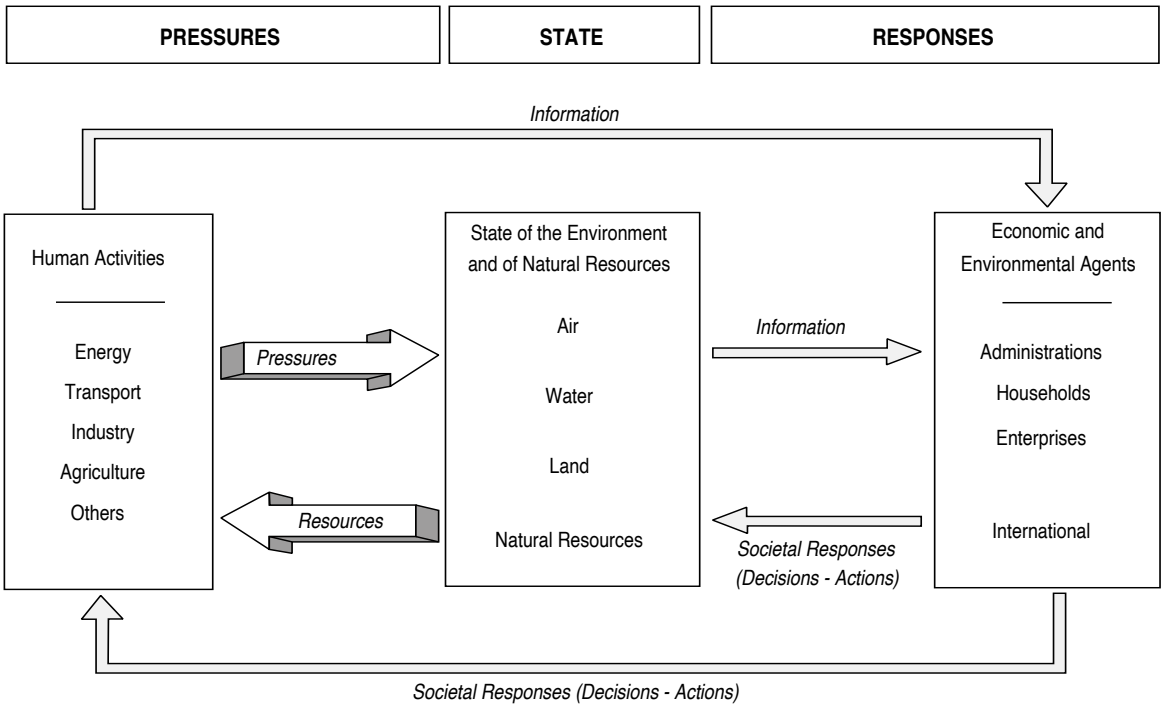



**Figure 8:** Illustration of the Pressure-State-Response Framework. Source: OECD.

### Impact assessment indicators

These indicators aim to report on the impacts of activities on biodiversity for one or more of its dimensions, but by integrating, in their methodology of calculation, the complete chain of activities—pressures—impacts. Measuring companies' interactions with nature across their value chains is a recommendation and/or requirement from current policies and reporting frameworks. Measuring the impacts on nature across value chains involves evaluating how different stages of a company's operations affect ecosystems, species and ecosystem services. This includes assessing direct and indirect effects from, for example, raw material extraction through to product disposal.

Life Cycle Assessment (LCA) serves as an optimal solution by providing a comprehensive framework for quantifying nature-related impacts across value chains. Footprinting methodologies, such as those using Mean Species Abundance (MSA) and Potentially Disappeared Fraction of Species (PDF), are integral to LCA, helping to assess and understand these impacts in detail. While MSA measures the average abundance of species in an area compared to an undisturbed ecosystem—serving as an indicator of biodiversity intactness—PDF quantifies the proportion of species at risk of local extinction due to pressures such as land use, eutrophication, or climate change. PDF is used in LCA models like ReCiPe and IMPACT WORLD+, making it especially relevant for downstream activities in the value chain. In contrast, MSA is valuable for assessing ecosystem health and is particularly useful for understanding the impact of upstream activities like raw material extraction on local biodiversity. Both MSA and PDF are applicable across sectors and regions, offering complementary insights into biodiversity impacts.

In October 2024, and following a previous pilot study from 2023, the FfB Foundation will release a report presenting the results of a collaborative multi-tool footprinting study, which assesses the impacts and dependencies of over 2,300 companies, including their value chains. Tailored to investors, it aims to inform engagement strategies and portfolio decision-making, enabling prioritisation of effort.

## C. Organisation strategy and governance

The existing principles for Nature Positive underline the importance for contributions to the global goal to be part of an overall organisation strategy and governance.

In particular, the following principles advocate for transition planning at the organisation level:

- "The Nature Positive ambition needs to be endorsed by the Board";
- "Mainstreamed": commitments seek to embed nature in all forms of organisational decision-making.

To guide these practices, financial institutions can turn to the following resources:

- The International Development Finance Club (IDFC) "Biodiversity Toolbox" provides a stepwise approach to integrate biodiversity concerns into the strategies and operations of development finance institutions, their clients and any other willing financial institution.

- GFANZ is currently developing an approach for developing and implementing nature-related climate change mitigation actions in net-zero transition plans. In its guidance on financial institutions Net-Zero transition plans (2022), it recommends the following steps: foundations, implementation, engagement, metrics and targets, governance. The strategies being "Managed phaseout", "Aligning", "Aligned", and "Climate Solutions".
- In the report "Nature in transition plans", WWF UK developed a step-wise approach for businesses to integrate nature into existing transition planning frameworks.
- The TNFD is currently constructing a discussion paper on Nature transition plans. It proposes a complete, structured approach for an organisation to describe its responses and/or contributions to the transition implied by the Biodiversity Plan.

Finally, one of the key recommendation of the FfB Foundation in its policy paper "Aligning financial flows: from ambition to implementation" is for governments to mandate Holistic Climate-Nature Transition Plans. These tools enable to deploy a strategic vision, ensuring that analysis and disclosure leads to actions for impact mitigation.

# Strategies for shifting finance away from negative impacts and towards positive outcomes

Managing a financial portfolio with the aim to contribute to the Nature Positive outcomes involves a multifaceted approach that prioritises nature-impact alongside financial returns. This section provides further insights on the strategies needed to achieve specific goals within the implementation of the GBF: accelerated phase-out and reducing drivers of loss to avoid biodiversity loss; improving the state of nature to generate biodiversity gains; and supporting innovations to transform value chains.

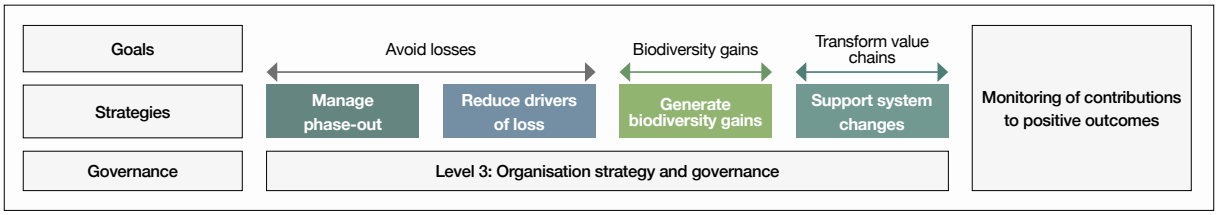



**Figure 9:** Extract of the Finance for Nature Positive working model, focusing on the goals and strategies to monitor contributions to positive outcomes

## Overall considerations about the finance for nature positive strategies presented in the visual:

- The strategies are presented in a sequence following the mitigation hierarchy. Such parallel is made to recommend that financial institutions prioritise understanding and reducing the existing negative impacts of their portfolios. Avoiding biodiversity losses is of the most pressing urgency by 2030.
- However, the overall economic transformation towards the Nature Positive goal already requires supporting biodiversity conservation and restoration, as well as the solutions transforming value chains. Thus, it is not necessary to wait to start to restore nature until all negative impacts have been reduced to the greatest extent possible, as long as a plan is in place and underway for the "phasing out" and "reducing drivers of loss" strategies.

- Some companies and financial institutions are "pure players" with sustainability at the heart of their models. These do not have to manage historical impacts, but they still need to manage the potential risks of their activities in a precautionary approach.
- There is no existing global model measuring the alignment of a financial portfolio with the GBF, expressing the balance between reducing drivers of loss and improving the state of nature. Financial institutions can refer to the PRB Nature Target Setting guidance (UNEP FI, 2023) and the Target Setting Framework on Nature for Investors (FfB Foundation, 2024) to set their targets on reduction of impact drivers. Further guidance can be expected on targets for positive impact.
- All in all, the strategies presented in the visual must be supported by a transition plan at the institutional level supported by the board.

# Strategy 1: Avoid or engage to phase out key negative activities

**Objective:** To avoid financing—or to engage with companies in order to phase out—activities that are detrimental to nature and accordingly presenting risks to the financial institution.

## Identify, avoid, and engage to phase out key negative activities

- **Criteria for avoidance:** Establish clear criteria, based on credible sources, to identify activities that should be avoided. These include activities where no transition planning is possible or the company or project holder is unwilling to consider such planning.
- **Historical finance wind-down:** Identify historical financing activities that contradict current environmental policies and develop a plan to wind them down or to influence companies to phase them out.
- **Engagement period for transition planning:** Provide an engagement period for clients to develop and implement transition plans for nature. If clients in high risks sectors are unwilling or unable to transition, escalation strategies should be developed.

## Due diligence and internal processes

- **Internal processes:** Develop internal processes that promote moving transactions into positive or neutral impact spaces, ensuring alignment with environmental objectives. For example, create decision trees to guide the handling of transactions based on the use of proceeds and companies profiles. This should involve relevant teams, such as risk and due diligence.
- **Due diligence and risk assessment:** Differentiate transactions based on whether the use of proceeds is known. For transactions with unknown use of proceeds, assess the overall client profile. Consider the client's sustainability goals and practices, including as set out in TNFD aligned disclosures and/or whether they have committed to science-based targets using Science-Based Targets for Nature (SBTN) methods.

- **Regular monitoring and impact reporting:** Continuously monitor the portfolio to ensure compliance with the defined criteria and adjust strategies as needed. Provide regular reports on the environmental impact of the portfolio, highlighting successes and areas for improvement.

### Promote knowledge sharing and advocate for nature-centric policies

- **Call for ambitious environmental sectoral regulations:** The implementation of the Global Biodiversity Framework by governments should reflect a clear policy pathways supporting the alignment of financial flows by guiding the transition of the underlying economic activities. Ambitious policies on environmental protection and pollution limitation are needed to generate the right incentives for business and finance.
- **Call for the development of high-integrity biodiversity credits:** Biocredits can be helpful instruments to offset intangible historical damages. Their application could become appropriate in the future, under specific conditions and principles for integrity. See ongoing work by the Biodiversity Credit Alliance (BCA) and the International Panel on Biodiversity Credits (IAPB). A new set of Integrity Principles for biodiversity credits are due to be launched at COP16.

#### Available resources:

- The World Bank's Safeguards Policies for Natural Habitats and the IFC Performance Standard 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resources.
- The "Do No Significant Harm" principle introduced in the EU Taxonomy of Sustainable Economic Activities, introduced guiding environmental practices, also including social and human rights safeguards.
- The EU Corporate Sustainability Due Diligence Directive (CSDDD) provides a legal (and normative) framework which mandates that companies to conduct comprehensive due diligence on their environmental and human rights impacts.
- The Target Setting Framework on Nature for investors (FfB Foundation), examples of activities to define phase-out KPIs.

## Strategy 2: Reduce drivers of loss

**Objective:** To promote and develop transition mechanisms that support positive outcomes for nature by integrating nature-related impact KPIs into financial transactions and engaging clients in transitionable activities to reduce pressures on nature.

### Identify and understand transition pathways within sectors

- **Apply nature-related KPIs:** Integrate nature-related impact KPIs into financial transactions, including debt, equity, and mixed financing options. Finance or enable entities and activities that align with pressure and/or state-of-nature-related KPIs (see section 'B) Measurement and indicators') to improve the state of nature, including the provisioning of ecosystem services.

- **Set nature targets:** Set a clear, data-driven path for transformation towards the implementation of comprehensive portfolio targets. Focus on key impact drivers per economic sector to reduce drivers of biodiversity loss.
- **Market opportunities:** Explore transition activities that could deliver significant financial and employment opportunities, such as those identified by the WEF (2020), which estimate USD 10 trillion in annual business opportunities and 395 million jobs by 2030.
- **Sector guidance:** Some sectors have the potential to make substantial positive changes through improved practices and technologies. Rely on existing sector guidance to understand transition pathways and identify these opportunities (see below available resources).
- **Market integrity:** Follow existing guidelines and frameworks to maintain market integrity, such as the global practitioner's guide for sustainable blue economy finance for ocean-related or blue bonds. Use frameworks like the EU's sustainable finance taxonomy, including the 'Substantial Contribution' and 'Do No Significant Harm' (DNSH) pillars, to guide investments.

## Collaborate with stakeholders to drive the transition

- **Client engagement:** Maintain ongoing relationships with clients to encourage the development of nature-related transition plans and science-based nature targets, relying on a first concrete demand to identify and assess nature dependencies and impacts.
- **Target setting support:** Assist clients in setting nature-related KPIs and developing transition plans even if they are not yet in place. See relevant guidance from SBTN for target-setting, and forthcoming TNFD and GFANZ guidance on transition planning.
- **Demonstration projects:** Develop and showcase demonstration projects in priority sectors with high nature impacts/dependencies. Such projects can become "proof-of-concepts" showcasing for example how negative impacts can be mitigated, or highly dependent activities can be made more resilient. Collaborate with governments, multilateral development banks, and international financial institutions to reduce funding costs and risks, attracting private sector investment.

## Promote knowledge sharing and advocate for nature-centric policies

- **Call for disclosure requirements and nature transition plans:** Take part in collective initiatives to generate transformative changes towards an enabling regulatory environment. For example, push for improvement in the collection and disclosure of data, or underline the current lack of reporting and transition plans requirements.
- **Call for the development of nature scenarios:** The nature space is currently lacking scenarios on nature futures and sectoral pathways. Such scenarios can assist in opportunity selection and risk assessment, as well as in determining if finance is aligned or not aligned with the GBF goals and targets. Financial institutions should ask for and encourage the development of such scenarios, and increasingly use them to guide their practices and analysis.

### Available resources:

- The FfB Nature Target Setting Framework for Investors identifies three key impact drivers on nature for 10 priority sectors: land use change, volume of water use, and emission of toxic soil and water pollution. It offers comprehensive examples, processes, and detailed support to assist investors in setting effective nature targets.
- The PRB Nature Target Setting guidance (UNEP FI, 2023) aims to help the banking industry act on nature loss and set targets to align with the objectives of the Kunming-Montreal Global Biodiversity Framework (GBF). it identifies "Key Nature Sectors" and potential improved practices. These include agriculture (i.e. regenerative practices, organic farming, and agroforestry), forestry (i.e. sustainable management, reforestation and afforestation), fisheries (i.e. quota systems and protected areas), energy (i.e. transition to renewable energy sources along with habitat restoration around infrastructures), mining (i.e. land rehabilitation and pollution reduction), urban development (i.e. integrating green infrastructure such as green roofs, urban forests, and wildlife corridors).
- A key framework guiding companies' efforts is the **Science-based Targets on Nature** (SBTN). Financial institutions looking for leaders in the space of nature conservation and sustainable use can refer to this technical guidance.
  - The categories of recommended Land Targets are: 1) No Conversion of Natural Ecosystems; 2) Land Footprint Reduction; 3) Landscape Engagement.
  - The categories of recommended Freshwater Targets are: 1) Quantity—address pressures on nature through freshwater withdrawals; 2) Quality—focus on pressures associated with loads of nitrogen (N) and phosphorus (P) to surface water bodies.
- The Taskforce on Nature-related Financial Disclosures (TNFD) has developed guidance and a measurement architecture for identifying, assessing and disclosing nature-related dependencies, impacts, risks and opportunities, including measuring impact drivers, changes in the state of nature and the delivery of ecosystem services (the LEAP approach). TNFD has also developed sector guidance, which provides additional considerations by sector for identifying and assessing nature-related issues and responding to these issues, as well as sector disclosure metrics. Furthermore, TNFD also develop guidance on scenario analysis, as well as a discussion paper on conducting advanced scenario analysis.
- The World Economic Forum, WBCSD and Business for Nature have developed high-level business actions for nature and specific actions for nature positive in 12 key sectors to halt and reverse nature loss. It's Now for Nature: The Nature Strategy Handbook is a consolidated source.
- The IFC Biodiversity Reference Guide includes a category of activities titled "Investment activities that seek to generate biodiversity co-benefits". This category of accepted use of proceeds includes financing for activities within or through established business operations and production practices that seek to address the key drivers of biodiversity loss.
- Developed by UNEP and UNEP-WCMC, the Positive Impact Indicators Directory of the Land Use Finance Impact hub has been designed to support financial institutions to identify and measure how their investments generate positive environmental and social impacts in the land use sector, with a list of 23 indicators across a range of environmental and social impact areas: biodiversity conservation, forest protection, sustainable production, climate action and sustainable livelihoods.

## Alignment with the targets of the Global Biodiversity Framework

### Avoiding biodiversity loss

Both for project identification and for building a dashboard of indicators, any contribution to the nature positive goal should align with and build on the goals and targets of the Global Biodiversity Framework. Among GBF targets, the following are recommended as a reference on "reducing drivers of loss":

- **Target 5:** Harvesting and trade of wild species is sustainable, safe and legal.
- **Target 6:** Reducing the rates of introduction and establishment of other known or potential invasive alien species by at least 50 per cent by 2030, and eradicating or controlling invasive alien species;
- **Target 7:** Reduce pollution risks and the negative impact of pollution from all sources by 2030: (a) by reducing excess nutrients lost to the environment by at least half; (b) by reducing the overall risk from pesticides and highly hazardous chemicals by at least half; and (c) by preventing, reducing, and working towards eliminating plastic pollution.
- **Target 8:** Minimize the impact of climate change and ocean acidification on biodiversity and increase its resilience.
- **Target 9:** Ensure that the management and use of wild species are sustainable, thereby providing social, economic and environmental benefits for people.
- **Target 10:** Ensure that areas under agriculture, aquaculture, fisheries and forestry are managed sustainably, in particular through the sustainable use of biodiversity, including through a substantial increase of the application of biodiversity friendly practices.

# Strategy 3: Generate biodiversity gains

**Objective:** To strategically invest in nature conservation and restoration projects to preserve and improve the state-of-nature, including ecosystem services.

## Identify conservation and restoration projects to develop a diversified portfolio

- **Impact investing:** Utilise impact investment vehicles, such as green bonds, conservation easements, and impact funds, to channel capital into nature conservation and restoration projects.
- **Project selection:** Invest in a diverse range of conservation and restoration projects, including habitat protection, reforestation, wetland restoration, and marine conservation. Given that there are very few opportunities in the pipeline at the level of readiness for FIs to invest in conservation and restoration finance currently[2], the investment universe will likely be far-smaller in the short-term as compared to sustainable use finance. The next steps of a Nature Positive Framework should aim to develop and scale these opportunities for conservation and restoration finance.

2 Though organisations such as NatureFinance naturefinance.net, IUCN iucn.org/news/nature-based-solutions/202011/nature-accelerator-fund-ready-investors and the Coalition for Private Investment in Conservation (CPIC) cpicfinance.com are working to develop the pipeline.

- **Ecosystem assessment:** Conduct thorough assessments to identify priority areas for conservation and restoration based on biodiversity richness, ecosystem health, and potential for restoration impact.
  - **Theory of change:** Formalise the potential impacts of the project on biodiversity by formalising what activity is supported, where, and how it can reduce drivers of loss and/or enhance biodiversity state and condition.
  - **Broad incentives:** Incentivise conservation and restoration activities in all priority biodiversity areas, not just those where gains are easier to achieve, as suggested by Maron *et al.* (2024).
  - **Impact measurement:** Develop robust monitoring and evaluation systems to track the ecological, social, and economic impacts of conservation and restoration investments.
  - **Stakeholder engagement:** Involve local communities, indigenous groups, and conservation organisations in the identification process to ensure alignment with their needs and priorities.
  - **Adaptive management:** Use data-driven insights to adapt investment strategies and optimise resource allocation for maximum conservation and restoration outcomes.
  - **Precautionary approach:** Mitigate potential risks associated with conservation and restoration opportunities through careful project selection, due diligence, and diversification across regions and ecosystems.

## Foster partnerships for community engagement and empowerment

- **Indigenous peoples and local communities Leadership:** Supporting IPs and LCs leadership in nature finance is not only a recognition of their critical role in biodiversity conservation but also a strategic approach to achieving more effective, equitable, and sustainable outcomes. It respects their rights, leverages their unparalleled knowledge and stewardship capabilities, and ensures that conservation initiatives are rooted in the cultural and ecological realities of the areas they aim to protect. See also BCA (2023).

- **Capacity building:** Invest in capacity-building programs to enhance local stakeholders' skills and knowledge in conservation and restoration practices, fostering self-reliance and resilience. This approach also has social, gender empowerment and other dividends, in addition to being cost-effective in attaining positive impact for nature.

- **Landscape approach:** Take part in cross-sectoral and multi-stakeholder processes, relying on spatially explicit, place-based plans that include biodiversity conservation in relation to other sustainable development goals. See the report "Lessons Learned from Integrated Landscape Finance" by EcoAgriculture Partners and Wolfs Company.

- **Payment for Ecosystem Services:** Explore opportunities to invest in programs that provide financial incentives for landowners and communities to conserve and restore ecosystems, such as payments for carbon sequestration, water purification, and biodiversity conservation.

- **Blended-finance:** Leveraging the mission-focus of capital from partners in the public finance sector and the patience of capital from the philanthropic sector to scale opportunities; blended finance structures include 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, multi-tranche and structured funds), risk-sharing, and guarantees, technical assistance, project preparation facilities and credit enhancement.

## Promote knowledge sharing and advocate for Nature-centric policies

- **Collaborative initiatives:** Partner with governments, multilateral organisations, NGOs, and private sector entities to leverage resources, expertise, and networks for large-scale conservation and restoration initiatives.
- **Partnership platforms:** Support partnership platforms and networks that promote collaboration and coordination among stakeholders working on nature conservation and restoration globally.
- **Call for the alignment of incentives:** Advocate for supportive policies and regulatory frameworks that incentivize private investment in nature conservation and restoration, such as tax incentives and biodiversity offsetting mechanisms.
- **Knowledge exchange:** Facilitate knowledge sharing and collaboration among investors, practitioners, researchers, and policymakers to disseminate best practices, lessons learned, and innovative solutions.

### Available resources:

- WBSCD published "The Nature-Based Solutions (NbS) Blueprint" to guide companies through the process of preparing for, and then building initial business cases for using NbS that address their business challenges and opportunities. It provides a step-by-step process for companies in order to: identify NbS capable of addressing existing/developing business challenges and opportunities; outline key sources of business value that a chosen NbS can offer the company; start compiling the costs associated with implementing an appropriate NbS and compare the available solutions (traditional and NbS) and their overall outcomes.
- Financial institutions can use the growing literature on biodiversity and carbon credits as inspiration to understand good practices for the conservation and restoration of nature. However, as of now, these materials should only be used as inspiration considering the risks and limits of offsetting practices.
- The State of Finance for Nature annual report series tracks finance flows to nature-based solutions (NbS) and compares them to the finance needed to maximise the potential of NbS to help tackle climate, biodiversity and degradation challenges.
- The Coalition for Private Investment in Conservation (CPIC) is a global multi-stakeholder initiative focused on enabling conditions that support a material increase in private return-seeking investment in conservation. It aims to facilitate the scaling of conservation investment by creating models ("blueprints") for the successful delivery of investable priority conservation projects.
- The UN Decade on Ecosystem Restoration is an initiative aiming to drive the restoration of one billion hectares of degraded land between now and 2030. Its Finance Taskforce aims to unlock the capital needed to meet the Decade's goals. In its stocktake report, it identified the benefits of restoration by investor sector, as shown in Figure 10.

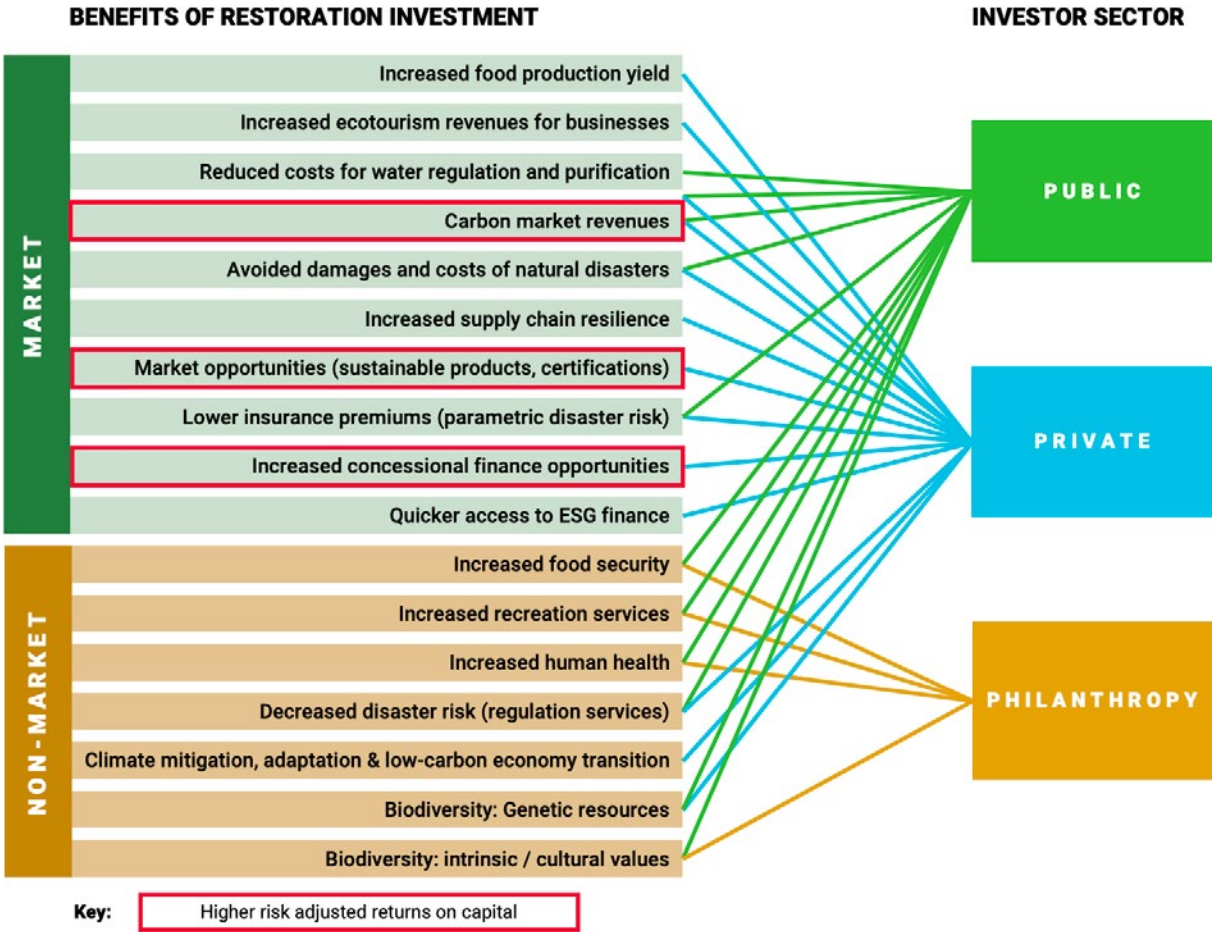



Figure 10: Benefits of restoration investment by Investor Sector. Source: UN Decade on Ecosystem Restoration Finance Taskforce.

## Alignment with the targets of the Global Biodiversity Framework

### Generating biodiversity gains

Both for project identification and for building a dashboard of indicators, any contribution to the nature positive goal should align with and build on the goals and targets of the Global Biodiversity Framework. Among GBF targets, the following are recommended as a reference on "enhancing biodiversity":

- **Target 2:** Ensure that by 2030 at least 30 per cent of areas of degraded terrestrial, inland water, and marine and coastal ecosystems are under effective restoration.
- **Target 3:** Ensure and enable that by 2030 at least 30 per cent of terrestrial and inland water areas, and of marine and coastal areas, are effectively conserved and managed.
- **Target 4:** Maintain and restore the genetic diversity within and between populations of native, wild and domesticated species to maintain their adaptive potential, including through in situ and ex situ conservation and sustainable management practices.
- **Target 11:** Restore, maintain and enhance nature's contributions to people, including ecosystem functions and services through nature-based solutions and/or ecosystem-based approaches for the benefit of all people and nature.
- **Target 12:** Significantly increase the area and quality, and connectivity of, access to, and benefits from green and blue spaces in urban and densely populated areas sustainably.

## The values of ecosystem services

### What are ecosystem services?

The Convention on Biological Diversity (1992) defines an ecosystem as "*a complex of living organisms and the abiotic environment with which they interact in a specified location*." In other words, it is a local network of interacting plants and animals, and the landscape in which they live. Ecosystems produce flows of benefits to people and the economy, or ecosystem services. Ecosystem services form the basis for understanding dependencies on nature and are crucial for risk management.

The Millennium Ecosystem Assessment, published in 2005, divided ecosystem services into four categories:

1. **Provisioning services**, or the supply of goods of direct benefit to people.
2. **Regulating services**, the range of functions carried out by ecosystems which are often of great value but generally not given a monetary value in conventional markets, such as the regulation of climate, the removal of pollutants, and protection from disasters.
3. **Cultural services**, contributing to wider needs and desires of society, and therefore to people's willingness to pay for conservation.
4. **Supporting services**, not of direct benefit to people but essential to the functioning of ecosystems. Examples are the formation of soils and the processes of plant growth.

### Can businesses fund ecosystem services?

- **Monetary values of ecosystem services:** the Ecosystem Services Valuation Database (ESVD) is the largest publicly available database with standardized monetary values of ecosystems and their services per location, containing over 9,500 data points from over 1100 studies distributed across all biomes, ecosystem services and geographic regions. In 2021, the ESVD partnered with ASN Bank for the 'Make Nature Count' initiative, aiming to explore how monetary valuation of ecosystem services data can inform financial institutions' decision-making processes. The evaluations underscored that various ecosystem services impact distinct stakeholder groups: provisioning services, often tradable in markets, primarily benefit private stakeholders; regulating services, typically non-tradable, extend their advantages to both private and public interests.
- **Payment for Ecosystem Services (PES)** compensate individuals or communities for maintaining or enhancing ecosystem services. Their development is an opportunity to secure funding and align environmental objectives with broader economic goals. PES are financial instruments developed by public authorities, but there are increasing opportunities for business and financial institutions to get involved in those mechanisms.
- **Blended finance:** Combine public and private capital to take into account the relationship between provisioning/cultural ecosystem services and regulating ecosystem services in a landscape approach. Both finance schemes for ecosystem services and blended finance can spread the financial risk that may be associated with long-term ecosystem service projects, making them more attractive to investors who might otherwise be deterred by uncertainties.

## The potential of Nature-Based Solutions

### What are Nature-based Solutions (NbS)?

The International Union for Conservation of Nature ('IUCN') defines NbS as actions to protect, sustainably manage, and restore natural or modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.

### How can Nature-based Solutions (NbS) benefit businesses?

WBCSD has developed the 'Nature-based Solutions Blueprint' and the Nature-based Solutions Map' tool, designed to help companies identify the types of NbS that best address their priority challenges and opportunities, enabling them to build business cases for using NbS.

It notably presents an overview list of NbS:

- **Freshwater & wetlands:** Wetland protection, restoration, and management; Engineered wetlands; River and floodplain rehabilitation and restoration; Lake restoration.
- **Urban:** Green space protection, restoration and management; Creation of urban green spaces.
- **Terrestrial:** Forest protection, restoration, and management; Afforestation; Regenerative agriculture; Grassland protection, restoration, and management.
- **Marine & coastal:** Offshore ecosystem protection, restoration, and management; Onshore and transitional water ecosystem protection, restoration, and management.

### Is it possible to fund Nature-Based Solutions (NbS)?

There are significant numbers of NbS projects operating on 'commercial' rather than philanthropic terms Finance Earth identified over 200 NbS projects in A Market Review of Nature-Based Solutions, from which 88 unique transactions were selected that incorporated repayable investment into the capital mix, with a total disclosed value of approximately USD 1.5 billion. The majority of NbS transactions identified had incomes based on commodity markets, where the most mature forms of NbS were seen across the timber, agricultural and water sectors. In contrast, cost benefit models were identified in far fewer (24%) of transactions. The sale of carbon credits through voluntary carbon markets was the most common ecosystem service, identified across 34% of transactions.

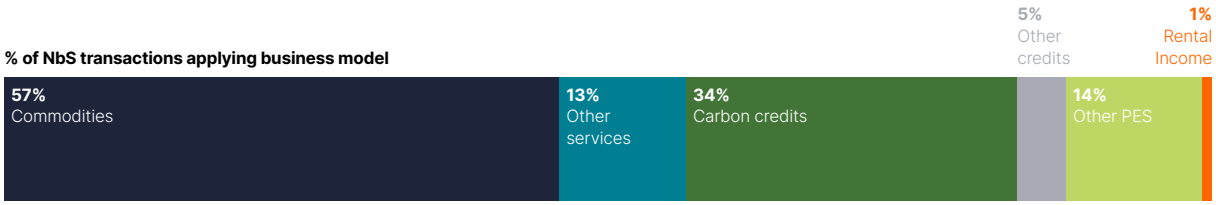



Figure 11: Analysis of NbS business models. Share of sales model—totals more than 100% due to multiple revenues being stacked within project structures. Source: Finance Earth.

# Strategy 4: Support system-scale changes

**Objective:** To enable the transformation of value chains by supporting system-scale changes, both through innovations and commitments to sustainable practices.

## Identify market challenges to support the emergence of solutions and enablers

- **Understand the sustainable transition challenges:** concrete knowledge on the issues faced by economic actors is key to identify the right solutions that can be adopted in production processes. Such knowledge can be inspired by research, notably on sectoral transition pathways, but also by market studies generating concrete insights. Engagement with companies can serve to uncover existing barriers.
- **Develop financial products supporting solutions scale-up:** research and development constitute a long process requiring patient capital, as well as validation milestones. It requires a capacity for financial institutions to bear a high-level of risks, with a potential of a high return. It is possible that many of the solutions needed for the economic transition already exist but need financial support to reach the market.
- **Bet both on low and high-tech solutions:** on the one hand, there is fundamental need to orientate technological advancements for the protection of nature; such needs include more on the ground measurement, digital monitoring of biodiversity, notably coming from satellites images, or even digital-led practices, for example towards precision agriculture, energy savings, or logistics efficiency. However, innovation can also be low tech, and even rely on natural processes. This is a field explored in "biomimetism". It can also be about the use of green infrastructures to replace technological processes, for example for water treatment. Finally, "biotechnologies" exist across the spectrum from low to high-tech. As per the Global Biodiversity Framework, they require biosafety measures to be put in place at national level.
- **Develop theories of change and explain the potential for outcomes:** any contribution to the nature positive goal must be justified, both by qualitative assessments in the context of mainstreaming finance and quantitative assessments to demonstrate positive outcomes for biodiversity. Innovators and financial institutions should rely on theories of change explaining the causal pathway between an innovation and the state of nature to justify its development. It is also possible to concretely measure the outcomes enabled by an innovation, even though the process to obtain results at site-level can require multi-actor collaboration. A possibility is to perform Life-Cycle Analysis to understand the potential reduced negative impacts from a new product or process, even though this method is more risk oriented than outcome oriented.

## Aim for transformative changes through innovations and commitments

- **Common goods and underlying systems:** innovations can generate transformative changes with implications going much further than their original scope of application. Creating a better understanding of natural processes and improve the measurement of the state of nature can benefit diverse stakeholders across a broad range of activities and interests. An open science approach can foster the acceleration of knowledge transmission.

- **Transfer of technology and scientific cooperation:** areas of biodiversity significance need to be conserved, protected, and sustainably used with the highest level possible of knowledge and technological advancement. Nature Positive is a societal, international goal, and ensuring transfers of technologies can offer the capacity to all to contribute to the protection of nature with adequate means.
- **Equitable sharing of genetic diversity benefits:** the Nagoya Protocol (1992) is the international agreement setting the rules for the equitable benefit-sharing of resources coming from genetic diversity. COP16 will aim to organise the distribution of funds from revenues generated by the use of genetic diversity, notably from the pharmaceuticals sector. This mechanism shall ensure that the communities protecting biodiversity are supported and retributed adequately.
- **Market signalling and collective commitments:** transformative changes are not only the results of technological advancements, but also of behavioural changes and commitments. Market signalling at a collective level can send signals influencing other stakeholders, but even more importantly it can prevent "impacts leakages".

## Finance research to lift institutional barriers for innovation

- **Build partnerships with scientists:** increased relations and understanding between academia can enable one to bridge the gap between scientific discoveries and their concrete applications in productive processes. Financing research can be a meaningful way to drive the advancement of knowledge towards solving societal and market challenges.
- **Encourage sustainable consumption choices:** consumers preferences shape the commercial success of companies but they can only shift towards sustainability with correct information and marketing. This shift relies on correct information, notably on labelling. Supporting visibility and transparency of sustainable products can even lead to increased margins for companies and potentially higher returns for financial institutions.
- **Advocate for economic incentives towards sustainable innovations and activities:** harmful subsidies have been demonstrated to create distortions in the markets that currently lead to increased negative impacts on nature. As per target 18 of the GBF, governments should reorientate subsidies to support positive outcomes for biodiversity. Such subsidies, market mechanisms and public investments could be orientated towards sustainable innovations, thus de-risking these opportunities to catalyse private finance.

### Available resources:

- The report "The state of nature tech" by Nature4Climate report considers the current status of the emerging nature tech sector and its future development as a vital tool in supporting naturebased solutions (NbS). NbS are actions that aim to protect, restore and sustainably manage natural and seminatural ecosystems.
- The OECD estimated that government support, including subsidies, that are environmentally harmful totals more than USD 800 billion a year. The authors argue that government support distorts prices and resource allocation decisions, altering the pattern of production and consumption in an economy.

- The report "The Nature Tech Nexus: Bridging biodiversity and business" by the GSMA Climate Tech programme is presenting opportunities to strengthen biodiversity solutions through mobile and digital technologies.

## Alignment with the targets of the Global Biodiversity Framework

### Transforming value chains

Both for project identification and for building a dashboard of indicators, any contribution to the nature positive goal should align with and build on the goals and targets of the Global Biodiversity Framework. Among GBF targets, the following are recommended as a reference for "solutions and enablers":

- **Target 16:** Ensure that people are encouraged and enabled to make sustainable consumption choices.
- **Target 17:** Establish, strengthen capacity for, and implement in all countries, biosafety measures for the handling of biotechnology and distribution of its benefits.
- **Target 18:** Strengthen capacity-building and development, access to and transfer of technology, and promote development of and access to innovation and technical and scientific cooperation.
- **Target 21:** Ensure that the best available data, information and knowledge are accessible to decision makers, practitioners and the public.

## Innovations in the measurement of biodiversity

With continuous technological developments, new data sources are becoming available that offer increasingly direct information on the state of biodiversity, such as:

**Environmental DNA (eDNA):** Animals, plants and bacteria constantly leave DNA traces behind in the environment. This environmental DNA (eDNA) can be retrieved and used to identify which species are or have been present in the sampled environment. eDNA monitoring thus offers an innovative and cost-effective way to collect primary data on biodiversity, for example at sites where companies have their operations.

**Bioacoustics:** Bioacoustics consists of the analysis of animal sounds. Species and taxonomic groups can be identified from soundscape recordings; a process which is automated through artificial intelligence technologies. Furthermore, bioacoustics could be used to monitor human activities as well, including tracking illegal activities.

**Remote sensing:** In remote sensing, information about a landscape or object is gathered based on its reflection and/or emission of radiation (i.e., visible light, infrared and microwave radiation). Satellite imagery is the most widespread example of remote sensing, but data could also be collected by drones or aeroplanes.

For more information, see "Guide on biodiversity measurement approaches" (FfB Foundation, 2024).

# Recommendations for good practices towards Finance for Nature Positive

This section will focus on the good practices to be implemented, from the structuring to the monitoring of a transaction, to increase the potential for financial institutions to meaningfully participate in the implementation of the GBF. Starting from overall good practices recommendations, it will then apply them to different asset classes, notably to understand the potential and barriers of each asset class to contribute to the Nature Positive goal.

## Overall good practices recommendations

Inspired by existing impact finance frameworks, the FfB Foundation and UNEP FI recommend the following set of good practices within the Finance for Nature Positive working model.

### Assume an active role in the generation of positive outcomes

- **Products:** including sustainability-linked criteria in the design of investments and finance products or offering specific policies and preferred conditions to clients and projects demonstrating the generation of positive outcomes for nature.
- **Practices:** offering technical support to project holders, notably for financial structuration, but also influencing practices towards reducing negative impacts and generating biodiversity gains, and overall engaging with companies to drive their transition.
- **Outreach:** taking part in collective actions aiming for system-scale, positive transformative changes.

### Ensure traceability of funds to outcomes

- The ideal transaction is directly linked to a project, to tie biodiversity outcomes with a specific sustainable finance product/investment. Every transaction must rely on sound due diligence of project holders, to manage potential risks and ensure the involvement of local communities.
- If funding a company, ensure that it precisely discloses it's impacts and dependencies on nature, ask management to set overall targets toward Nature Positive contributions and develop transition plans, and perform due diligence to ensure their activities do not significantly harm nature. Ideally, identify pure-play companies generating measurable positive outcomes for nature in their overall business model.

### Monitor contributions to positive outcomes

- Positive outcomes for nature only happen at site or landscape level, while contributions are nested among other levels i.e. landscape, company, sector, value chain.
- Quantitative and qualitative assessment should explain how an opportunity contributes to avoiding biodiversity loss or generates biodiversity gains, including through the transformation of value chains.
- Measurement and monitoring should ideally rely on state-of-nature data. However, companies can focus on the reduction of drivers of loss within their circle of influence. Regardless of the approach, estimated or actual results should be monitored and data audited and verified.

### Set targets and develop organisation strategies approved by the board

- Individual actions should justify how they will add up to contribute to overall "net gains" at the collective level, towards more nature in the world in 2030 than in 2020.
- Financial institutions should set targets both for reducing drivers of loss and improving the state of nature objectives. The action plan to contribute to the Nature Positive goal should be supported by governance and approved by the board.

## Recommendations applied per asset class

Each financial asset class presents unique characteristics, in terms of client relations, traceability of funds, typical economic sectors, or even return profile. Therefore, the good practices proposed to support the vision of a Finance for Nature Positive can be applied and need to be detailed for each of them. In this paper, the good practices will be detailed for main asset classes, which are deemed most relevant for Nature Finance at this stage.

### Selection of main asset classes

Finance for Nature Positive is needed across all categories of financial instruments and the business activities that underpin them. However, considering the scope of this discussion paper as a first step to operationalise good practices, not all asset classes can be covered in detail.

Some asset classes will for now be set aside due to their intrinsic complexity, such as mezzanine and convertible equity, notes and credit-linked-notes, insurance and reinsurance, export credits and other forms of de-risking, commodity finance, and public debt conversion. Among them, commodity finance, due to its direct relation with nature, and insurance, due to risk management operations, are particularly relevant to Nature Finance and should be explored next. The ETFs asset class is set aside due to its passive management characteristics. Finally, market mechanisms such as carbon and biodiversity credits are in development and already studied by numerous organisations. To avoid duplication, this paper will only cover them as tools within portfolio strategies, not explored as an asset class yet.

The five asset classes that will be covered in this paper can be considered as the most common in terms of practices in the financial sectors, and the most widespread in terms of financial assets in circulation: traded debt; private debt; actively managed listed equity; private equity; and alternative investments (such as infrastructure and project finance).

## 1. Traded debt

### Asset class description

Financial tools used to raise funds in the capital markets in the form of bonds, representing loans made by an investor to a borrower and generating a fixed income.

### Good practices to contribute to nature positive outcomes

- **Financial tools:** sustainability-linked bonds are fast developing in the market, with recognised frameworks already in place enabling one to tie the conditions of the financial products to sustainable outcomes and company targets over time; additionally, these products can be designed to serve a specific sustainability cause (i.e. conservation bonds; rhino bonds) making impact goals clear and visible. Furthermore, investors have the capacity to engage with issuers in various forms, such as technical assistance in product structuration, or even advocacy efforts regarding sovereign debt.
- **Traceability of funds to outcomes:** the existence of recognised guidelines in the market about the 'use-of-proceeds' ensures that all expenses financed by bonds are being mapped and monitored. In that sense, traded debt can be considered similar in practice to 'project finance' with a high-level of traceability to tie positive biodiversity outcomes and contributions to a financial product. In any case, due diligence should be performed on the activities of the entire project holder entity.
- **Spatially explicit data, at site-level:** sovereign and corporate bonds are often used to develop large-scale projects, such as infrastructure, or nature conservation and restoration projects (apart from social bonds). In that sense, they are usually financing specific, spatially explicit projects. The environmental data would essentially be available to financial institutions through the reporting of beneficiaries. However, considering the large scale of these investment opportunities, often developed by public entities, the information can be made available to investors and be verified/audited.

### Potential and current barriers

The traded debt asset class presents ideal characteristics to support Nature Positive outcomes, both for investors as bonds buyers and for banks in charge of their structuration. In terms of Finance for Nature Positive potential, the traded debt asset class offers the possibility to implement sustainability-linked criteria, visibility on use-of-proceeds, and the capacity to ask for verified data based on spatially-explicit projects. The asset class is attractive to investors considering its large tickets and relatively low risks. Corporate and sovereign bonds can enable investors to directly support non-profitable conservation and restoration projects, and expect a return from the interest carried by the issuers. Finally, as sustainable bonds are increasingly becoming a common practice around the globe, this means investors and banks from all countries could directly support the projects of biodiversity-rich countries.

## 2. Loans & non-traded debt

### Asset class description

Loans and non-traded debt are financial obligations that involve borrowing funds, typically from banks or private lenders, without being bought or sold on financial markets.

### Good practices to contribute to nature positive outcomes

- **Financial tools:** banks can include sustainability-linked criteria into their loans, even if these products are still recent and under development. By doing so, they can tie the cost of their loans to achievement of pre-defined sustainability objectives. They can also define preferred conditions to specific activities in their ESG policies. In terms of technical assistance, they can offer support on financial structuration to project holders. Banks are often able to manage small deals, which are a high potential source of positive impacts, and can be in direct relations with local communities. Thus, they hold a specific role in fostering economic dynamism at the landscape-level.
- **Traceability of funds to outcomes:** loans can be requested by project holders for a specific expenditure or for overall support of operating processes. Banks have the capacity to request information from clients but may have limited time availability to request and monitor company data. Until the emergence of companies with holistic business models generating positive impact on nature, loans aiming for nature positive outcomes should be linked to a specific project within a company or to be implemented in a dedicated structure (see alternative investments, page 31). In any case, due diligence should be performed on the activities of the entire project holder entity.
- **Spatially explicit data, at site-level:** it is possible for banks to structure loans for most types of companies activities, including spatially-explicit projects. The types of loans that could be out of scope would be the ones focusing on operating expenditures and on company acquisitions. Other than that, loans can support companies and activities that are spatially explicit, notably in the agriculture, forestry, utilities, and construction economic sectors. Banks need to access reporting data at site-level through the information shared by their clients. However, they have the capacity to include in their contracts for this information to be provided following specific requirements, and to be audited/verified.

### Potential and current barriers

In the private debt asset class, the potential for positive outcomes depends greatly on the deal in question. A strong advantage is the capacity to demand access to data and to finance specific activities within a company. In terms of tools for impact, sustainability-linked products are under development but not very mature yet. Difficulties arise for spatially-explicit measurement of outcomes if the loan does not apply to CAPEX expenses.

## 3. Listed equities

### Asset class description

Listed equities are shares of a company that are traded on a public stock exchange.

### Good practices to contribute to nature positive outcomes

- **Financial tools:** including impact in product design is only limited in the listed equities asset class. However, investors can develop investment strategies with ambitious sustainable selection rationales and relying on engagement practices. A sectoral approach can help to determine a specific investment universe to direct financial flows towards sustainable activities and support companies that are innovative or in transition. This is even more effective if targeting underfunded markets. Moreover, investors can engage with companies to guide and influence their practices. The following conditions are expected to drive meaningful results: defining clear objectives and ambition for engagement; and implementing and monitoring transition indicators; working collaboratively towards transformative changes and avoiding impact leakages; implementing escalation strategies, such as voting or exclusions.
- **Traceability of funds to outcomes:** despite rapidly improving reporting practices, it is not yet possible to link the outcomes of an investment to the specific project of a listed company, as equity investments are at company-level. It would be possible in the future to claim that a transaction invests in a "pure play" company demonstrating the generation of biodiversity net gains at site-level. Due to the lack of companies fitting this condition, as of today, listed equities investors can only aim to generate contributions to the Nature Positive goal, towards the transition of the economy.
- **Spatially explicit data, at site-level:** listed equities portfolio span over the entire range of economic sectors and in that sense, participate in fuding spatially explicit activities that impact nature. However, to access data at site-level, investors rely on disclosures from investee companies. For this information to be relevant in the context of Finance for Nature Positive, it needs to be produced with high granularity, to monitor changes in the state-of-nature, and to be verified and audited to ensure the right level of confidence. For contributions at other levels (value chain, sector), the potential benefits to biodiversity need to be justified by a theory of change and be justified against a relevant benchmark.

### Potential and current barriers

The listed equities asset class currently faces concrete limits to be able to generate measurable positive biodiversity outcomes. Considering that listed equity investments happen at company-level, it is not possible to tie funds to specific outcomes at site level nor contributions at the value chain or sectoral levels. In the future, if "pure play" listed companies emerge, the asset class could better meet the recommendations to contribute to Nature Positive. Investors are still encouraged to develop impact strategies based on an ambitious selection process and consistent engagement with companies, to pilot their transition based on nature KPIs.

## 4. Private equity

### Asset class description

Private equity involves investing in private companies or taking public companies private, typically through direct investment or buyouts, with the aim of improving the company's value before selling at a profit.

### Good practices to contribute to nature positive outcomes

- **Financial tools:** private equity investors have been very active in impact finance, as they have the capacity to support innovative companies developing solutions to market and societal issues. When investing, they can include concrete sustainability objectives and criteria in their shareholders agreement, enabling them to monitor nature KPIs and influence the strategy of investee companies. In their practices, private equity investors can provide technical assistance to companies management, in terms of business relations, financial decisions, and strategic planning. Unfortunately, little transparency is currently provided to external stakeholders.
- **Traceability of funds to outcomes:** similar to listed equities, private equity investments are at company-level. However, it could be possible to justify relations from funds to outcomes and contributions, thanks to a close relationship to company management and the capacity to tie rounds of investments to strategic decisions. Such relations however are not to be simply expected but justified extensively. Finally, considering the small size of companies supported in the private equity asset-class, there is a potential pool of investment opportunities in pure-players companies with business models dedicated to generating biodiversity gains.
- **Spatially explicit data, at site-level:** similar to listed equities, investors in private equity can invest in companies developing spatially-explicit activities. Furthermore, private equity investors have a capacity to access data at site-level, which can be directly requested from management. However, when investing in non-spatially explicit activities, contributions need to be justified by a theory of change and demonstrated against a relevant benchmark. Investing in innovations holds important potential for supporting transformative changes, notably in value-chains and for biodiversity measurement technology.

### Potential and current barriers

The private equity asset class has the capacity to generate biodiversity outcomes when investing in innovative companies with spatially explicit projects generating biodiversity gains, and providing them with effective non-financial support. It is also a key support of innovative companies with the capacity to transform value chains and underlying systems. To improve this capacity, efforts are required in generalised state-of-nature data verifications and increased transparency about impact criteria to be implemented into shareholders agreements.

## 5. Alternative investments

### Asset class description

Alternative investments are non-traditional assets, like natural resources, real estate, and infrastructure, offering diversification and potential higher returns. Hedge funds are out of scope for this paper. Off-balance-sheet project finance is considered an alternative investment.

### Good practices to contribute to nature positive outcomes

- **Financial tools:** similarly to other non-traded products, alternative investments offer the possibility to integrate sustainability-linked criteria in contracts and product design, making it possible to pilot and create rewards or consequences linked to sustainability results. In addition, ESG policies enable the implementation of preferred financial conditions for their markets or activities. In terms of assistance, project finance usually offers the opportunity for financial professionals and project holders to negotiate or even co-develop the structure of the projects, on financial and non-financial terms. In that sense, financial professionals can provide assistance and insights to influence decisions towards biodiversity gains. In any case, due diligence should be performed on the activities of the entire project holder entity.
- **Traceability of funds to outcomes:** by definition, in project finance, whether in real estate, infrastructure, or natural capital, funds are tied to specific projects isolated in financial structure sitting "off balance-sheet" from companies activities. The traceability of funds is complete.
- **Spatially explicit data, at site-level:** apart from exceptions, project finance is dedicated to spatially-explicit activities. Unfortunately, these assets are frequently associated with land-use change. Thus, they present an important potential to shift from negative to positive impact thanks to transformation interventions that can be guided by financial institutions. Moreover, all contractual stakeholders are part of the project governance and can define the terms of their partnerships to access data at site-level. Financial parties may require that data be requested from project holders or have the capacity to mandate on-site measures and verifications themselves. In any case, they have the capacity to require that data to be verified/audited.

### Potential and current barriers

The project finance asset class fits perfectly with the Nature Positive operational criteria, with the capacity to implement impact products, to link funds to outcomes, and to access data at site-level. It is ideal to develop innovative mechanisms such as blended-finance, de-risking mechanisms, and to include local communities in financing processes. New impact practices are continuously emerging, such as the development of incubators or technical facilities to support project holders. Unfortunately, the asset class is highly involved in the agriculture, forestry, and construction sectors, which can heavily impact nature. Thus, financial institutions have a strong responsibility to drive the transformation of the supported projects.

# Private financial sector needs to further contribute to the Nature Positive goal

This section identifies three key fields of work, including further research, policy developments and multi-stakeholder collaborations, in order to answer the needs of the financial sector to meaningfully contribute to the global Nature Positive goal.

## Measurement, disclosures, and data

Financial institutions need improvements in the overall management of information related to nature finance, in order to develop their strategies for nature:

- **Alignment and standardisation of indicators:** Due to the multiple dimensions of biodiversity, understanding and choosing the right indicators remains challenging. Immense progress has been realised thanks to the launch of the TNFD, as well as the work of numerous organisations on the topic cited previously in this paper, such as the Nature Positive Initiative, the ALIGN project, and the Land Use Impact Finance Hub. Further research and standardisation is welcomed to facilitate the monitoring of contributions by financial institutions. Governments, financial institutions, and other stakeholders can call for the development, implementation, and the interoperability of a common standard for nature-related disclosures.
- **Disclosure requirements:** Financial institutions rely on the information provided by companies to be able to assess risks, impacts, dependencies on nature, as well as opportunities. Governments should set explicit disclosure regulations for large companies and financial institutions, which include their operations, supply chains and portfolios. That is the intent of Target 15 in the GBF: we need to increase our collective knowledge about how business interacts with nature so that harmful impacts can be better managed, avoided, and mitigated.
- **Open data:** Unified data initiatives—such as the TNFD Nature-related Public Data Facility and the Global Ecosystem Atlas—and open-source government data can facilitate action from the private sector. 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. Public data sources that governments can make available are, for example, data from international trade or from satellites. There is

a 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.

- **Innovations in measurement tools:** On the ground measurements of nature are not always accessible or easily contextualised by financial institutions. Notably, the high-level of measurement granularity needed to understand the impacts of activities on biodiversity and ecosystems can make it costly and time consuming. Innovations such as satellite images, eDNA or bioacoustics, have the capacity to make it easier for financial institutions to understand changes in the state-of-nature.

# Reducing barriers to finance nature conservation and restoration

Financial institutions are facing concrete barriers to mobilise resources toward the conservation and restoration of nature, which could be tackled by reinforced multi-stakeholders cooperation. In the following section, the proposed answers will mirror the key drivers of underinvestment identified by the UN Decade on Ecosystem Restoration Finance Taskforce (the Taskforce).

- **Ecosystems' values:** according to the Taskforce, there is insufficient awareness about the critical role of ecosystem services in the economy and society, as well as inadequate knowledge and data on the costs and benefits of restoration. Furthermore, it is difficult to monetize the benefits of restoration. The Ecosystem Services Valuation Database (ESVD) and the UN System of Environmental Economic Accounting (SEEA) provide information and guidance to further help accounting for the full value (monetary and non-monetary) of nature and its ecosystem services. It is important to acknowledge the different co-existing values of nature, including intrinsic and cultural. However, we should not allow for nature to have a null monetary value and suffer the tragedy of the commons. Governments should identify manners to incentivize private sector investment in restoration. Among emerging financial tools are payment for ecosystem services—which remain challenging for private finance sector involvement—and biodiversity credits—which need further structuration.
- **Catalytic capital:** the Taskforce identified that the structure and timing of the costs and benefits of restoration make the risk-return profiles of investments less competitive than other types of investments. On top of this, taxes and subsidies tend to drive degradation and fail to incentivize restoration. To support the development of finance strategies focusing on nature conservation and restoration, public and multilateral financial institutions should leverage public funds to mobilise private financethrough catalytic capital, as well as developing positive outcome payments. Such public-private partnerships can enhance the diversity of benefits generated by ecosystem services; both for public and private stakeholders. Inspiring examples of successful blended-finance financial structures include the Land Degradation Neutrality Fund managed by Mirova and the Eco.Business Fund managed by Finance in Motion. Both funds actively invest in emerging countries thus enabling transfer of technology and protection of biodiversity rich areas.

- **Technical assistance for project development:** another barrier is the lack of knowledge about bankable business models for restoration projects. Research identifying existing business models and developing blueprints are precious for market development. Among them, CPIC and the EU B&B Platform are particularly active and provide concrete guidance to their networks of financial institutions. Another approach consists of offering technical assistance to project holders, in order to facilitate their structuration, notably in financial terms. Concrete examples include IDH, which developed a unique method of convening, co-financing and learning & innovating, the biodiversity accelerator structured by impact fund Silverstrand Capital, and the IUCN Nature+ Accelerator Fund.
- **Landscape approach:** the Taskforce underlines land and sea tenure uncertainty or insecurity and unequal distribution of derived benefits, preventing sound governance and management of the natural assets. Another key challenge in financing restoration is getting capital from large financial institutions and donors to locally-led initiatives. Both these challenges interact with the importance of recognising and rewarding the stewardship of indigenous people and local communities. Developing a landscape approach can help solve these challenges, and responds to the need to support a diversity of ecosystems that benefit different kinds of a stakeholders in a common environment (public/private). The report "Lessons Learned from Integrated Landscape Finance" 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, placebased plans that include biodiversity conservation in relation to other sustainable development goals. An innovative example can be found in the Bioregional Financing Facilities, which aims to decentralize financial resource governance and growing the connective tissue between resources and regeneration.

# Policy and sectoral transformation pathways

- **Sectoral regulations and economic incentives:** Policymakers play a crucial role in catalysing the economic transformations necessary to unlock private financing and prevent it from financing harmful activities with regards to nature. They should outline clear policy pathways focusing on the underlying economic activities, which will genuinely mobilise private resources at the scale and speed required. Governments also have the opportunity to orientate private finance effectivelyby including biodiversity considerations into their sovereign financing.
- **Scenarios and pathways:** there is a concrete need for comprehensive research on sector activities and innovations in order to discontinue unfavourable practices and generate the conditions for the transformation of economic activities toward sustainable practices. There is notably a need for comprehensive scenarios supporting financial decisions, as exist for the energy industry with the International Energy Agency scenarios. The IPBES is providing a growing set of resources in that direction, with its work on Nature Futures Framework, on transformative changes, and on business assessment. The G20 is leading a collective via the Global Initiative on Bioeconomy.

- **Nomenclature instruments:** the development of taxonomies on biodiversity can help identify and analyse the performance of specific assets. Taxonomies offer common references for financial institutions that are analysing and selecting opportunities. There is a growing trend in the development of national taxonomies, which could be leveraged at the global level to better qualify the financial flows contributing to GBF implementation.
- **Nature transition plans and target setting:** In order to achieve Goal D and Target 14, a key mechanism for full implementation of the GBF is that companies and 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.

# Conclusions and next steps

This discussion paper proposes a working model of Finance for Nature Positive to provide guidance for financial institutions aiming to contribute to the Nature Positive global goal, in line with the mission of the GBF. By fostering consensus on definitions and good practices, it aims to support the development of strategies toward the improvement of the state of nature.

The Finance for Nature Positive working model builds on the definitions of the World Bank Group, including Nature Impact Mitigation Finance, Nature Mainstreaming, and Finance for Nature Positive. It underlines the improvement of the state of nature above the 2020 baseline as an overaching goal, in accordance with the recommendations of the Nature Positive Initiative. It defines three "transformative levels" for financial institutions good practices: firstly, compliance to the mitigation hierarchy; secondly, support of transformative opportunities for the implementation of the GBF; and thirdly, organisation strategy and governance. Financial institutions are called to monitor their contributions to the Global Biodiversity Framework as they aim to avoid nature deterioration and biodiversity loss, (by phasing-out from activities with adverse impacts and reducing drivers of loss), generate biodiversity gains, and transform value chains (by supporting system scale changes). The categories of opportunities presented for financial institutions are "sustainable use", "conservation and restoration", and "solutions and enablers".

This discussion paper aims to nourish wider debates on aligning financial flows for the implementation of the GBF. The current Finance for Nature Positive working model implies that:

- The financial sector can play a pivotal role in driving biodiversity conservation and sustainable development, ultimately contributing to a more resilient and nature-positive future. Financial institutions contribute to GBF implementation by supporting transformative opportunities and monitoring contributions to nature positive outcomes.
- The alignment of financial flows requires the reduction of harmful financial flows and the increase of financial flows generating positive outcomes for nature. Financial institutions should set targets and develop strategies to avoid losses and to generate gains.
- Financial institutions express the importance of sustainable taxonomies including biodiversity, to guide their analysis of market opportunities and help with the exercise of tracking financial flows aligned with the mission of the GBF.

The private finance sector calls for clear policy pathways from governments on GBF implementation, building on their National Biodiversity Strategies and Actions Plans (NBSAPs). These policies should focus on the transformation of underlying economic activities in order to genuinely mobilise private resources at the scale and speed required. Beyond the COP, FfB and UNEP FI will continue working with their members and partners to further develop the concepts in this paper into a framework for Finance for Nature Positive.

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# Annex: World Bank's note on nature financing methodology

The working model developed by the Finance for Biodiversity (FfB) Foundation and UNEP FI toward a Finance for Nature Positive builds from the definitions developed by the World Bank Group (WBG) in its Note on Nature Finance Tracking Methodology.

## Definitions proposed by the World Bank Group

Nature Finance is defined as finance contributing to the nature positive goal of halting and reversing nature loss and supporting the implementation of the KMGBF through one or more of the following activity groups: a) restoration and conservation of biodiversity or ecosystem services; b) reduction of the direct drivers of biodiversity or ecosystem services loss; c) Integration of nature-based solutions across economic sectors; d) Design and implementation of policy, tools, or other sectoral instruments enabling (a) to (c).

### Nature Finance includes:

- Nature Positive Finance is finance that is expected to deliver measurable positive outcomes for biodiversity or ecosystem services, relative to business-as-usual; and
- Nature Mainstreaming Finance is finance that is expected to enable a broader economic transition toward practices aligned with delivering the nature positive goal.

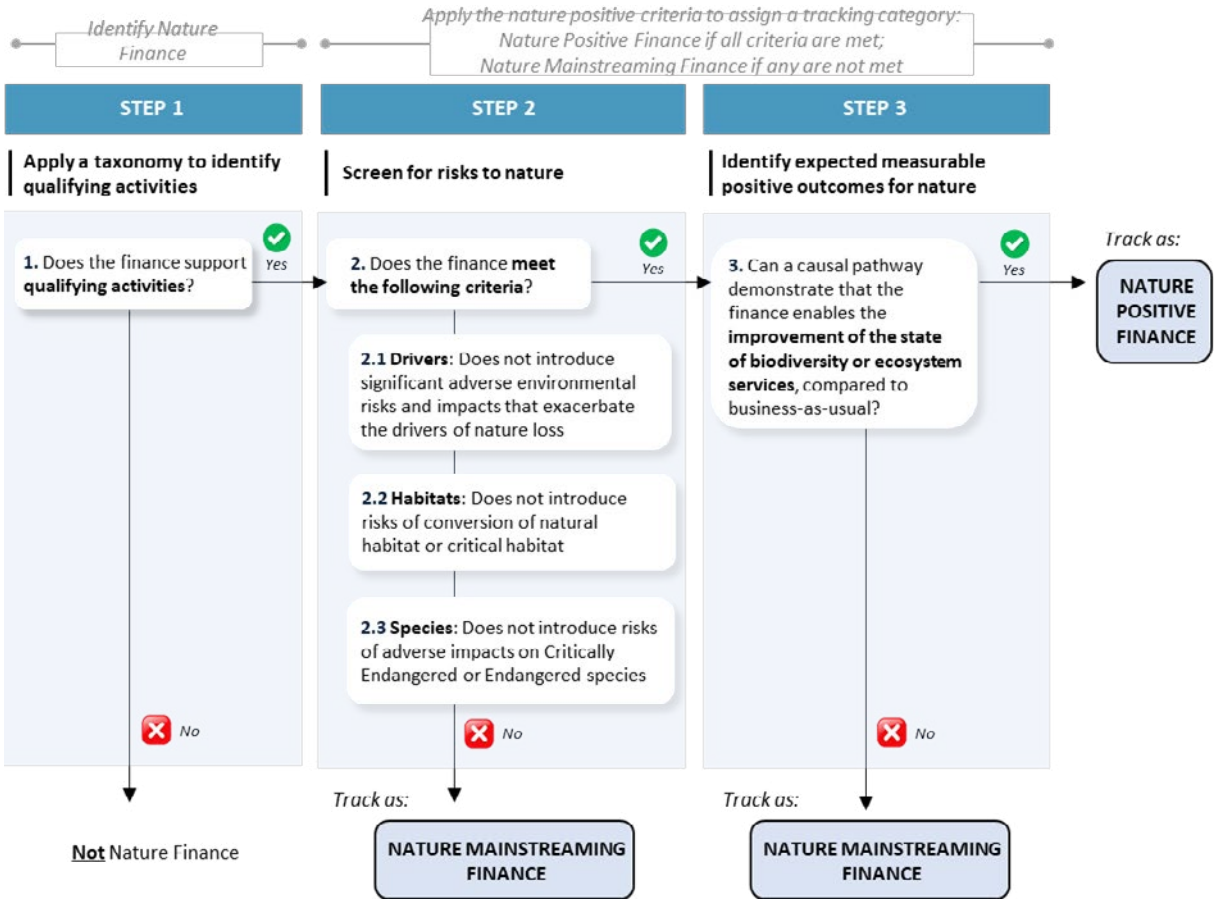


Figure 12: Process to Assess Nature Finance. Source: World Bank Group.


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