International Development Finance Club

IDFC

LIFE ON LAND & BELOW WATER

IDFC Toolbox on

Integrating Biodiversity into Strategies and Operations of Public Development Banks



Led by KfW with important contribution of the Making Finance Work for Nature Working Group participants

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Abbreviations

AFD French Development Agency
BFA Biodiversity Footprint Assessment
BFFI Biodiversity Footprint Financial Institutions
BRM Biodiversity Road Map
CBD Convention on Biological Diversity
CDSB Climate Disclosure Standards Board
CI Conservation International
COP Conference of the Parties
CPIC Coalition for Private Investment in Conservation
CSBI Cross-Sector Biodiversity Initiative
DFI Development Finance Institutions
EBF Eco.business Fund
EBRD European Bank for Reconstruction and Development
ENCORE Exploring Natural Capital Opportunities, Risks and Exposure
ESIA Environmental and Social Impact Assessments
F4B Finance for Biodiversity Initiative
F@B Finance@Biodiversity Community
GBF Global Biodiversity Framework
GBP Green Bond Principles
GBS Global Biodiversity Score
GDP Gross domestic product
GIIN Global Impact Investing Network
GRI Global Reporting Initiative
IBAT Integrated Biodiversity Assessment Tool
IDFC International Development Finance Club
IFC International Finance Corporation
IFRS International Financial Reporting Standards
IPBES Intergovernmental Platform on Biodiversity and Ecosystem Services
ISSB International Sustainability Standards Board
IUCN International Union for Conservation of Nature
KfW German Development Bank
KPI Key Performance Indicators
LCA Life cycle assessment
MSA Mean species abundance
NbS Nature-based solutions
NBSAPs National Biodiversity Strategy and Actions Plans
NCFA Natural Capital Finance Alliance
ODA Official development assistance

OECD DAC Development Assistance Committee of the Organisation for Economic Cooperation and Development

PBAF Partnership for Biodiversity Accounting Financials

PDF.m2.yr Potentially Disappeared Fraction of species per hectare (cubic meter for aquatic biodiversity) per year

RA Rainforest Alliance

SASB Sustainable Accounting Standards Board

SBTs Science-based Targets

SBTN Science-based Targets Network

SBGs Strategic Biodiversity Goals

SDGs Sustainable Development Goals

SFDR Sustainable Finance Disclosure Regulation

TNFD Task force for nature-related financial disclosures

WB World Bank

WEF World Economic Forum

UNDP United National Development Programme

UNEP FI United Nations Environment Programme Finance Initiative

UNEP WCMC UN Environment Programme World Conservation Monitoring Centre

Introduction

The International Development Finance Club (IDFC) "Biodiversity Toolbox" introduces the conceptual foundations for understanding the role of biodiversity for financial institutions. It is designed to help its readers navigate the wealth of information in this dynamically developing field. It mostly addresses members of the IDFC*, their clients **and any other financial institution willing to include biodiversity in its operations.** Ideally, the toolbox should be useful for both newcomers to the topic and established professionals. At its core, it provides a stepwise approach to integrate biodiversity concerns into the strategies and operations of development finance institutions. Each step is then illustrated with a selection of available methods, tools and examples. The tools presented are merely a selection, as there are new advancements all the time. That is why this toolbox is supposed to be a living document that will be a reference and a source of inspiration for its users and facilitate a continuous exchange of knowledge and experience among IDFC members.

1— LINKING FINANCE AND BIODIVERSITY

1.1 WHAT IS BIODIVERSITY AND WHY IS IT IMPORTANT?

Nature and biodiversity are vital for human existence. Biodiversity underpins healthy ecosystems which provide critical life-supporting ecosystem services for human well-being and prosperous and resilient societies and economies. Biodiversity is nature in other words – it is the part of nature that is alive, and includes every living thing on Earth. Biodiversity terminology[1] is often unfamiliar and therefore can be challenging. **Biodiversity (or biological diversity) can be defined as** "the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems".[2]

Human society and most economic sectors are directly or indirectly dependent on the services provided by ecosystems such as clean air and water, food, building and other raw materials, or scenic beauty, recreation and other tourist attractions. According to the World Economic Forum (WEF) more than half of the world's gross domestic product (GDP) (US$44 trillion) is moderately or heavily dependent on ecosystem services. This also affects the financial sector. An assessment by the Dutch Central Bank and the Dutch Ministry of Environment found that 36 % of assets held by the Dutch financial system are highly or very highly dependent on one or more ecosystem services. Moreover, more than a quarter of the overall collective balance sheet of Development Finance Institutions (DFI) worldwide, i.e., US$ 3.1Tn, is considered highly dependent on ecosystem services.[3]

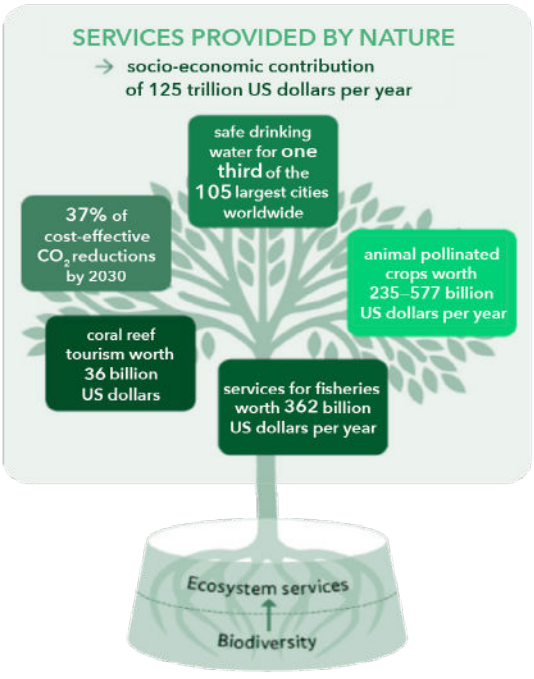


Figure 1: Services Provided by Biodiversity and Ecosystems.

Source : BMZ (2020): Investing in Biodiversity – A matter of survival. Link

Thus, the loss of biodiversity has serious negative impacts on humanity, including finance and the economy. Nevertheless, both, **the benefits derived from biodiversity as well as the damage to ecosystems are systematically undervalued or not valued at all in day-to-day decisions, market prices and economic accounting.**[4] This means that **our impacts on biodiversity and ecosystems largely go unaccounted for.** The current imbalance between our demands on ecosystems and their capacities to regenerate urgently needs to be addressed.

The Dasgupta review (2021)[5] sums it up: **"A significant portion of the responsibility for helping us to shift course will fall on the global financial system. Governments, central banks, international financial institutions and private financial institutions all have a role to play."**

[1] Please refer to the glossary of terms included at the end of this document
[2] United Nations (1992): Convention on Biological Diversity. Link.
[3] Finance for Biodiversity Initiative (2020): Aligning Development Finance with Nature's Needs – Protecting Nature's Development Dividend. Link.
[4] OECD (2019): Biodiversity: Finance and the Economic and Business Case for Action. Link.
[5] Dasgupta, P. (2021): The Economics of Biodiversity: The Dasgupta Review. Link.

1.2 TRENDS

Currently we are facing a huge decline in biodiversity. Ecosystems are being destroyed, degraded and fragmented. Humanity's demands on land and natural resources are unsustainable. The unprecedented and widespread decline of biodiversity is generating significant but largely overlooked risks to the economy, the financial sector and the well-being of current and future generations.[6] Once critical tipping points are crossed, persistent and irreversible (or very costly to reverse) changes to ecosystem structure, function and service provision will result, with very likely profound negative environmental, economic and social consequences.[7] The World Economic Forum's 2022 Global Risk Report rates biodiversity loss among the top three risks for the coming decade.[8]

The decline in biodiversity also strongly affects the achievement of other global goals. It can result in reduced crop yields and fish catches, increased economic losses from flooding and other disasters, and the loss of potential new sources of medicine. Species diversity and healthy ecosystems are also crucial for fighting and adapting to climate change. The Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) warns that 80 % of the global Sustainable Development Goals (SDGs). Also, climate change and biodiversity goals are highly interdependent and key aspects of the Paris Agreement on climate change cannot be achieved without effective biodiversity conservation. The policy agendas need to be integrated and to remove the structures that cause both biodiversity loss and contribute to climate change should be a priority.

The cost of inaction on biodiversity loss is high. "The world lost an estimated USD 4-20 trillion per year in ecosystem services from 1997 to 2011, owing to land-cover change and an estimated USD 6-11 trillion per year from land degradation."[9] The Global Futures Project estimates that under a business-as-usual scenario, the cost of biodiversity loss could be as high as 4 % of annual GDP in some countries by 2050.

1.3 BIODIVERSITY FINANCE AND THE ROLE OF FINANCIAL INSTITUTIONS

There is a major gap between the finance needed to halt biodiversity loss and the amount spent. The current amount of biodiversity finance is around US$ 124-143 billion per year (national, international flows such as official development assistance (ODA), compensation, charities etc.). A large majority comes from national budgets of developed

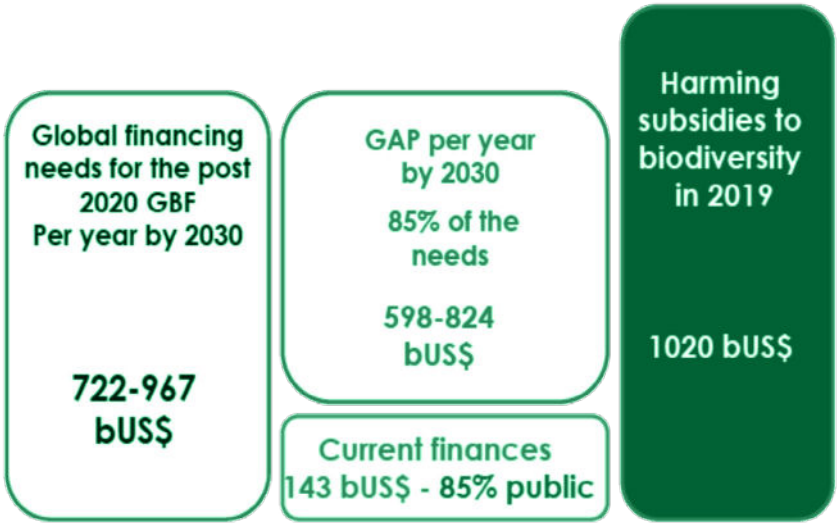


Figure 2: Biodiversity Finance Gap [10]

[6] OECD (2021): Biodiversity, Natural Capital and the Economy: A Policy Guide for Finance, Economic and Environment Ministers. Link.
[7] OECD (2019) op. cit.
[8] WEF (2022). The Global Risks Report 2022 17th Edition. Link.
[9] Ibid.
[10] Based on Tobin-de la Puente, J. and Mitchell, A.W. (eds.) (2021). The Little Book of Investing in Nature. Link.

countries, followed by ODA and the private sector. However, between US$ 722-967 billion a year are needed for conservation and sustainable use of ecosystems and natural resources. This is opposed by over US$ 1000 billion of subsidies that are harmful to biodiversity (s. Figure 2).[11]

Based on their financing decisions and portfolios, financial institutions play an essential role in accelerating, slowing down or preventing the main causes of biodiversity loss. As financiers, they are involved in infrastructure development, urbanisation, energy, agricultural production and extractive industries that potentially impact biodiversity negatively. At the same time, the activities they finance are highly dependent on ecosystem services (as described above).

Financial institutions are thus exposed to biodiversity-related risks. There are physical risks resulting from biodiversity loss and transition risks resulting from policy, legal, technology and market changes (see Figure 3 and Figure 4). Moreover, if there is a massive disruption of natural systems, systemic risks may arise, which would also severely affect the functioning of the financial sector (in certain areas) (s. Figure 4). Just as diversity within a portfolio of financial assets reduces uncertainty, biological diversity increases ecosystem's resilience to shocks and reduces risks to the flow of ecosystem services.[12]

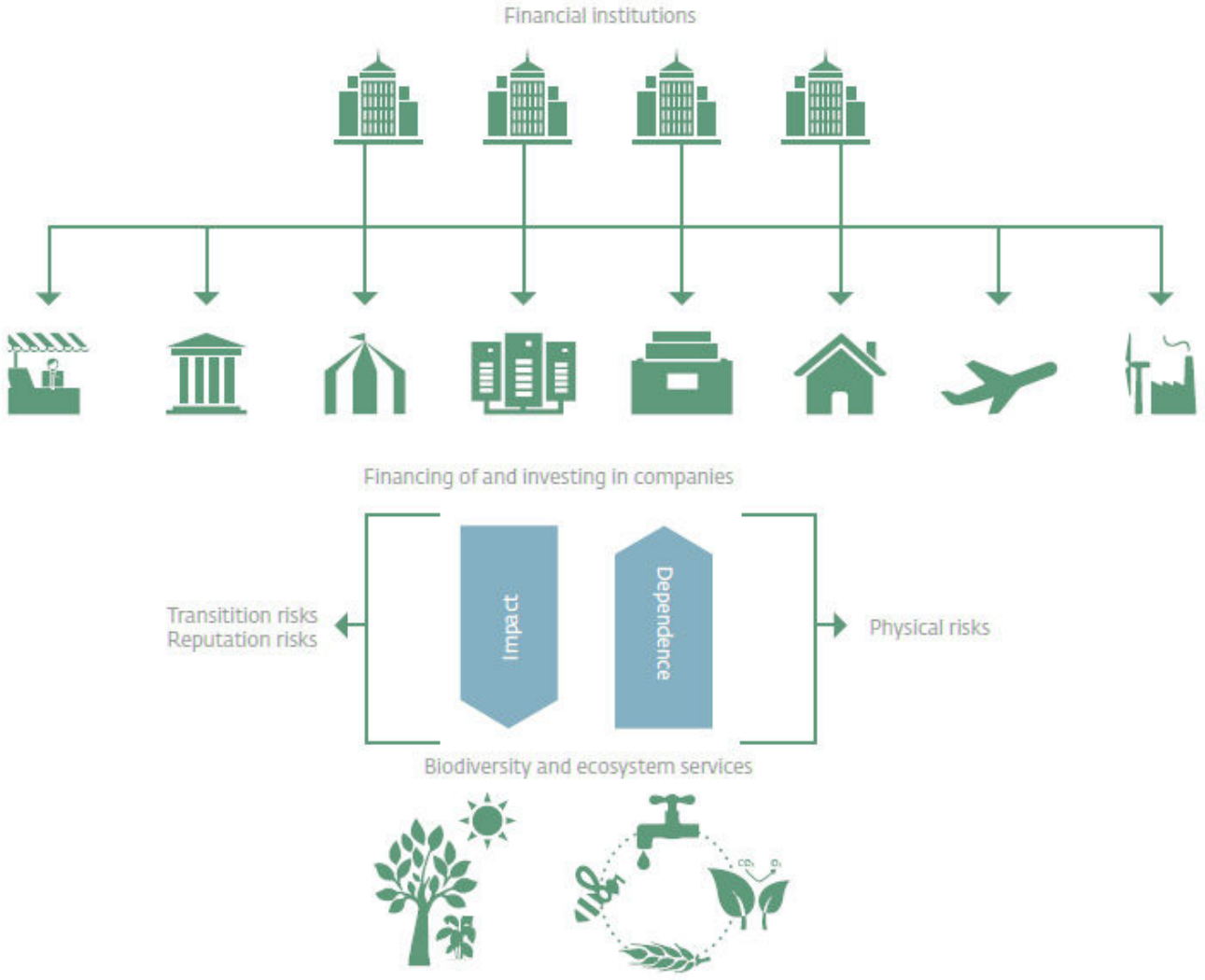


Figure 3: Relationship between financial sector, economy, biodiversity and ecosystem services [13]

[11] Ibid.
[12] Dasgupta, P. (2021): The Economics of Biodiversity: The Dasgupta Review. Link.
[13] Dutch Central Bank and Ministry of Environment (2020) op. cit.

The finance sector is beginning to understand the relevance of biodiversity. Yet, in contrast to climate change, the awareness is still underdeveloped. Nevertheless, an increasing number of finance institutions are calling for regulation on the integration of biodiversity and related disclosure for the financial systems to take action and responsibility.

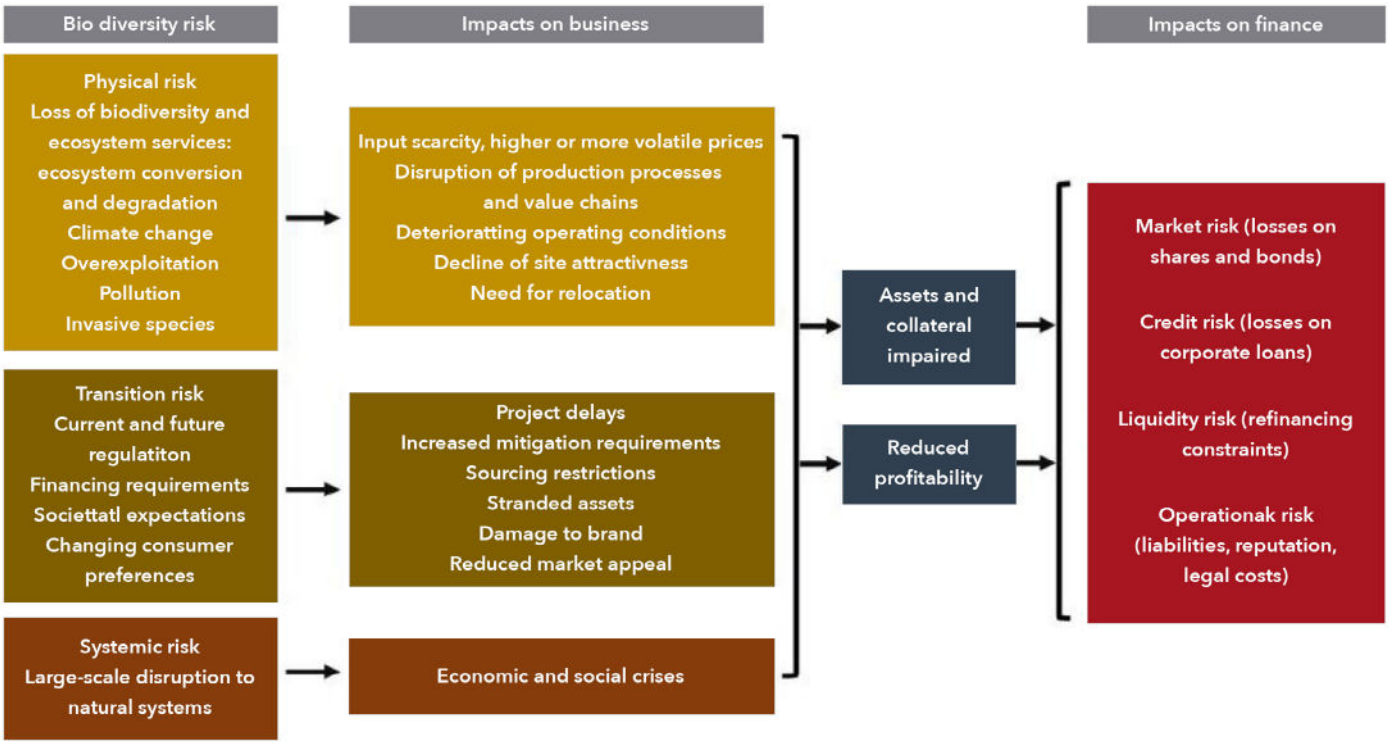


Figure 4: How biodiversity risk is translated into financial risk [14]

1.4 POLICY FRAMEWORK

The guiding international policy framework on biodiversity is the Convention on Biological Diversity (CBD). The new strategic plan, the Global Biodiversity Framework (GBF), which will be adopted at the next Conference of the Parties (COP), will also include goals and targets on biodiversity finance. The GBF's first draft includes a long-term goal on closing the financing gap and one of the goals until 2030 aims at «[…] ensuring that all activities and financial flows are consistent with the values of biological diversity. While the CBD and its decisions are not legally binding, many states use it as a guideline for drawing up national policies.

Furthermore, at **EU level,** the Taxonomy Regulation, introduced in June 2020[15] and developed as part of the European Commission's Action Plan on Financing Sustainable Growth, is likely to direct investors to further consider impacts on biodiversity. It includes thresholds for economic activities and investments to demonstrate that they have made a significant contribution to one of the EU's six environmental targets, as well as a requirement not to significantly harm the achievement of the other five targets. The targets include key drivers for preventing biodiversity loss (climate change mitigation and adaptation, sustainable

[14] WWF & The Biodiversity Consultancy (2021): Public development banks and biodiversity: *How Development Finance Institutions can align with the Post-2020 Global Biodiversity Framework*. Link.
[15] A first delegated act on sustainable activities for climate change adaptation and mitigation objectives was approved in principle on 21 April 2021, and formally adopted on 4 June 2021. A second delegated act for the remaining objectives (including "the protection and restoration of biodiversity and ecosystems" is expected to be published in 2022.

management and protection of marine and water resources, transition to a circular economy, pollution prevention and control) as well as the protection and restoration of biodiversity and ecosystems (Target 6). In addition, the EU Regulation 2019/2088 on sustainability-related disclosures in financial services requires market participants to report on the integration of sustainability risks, the consideration of negative impacts on sustainability in their processes and the provision of relevant information on financial products (including funds and pension products). The Sustainable Finance Disclosure Regulation (SFDR) requirements are linked with those under the EU Taxonomy by including environmentally sustainable economic activities as defined by the Taxonomy Regulation in the definition of 'sustainable investments' in the SFDR. The Technical Screening Criteria for biodiversity-related environmental objectives (e.g. sustainable use and protection of water and marine resources, protection and restoration of biodiversity and ecosystems) are not finalised yet[16].

National governments are also beginning to enact legislation to address this issue. For example, France's amendment to Article 173 of the Energy Transition for Green Growth Act (2015) requires investors to explain their contribution to biodiversity conservation and present their biodiversity-related risks. In the UK, the 2019 Environment Act requires all future land development projects to deliver a net biodiversity gain of 10 %.[17] The comprehensive German Strategy for Sustainable Finance (2021)[18] highlights the need to further develop impact assessments of financial activities on biodiversity and ecosystem services. In that regard, the importance of the Taskforce on Nature-Related Financial Disclosures (TNFD) is pointed out (see next paragraph). **Thus, more regulation on the integration of biodiversity as well as related disclosure is likely to come and will also influence the processes within financial institutions.**

With the aim to create a risk management and disclosure framework for organisations to report and act on nature-related risks, the **Taskforce on Nature-Related Financial Disclosures (TNFD)** was formally established in June 2021. The TNFD is an international initiative that consists of various groups comprising **companies, financial institutions, governments and relevant experts,** which together make up the **TNFD Alliance**. Its ultimate goal is "channeling capital flows towards nature-positive outcomes"[19].

1.5 CONTRIBUTING TO REVERSING BIODIVERSITY LOSS

As mentioned above, investments in activities that harm biodiversity far outweigh investments in activities with ecological benefits. In order to prevent harmful impacts («no net loss») or even achieve a "net gain", biodiversity concerns must be integrated into sectoral and cross-sectoral policies, strategies, investments, programmes and practices («mainstreaming»). This requires to scale up two approaches:

1. **Financing Green:** Aims to increase the level of financial flows towards green investments[20]. For biodiversity, this entails increasing financial flows to projects that contribute to the conservation, sustainable use, and restoration of biodiversity and ecosystems and their services to people.[21]

[16] ESMA (2021): Final Report on draft Regulatory Technical Standards. Link.
[17] The Environment Bank (2019): Habitat Banks will be the way to deliver Biodiversity Net Gain. Link.
[18] The Federal Government of Germany (2021): German Sustainable Finance Strategy. Link.
[19] Nature-positive describes halting and reversing current trends in biodiversity loss for the benefit of human and planetary well-being. Link.
[20] European Parliament (2021): Green and sustainable finance. Link.
[21] WB (2020): Mobilizing Private Finance for Nature. Link.

2. **Greening finance:** Aims to mainstream climate and environmental factors into the financial system and to improve the identification and management of financial risks related to the climate and the environment [22]. For biodiversity, this entails directing financial flows away from projects with negative impacts on biodiversity and ecosystems.[23] This includes a better consideration of biodiversity risks, dependencies and impacts in investment decisions, better safeguards, upstream planning and early risk identification to avoid, minimise, restore or, if necessary, offset negative impacts on biodiversity.

The TNFD approach

The TNFD framework will adopt a four-pillar approach, structured around how organizations operate: governance, strategy, risk management, metrics and targets. This means organizations should disclose not just how nature may (positively or negatively) impact the organization's immediate financial performance ("outside in"), but also how the organization (positively or negatively) impacts nature ("inside out").
According to that, each organization's 4 pillars should be designed to mitigate risks to the organization ("outside in") including risks associated with its impact on nature ("inside out"). This two-way approach is considered necessary to robustly identify, assess and manage systemic nature-related risks and, in turn, inform estimations of long-term risks to individual organizations.

Development finance institutions can promote the integration of biodiversity at different levels. They can influence their governmental partners to adapt their national decision-making processes accordingly, act as bridges between governments and the private sector and can integrate biodiversity in the planning and implementation of their own projects. They can also play a pioneering role in the development of innovative sustainable financial instruments, as they have the ability to provide financing for long-term and riskier projects that private investors have shied away from. Through blended finance instruments and the promotion of green businesses, they can also leverage and mobilise private capital for biodiversity conservation.

Towards harmonized approaches in international development finance

Following the example of harmonizing principles for climate change finance tracking by the members of the Multilateral Development Banks (MDBs) Climate Finance Tracking Working Group and the International Development Finance Club (IDFC), a Joint Statement by the Multilateral Development Banks (Nature, People and Planet) has recorded the commitment to "further mainstream nature into our policies, analysis, assessments, advice, investments, and operations, in line with our respective mandates and operating models through:

- Leadership;
- Tackling the drivers of nature loss by fostering and making 'nature positive investments;
- Fostering national and regional level synergies;
- Valuing nature to guide decision making; and
- Reporting".

[22] Ibid.
[23] WB op. cit.

1.6 THE TOOLBOX – OBJECTIVES, TARGET AUDIENCE, STEPWISE APPROACH

The toolbox on "Integrating Biodiversity into Strategies and Operations of Development Finance Institutions" mostly addresses members of the International Development Finance Club (IDFC) and their clients. It aims to provide them with an opportunity to learn from each other, disseminate good practices and lessons learned and collaborate on biodiversity-related areas of common interest. The toolbox offers information on tools, methods and processes and aims to inspire and support IDFC members to integrate biodiversity concerns into their strategies and operations. On the long-term, the IDFC aims to harmonise the tools and methods used by its members.

The following chapter shows a selection of the methods and tools that are available to DFI for integrating biodiversity into their planning and activities. According to existing experiences, it is useful to go about this step by step, e. g. as suggested in Figure 5 by first assessing the risks and impacts and then deciding how to deal with them. However, some might find it more useful to start by developing biodiversity targets and a strategy followed by an assessment of the current situation. Some tools and methods can also be applied for multiple steps as they cover several aspects, e. g. both, measuring and managing impacts, dependencies and risks. Others could rather be defined as processes as they entail whole stepwise approaches themselves. Moreover, the steps should be seen as an iterative process with various feedback loops. Some steps, e.g. step 5 and 6, might be taken in parallel.



Figure 5: Suggestion for a stepwise approach to integrating biodiversity into Strategies and Operations of DFI

2— METHODS AND TOOLS

Overview

	Step	Purpose	How
Foundation	Step 1: Internal communication and convincing	Increasing awareness on benefits of incorporating biodiversity concerns and risks of not taking them into account, and prioritising certain sectors and sub-sectors, which are most relevant to nature-related risks and/or more dependent on ecosystem services, in order for financial institutions providing finance to multiple industries not to be overwhelmed.	Using arguments presented in many reports (s. selection below)
	Step 2: Identifying risks, impacts and opportunities	Being able to quantify own impacts on biodiversity and risks of biodiversity loss for a financial institution as well as biodiversity-positive investments.	#1 IBAT #2 Biodiversity inclusive impact assessments, #3 BFFI #4 GBS #5 ENCORE
	Step 3: Biodiversity strategy and targets	Long-term anchoring of biodiversity conservation in strategic objectives and processes, creating commitment in the senior management, leading to continuously reducing negative impacts on biodiversity and commitments to devolve more resource to financing biodiversity positive activities. A financial institution can thereby also take on a role model function.	#6 Biodiversity Strategy #6.1 Example: AFD's Biodiversity Road Map #7 Science-based Targets
Implementation	Step 4: Capacity development	Identifying capacity and organisational needs to implement strategy and targets and thereby manage risks and impacts.	#8 Training for GBS #9 We Value Nature
	Step 5: Managing risks and impacts	Avoiding and/or reducing biodiversity risks and impacts, greening finance and aiming for no net loss.	#10 Environmental Safeguards #11 Mitigation Hierarchy
	Step 6: Increasing biodiversity-positive investments	Identifying, planning and implementing opportunities for increasing biodiversity-positive investments, e. g. by creating climate-biodiversity co-benefits through nature-based solutions, leveraging private finance and/or developing and implementing green financial products, aiming for net gain.	#12 Green Bonds #13 Leveraging Private Finance #13.1 Example: eco.business Fund #14 Nature-based Solutions
	Step 7: Monitoring and reporting	Increasing transparency on biodiversity risks, impacts and opportunities in order to enable the assessment of risks to system-wide financial stability and to adapt processes and investments on the institutional level, further promoting no net loss and net gain objectives.	#15 Global Reporting Initiative Standard #16 TNFD Reporting Framework (tbc) #17 Biodiversity Finance Tracking (AFD)
	Step 8: Knowledge and information sharing	Depending on role and mandate: informing policy makers'/investors' decisions and/ or share knowledge and experiences and engage clients and partners in order to avoid risks.	Platforms & initiatives for sharing knowledge & experiences, #18 client engagement strategies #18.1 Example; Actiam's client engagement prrocess

STEP 1: INTERNAL COMMUNICATION AND CONVINCING

Purpose: Increasing awareness on benefits of incorporating biodiversity concerns and risks of not taking them into account, and prioritising certain sectors and sub-sectors, which are most relevant to nature-related risks, in order for financial institutions providing finance to multiple industries not to be overwhelmed.

Selection of relevant reports & examples:

REPORTS THAT OFFER AN ARGUMENTATION BASIS

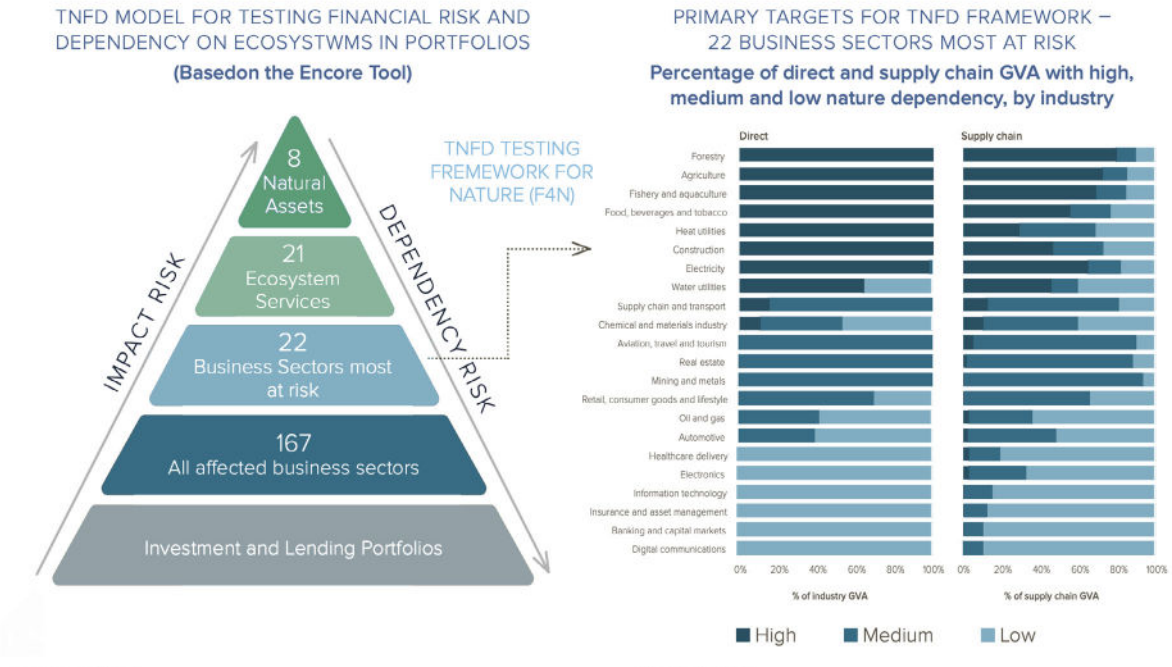
Increasing awareness on benefits of incorporating biodiversity concerns and risks of not taking them into account, and prioritising certain sectors and sub-sectors, which are most relevant to nature-related risks, in order for financial institutions providing finance to multiple industries not to be overwhelmed.

- OECD (2019): Biodiversity: Finance and the Economic and Business Case for Action. Report prepared for the G7 Environment Ministers' Meeting, 5-6 May 2019. Link.
- CBD (2021): **Financial Sector Guide for the Convention on Biological Diversity. Key actions for nature.** Link.
- Banque de France (2021): *A "Silent Spring" for the Financial System? Exploring Biodiversity-Related Financial Risks in France.* Link.
- Mulder, I. (2007). *Biodiversity, the Next Challenge for Financial Institutions?* Gland, Switzerland: IUCN. xiv + 60pp. Link.

PRIORITISATION OF SECTORS

- UNEP, UNEP FI and Global Canopy (2020): *Beyond 'Business as Usual' – Biodiversity Targets and Finance. Managing biodiversity risks across business sectors.* Link. (Using the ENCORE tool, s. #5)
- *Sustainable Accounting Standards Board (SASB) materiality map*. A tool to analyse portfolio exposure to specific sustainability risks and opportunities represented by each issue. Link.
- WEF (2020). *Nature Risk Rising*. Link.

Figure 6: An example of businesses sectors facing high levels of nature-related physical risk, impacts and dependencies



Source: Adapted from the WEF 2020 by UNEP FI and UNDP (2021). Link.

PRIORITISATION OF TYPES OF FINANCE

- A universal disclosure framework should ideally cover all types of financial institutions and all recipients of financial flows. The Task force for nature-related financial disclosures (TNFD) recommends starting with specific debt and equity investments, for which assessments are likely to be easiest to undertake, IDFC Toolbox Integrating Biodiversity into Strategies and Operations of Development Finance Institutions 14 including listed debt instruments, listed equities, unlisted project finance and project-related corporate loans, but also blended and development finance. The financial flows that should be prioritised first are those which invest in countries where biodiversity is highly vulnerable (Ibid).

STEP 2: IDENTIFYING RISKS, IMPACTS AND OPPORTUNITIES

Purpose: Being able to quantify own impacts on biodiversity and risks of biodiversity loss for a financial institution as well as biodiversity-positive investments.

Selection of relevant reports & examples:

1— INTEGRATED BIODIVERSITY ASSESSMENT TOOL (IBAT)

TYPE OF METHOD/TOOL

Commercial web-based risk mapping tool and data source

PURPOSE

Basic early risk screening on biodiversity: Enabling decision-makers to access integrated critical information in form of maps and/or reports from global databases to inform a first assessments of how a development in or near specific sites may conflict with biodiversity conservation goals.

STRUCTURE AND FUNCTION

Databases used: The Red List of Threatened Species of the International Union for Conservation of Nature (IUCN), the World Database of Key Biodiversity Areas and the World Database on Protected Areas

Offers various reports and maps depending on needs:

Proximity report:

- Contains information on how a chosen area overlaps with Protected Areas and Key Biodiversity Areas as well as which threatened species are potentially found within 50km of the area.
- Can be helpful when assessing the potential environmental risk and impact of a site, focusing attention on key species of conservation concern and sites of known conservation value

World Bank Group risk report:

- Contains information on the above as well as on overlap with critical habitat values defined by International Finance Corporation (IFC) and World Bank (WB) performance standards.
- Can be used to scope risks to include within an assessment of risks and impacts; prioritise between sites in a portfolio; inform a preliminary determination of critical habitat; assess the need for engaging a biodiversity specialist or organizations to inform further assessment or planning.

Freshwater report:

- Contains information on freshwater species from The IUCN Red List of Threatened Species upstream and downstream of a specified location to screen projects with potential to impact on freshwater ecosystems.
- Can be used to identify species native to a specific project site and the sub-basins hydrologically connected (upstream and downstream).

World Bank Group risk report:

- Contains information on Protected Areas, Key Biodiversity Areas and IUCN Red List Species visualised and compared across a portfolio of sites.
- Can be used to incorporate biodiversity into annual sustainability reporting (e. g. reporting against Global Reporting Initiative (GRI) also s. #15) or SASB standards).

TYPICAL USE

To answer questions such as:

- What is the conservation and biodiversity value of the areas where we finance projects?
- What is the risk of serious biodiversity loss associated with our investments?
- Are investments endangering threatened species, important protected areas and Key Biodiversity Areas?

LEVEL AND SCOPE OF APPLICATION

- Site-level
- Habitat and species

SKILLS AND RESOURCES REQUIRED

- 400 to 20,000 Euros, depending on the company's turnover
- Technical expertise to interpret results from the reports

STRENGTHS

- Provides first overview of potential conflicts with biodiversity conservation goals along various relevant biodiversity values
- Adaptable to information needs
- Adaptable to different spatial scales
- Can be used by all sectors

LIMITATIONS

- Does not provide details of potential direct, indirect, downstream or cumulative impacts.
- Some global data sets used are still being completed
- Should be supplemented by further literature review, spatial analyses, and local expert advice and stakeholder consultation

DOCUMENTED EXPERIENCE

Examples for each type of report on https://www.ibat-alliance.org/

Implemented by many PDBs, see section 5.8 in WWF & The Biodiversity Consultancy (2021): Public development banks and biodiversity: How Development Finance Institutions can align with the Post-2020 Global Biodiversity Framework. Link.

RELATED RESOURCES

UN Environment Programme World Conservation Monitoring Centre (UNEP WCMC) and IUCN (2019). *Protected Planet: The World Database on Protected Areas*. Link.
BirdLife International (on behalf of the KBA Partnership) (2019). *Key Biodiversity Areas*. Link.
IUCN (2020). *IUCN Red List of Threatened Species*. Link.

2— BIODIVERSITY INCLUSIVE IMPACT ASSESSMENTS

TYPE OF METHOD/TOOL

Impact assessment

PURPOSE

Assessing potential types and significance of biodiversity impacts within the framework of Environmental and Social Impact Assessments (ESIAs) in order to avoid, minimise, mitigate or offset impact in a next step

STRUCTURE AND FUNCTION

Biodiversity Inclusive Impact Assessments based on biodiversity values identified in baseline activities beforehand that includes four general steps: Biodiversity Inclusive Impact Assessments based on biodiversity values identified in baseline activities beforehand that includes **four general steps:**

1. **Definition of project alternatives,** allowing for comparison (at a minimum~~, include an analy~~sis of a "no project" scenario as an alternative).
2. **Impact identification** throughout all stages of the project cycle, including all associated facilities, e. g. transportation, and as needed and feasible, indirect and cumulative impacts.
3. **Impact characterisation**, often based on habitat, sometimes species-specific assessments, repeated to quantify inherent (without management) and residual impacts (with management)
4. **Assessment of consequence and risk of all potential impacts** (Consequence = how impacts alter the viability (irreplaceability and vulnerability) of a biodiversity value; Risk = potential consequence and likelihood of an impact (s. Figure 8).

Figure 8: Example risk matrix for biodiversity impact assessment (Risk levels L = low, M = moderate, H = high, C = critical)

Likelihood	Consequence				
	Minor impact	Moderate impact	Serious impact	Extreme impact	Catastrophic impact
Almost certain: expected to occur in project plan	M	H	C	C	C
Likely: probably will occur in project plan	M	H	H	C	C
Possible: might occur in some circumstances	L	M	H	C	C
Unlikely: may occur at some time	L	L	M	H	C
Rare: only in exceptional circumstances	L	L	M	H	H

Source: Hardner et al. (2015). Link.

TYPICAL USE

Core of Environmental and Social Impact Assessments (ESIAs)

To answer questions such as:

- What are the biodiversity impacts of a project compared to alternatives or to a no-project scenario?
- How likely are impacts?
- What are their consequences?

LEVEL AND SCOPE OF APPLICATION

- Project-level
- Habitat, sometimes species

SKILLS AND RESOURCES REQUIRED

- Information on biodiversity and a clear understanding on the current (baseline) scenario;
- Understanding of direct, indirect, and where feasible, cumulative impacts (i.e., placing the project in the context of land/resource use trends to ascertain how it contributes to landscape-scale impacts);
- Identification of priorities for biodiversity conservation

STRENGTHS

- Enables stakeholders to obtain a deeper understanding of the importance of the local ecosystem to the sustainability and success of their operation

LIMITATIONS

- In some contexts, major research may be required due to a lack of information
- Complex process
- The lack of information, the time-bounded nature of impacts and the multiplicity of the causes of biodiversity loss may make it difficult to establish a no-project scenario

DOCUMENTED EXPERIENCE

CBD: Case studies on Biodiversity and Impact Assessment. **Link**.

RELATED RESOURCES

Hardner, J. et al. (2015): *Good Practices for Biodiversity Inclusive Impact Assessment and Management Planning. Prepared for the Multilateral Financing Institutions Biodiversity Working Group.* Link.

CBD (2006): *Impact assessment: Voluntary guidelines on biodiversity-inclusive impact assessment.* Link.

3— BIODIVERSITY FOOTPRINT FINANCIAL INSTITUTIONS (BFFI)

TYPE OF METHOD/TOOL

Impact assessment via footprinting methodology

PURPOSE

Providing a biodiversity footprint of the economic activities in which a financial institution (FI) invests, allowing calculation of the environmental pressures and the biodiversity impact of investments.

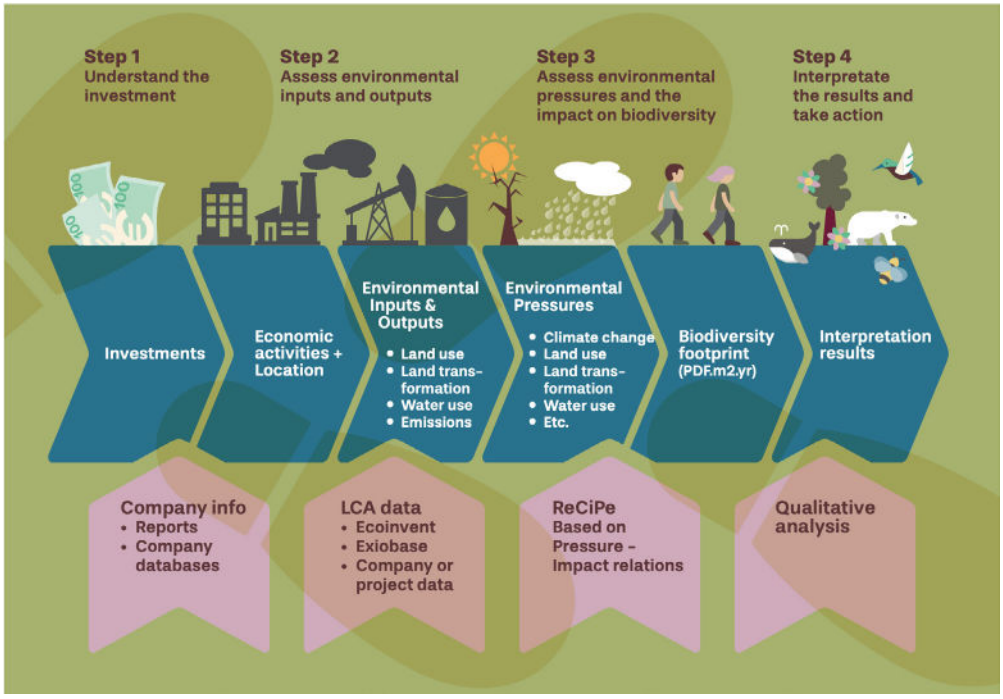
STRUCTURE AND FUNCTION

Process of all footprinting tools: using a trade and life-cycle inventory databases to convert company activity data (e.g., turnover, quantity of a commodity consumed or produced) into physical impacts (e.g., area of land used, quantity of emissions) and then using a biodiversity model to convert physical impacts into a quantity of biodiversity lost.

The BFFI consists of four steps:

1. **Creating an overview of the economic activities** in which the FI invests – sectors and locations (automated step by linking data from the Refinitiv "Worldscope" investors database to the BFFI software tool).
2. **Assessment of the economic activities' environmental impact,** linking activities to pressures such as land use, water use, emissions, etc. using life cycle assessment (LCA) data e. g. from the 'Exiobase' input-output database or adding specific on-site data.
3. **Calculate the environmental pressures** on a midpoint level **and the resulting impact** on ecosystem quality or biodiversity (endpoint level) using the the ReCiPe model. Unit used: Potentially Disappeared Fraction of species per hectare (cubic meter for aquatic biodiversity) per year (PDF.m2.yr). The result is used to calculate the biodiversity footprint in m2 per Euro invested.
4. **Qualitative analysis to guide the interpretation and the use of the results.** The combined analyses are used to decide on follow-up actions, like zooming in on impact hotspots, engagement and/or establishing/changing investment criteria.

Figure 9: Impact assessment steps in the BFFI



Source: Partnership for Biodiversity Accounting Financials (PBAF) (2020). Link.

TYPICAL USE

To answer questions such as:

- What is the impact of our investments on species?
- Where in the portfolio are biodiversity impact hotspots?
- How should we engage clients and/or which investment criteria should we set based on the insights on main drivers?
- What progress regards biodiversity impacts are we making over time?

LEVEL AND SCOPE OF APPLICATION

- Level of a portfolio, an asset class, a company, or a project
- Species

SKILLS AND RESOURCES REQUIRED

- Impact calculation software fit to deal with the (high number of) input data and the calculation of impacts based on the ReCiPe methodology, e. g. publicly available software (www.bioscope.info)
- Expert input may be needed for correct interpretation of the footprint results.
- Tool developer offers training enabling the application of the tool

STRENGTHS

- Allows for a geographical identification of impact hotspots on a country level.
- Covers most drivers for biodiversity loss.
- Complementary qualitative analysis guides correct interpretation and use
- Scientifically well underpinned.

LIMITATIONS

- Focuses only on species, so other aspects such as proximity to a high conservation value area should be included through other means (e. g. safeguards)
- Result expressed in m2 rather than in monetary terms
- Inclusion of location-specific characteristics is limited
- ReCiPe does not cover all drivers of biodiversity loss, e. g. introduction of invasive species, but the consequences of this limitation are addressed by the qualitative analysis
- Land-use related impacts biased to temperate regions

DOCUMENTED EXPERIENCE

ASN Bank launched the methodology in 2016. The first footprinting exercise and associated report was published in August 2016, followed by footprints for the years 2014, 215, 2016, 2017, 2018 and 2019: **Link**.

RELATED RESOURCES

PBAF Netherlands (2020): *Paving the way towards a harmonised biodiversity accounting approach for the financial sector:* **Link**.

- More detailed information on the different steps of footprinting, BFFI and case studies

WWF & The Biodiversity Consultancy (2021): *Public development banks and biodiversity: How Development Finance Institutions can align with the Post-2020 Global Biodiversity Framework.* **Link**.

- Examples of tools for portfolio- and corporate-, and commodity-scale biodiversity assessment of particular relevance for PDBs (p. 143 ff.)

IUCN NL (2020): *A Compass for navigating the world of biodiversity footprinting tools: an introduction for companies and policy makers.* **Link**.

- Includes links to various other footprinting tools and a list of questions for choosing the right tool.

4— GLOBAL BIODIVERSITY SCORE (GBS)

TYPE OF METHOD/TOOL

Corporate impact assessment via footprinting methodology.

PURPOSE

Quantifying all impacts of a company across its value chain or an investment portfolio on biodiversity, through the calculation of biodiversity footprints.

STRUCTURE AND FUNCTION

S. general remark regards footprinting in BFFI-description above (#3).

The GBS consists of two steps:

1. **Linking the company's activities to the pressures affecting biodiversity** – two possible approaches: life cycle assessment (LCA) results or input-output matrix models (Exiobase, s. BFFI).
2. **Analysing the impact of these pressures on biodiversity**, linking activities to pressures such as land use, water use, emissions, etc. using life cycle assessment (LCA) data e. g. from the 'Exiobase' input-output database or adding specific on-site data.

Main metric used: Mean species abundance (MSA) is the ratio between the average abundance of originally occurring species and their abundance in the undisturbed ecosystem; the loss of X MSA m2 is equivalent to the conversion of x m² of undisturbed ecosystem (with an MSA of 100%) into a totally artificialized area (MSA of 0%).

Pressures on terrestrial biodiversity considered: land use, fragmentation of natural areas, nitrogenous air deposition, infrastructure, trespassing on natural areas and climate change

Impacts accounted for: static (stock of) and dynamic (flow of) impacts
New development in 2021: Introduction of the Biodiversity Impact Assessment (BIA)-GBS – a combination of models used by the GBS and aspects of models originally developed to assess climate risks and impacts (information of companies and climate pressures)

TYPICAL USE

To answer questions such as:

- What is the impact on biodiversity of our company's value chain/ a project/ of our financial portfolio?
- What is the impact on biodiversity in a given territory?

LEVEL AND SCOPE OF APPLICATION

- Level of a portfolio, an asset class, a company, or a project
- Species (used to characterise the intactness of ecosystems)

SKILLS AND RESOURCES REQUIRED

- License, technical support and knowledge exchange through membership in the B4B+ Club: 6500€ excl. VAT / year
- 3-6 months
- Training (see #8)

STRENGTHS

- Covers the impacts caused by a company across a large part of its value chain
- Uses secondary data regarding the pressures entailed, which can be enriched by primary data when available
- Integrates several types of pressures on biodiversity

LIMITATIONS

- Does not take into account certain pressures (chemical pollution, overexploitation of resources, invasive species)
- Does not include impacts on marine biodiversity
- Result expressed in m2 rather than in monetary terms
- Using secondary data leads to a relatively imprecise estimate of the biodiversity footprint
- Does not include aspects such as proximity to a high conservation value area etc., but developers plan alignment with international targets

DOCUMENTED EXPERIENCE

Developed by CDC Biodiversité with the Businesses for Positive Biodiversity Club (B4B+), a group of about 10 financial institutions and 25 companies, launched in May, 2020

Slides from a presentation of the GBS and case studies: **Link**.

CDC Biodiversité (2020): *White paper: Assessing biodiversity footprint, the occasion to accelerate corporate biodiversity strategy*. **Link**.

National assessments of the financial sector's dependency on services provided by nature (using #5 ENCORE) and impact on biodiversity (using BIA-GBS/the GLOBIO-model):

- France: Banque de France (2021): *A "Silent Spring" for the Financial System? Exploring Biodiversity-Related Financial Risks in France*. **Link**.
- Netherlands: DNB and PBL Netherlands Environmental Assessment Agency (2020): *Indebted to nature – Exploring biodiversity risks for the Dutch financial sector.* **Link**.

RELATED RESOURCES

Business for Nature (2019): *Measuring the contributions of business and finance towards the post-2020 global biodiversity framework – 2019 technical update.* **Link**.

CDC Biodiversité (2020): *The Global Biodiversity Score – Core concepts.* **Link**.

Launch of the database Biodiversity Impact Analytics powered by Global Biodiversity Score: **Link**.

IUCN NL (2020): *A Compass for navigating the world of biodiversity footprinting tools: an introduction for companies and policy makers*. **Link**.

- Includes links to various other footprinting tools and a list of questions for choosing the right tool.

5— ENCORE (EXPLORING NATURAL CAPITAL OPPORTUNITIES, RISKS AND EXPOSURE)

TYPE OF METHOD/TOOL

Freely available measuring and information tool on dependencies on natural capital.

PURPOSE

Providing a 'big picture' understanding of investment portfolios' exposure to different biodiversity impact drivers, allowing financial institutions to integrate natural capital risks within their investment risk management procedures in a next step.

Biodiversity module enabling financial institutions to understand the current and potential alignment of their portfolios with global biodiversity goals, using spatially explicit goal-relevant metrics.

STRUCTURE AND FUNCTION

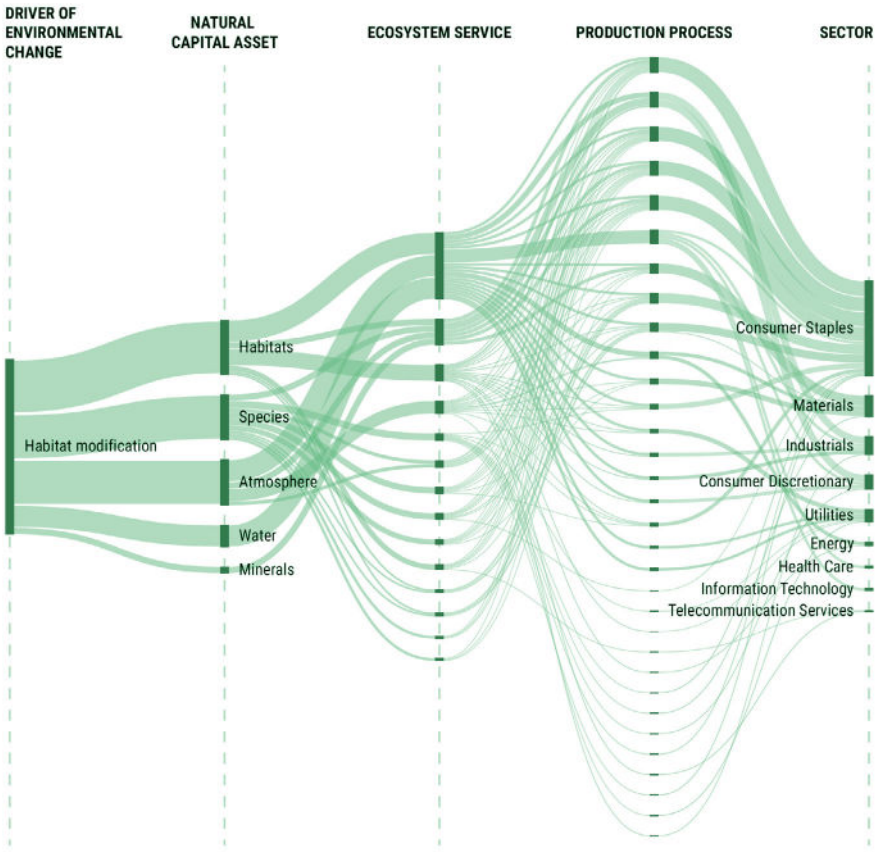
- Looks at the effects of drivers of environmental change on natural capital assets and the ecosystem services these assets supply, showing dependency of 86 business processes on 21 different ecosystem services and helping users prioritise between sectors.
- The dependence score is allocated based on two factors: the degree to which production processes are disrupted and the projected extent of financial losses if the ecosystem service is lost.

The tool follows three steps:

1. Linking business processes to economic sectors
2. Determining the exposure of a financial institutions to those sectors e. g. through shares, bonds and loans
3. Showing the ecosystem services, on which these business processes are highly or very highly dependent.

- Ecosystem services can also be mapped by region.

Figure 10: Impacts of driver of environmental change on various industries



Note: Line thickness indicates the number of links from one level to the levels above and below (e. g. from ecosystem service to natural capital asset and production process). Source: Natural Capital Finance Alliance (NCFA) and UNEP WCMC (2018). Link.

TYPICAL USE

First project phase: financial institutions can screen portfolios for natural capital risk by sector or location Results show how environmental change creates risks and opportunities for businesses and those that fund them and allows financial institutions to integrate the insights into their existing risk management processes.

The current project phase aims to answer questions such as:

- Am I influencing biodiversity through my investment or lending portfolio?
- Am I harming or building the resilience of biodiversity with my investments?
- Is my portfolio in alignment with global/regional biodiversity targets and how much so?

New functionalities launched in 2021: a free accounts system, ability to visualise dependency/impact links between economic activities and natural capital, a map of natural capital risk hotspots.

LEVEL AND SCOPE OF APPLICATION

- Sector / comparison across sectors
- Ecosystem services

SKILLS AND RESOURCES REQUIRED

- Interest in a given sub-sector or production process
- Information on location for exploring spatial data relating to potential dependencies and impacts
- Time required to use and interpret the knowledge base varies according to the depth of engagement. A snapshot of potential dependencies and impacts for selected economic activities can be gained in less than 30 minutes. More detailed analyses can take a few weeks or months.

STRENGTHS

- Inclusion of all impacts and dependencies and a fine-grained division of impact types (aligned with the Natural Capital Protocol)
- Accessible to all audiences, requiring very little prior knowledge
- Based on a vast body of scientific and grey literature and review processes.
- Can include spatial data
- Easy to link users' own financial data to natural capital information

LIMITATIONS

- Materiality ratings only indicate potential dependencies and impacts, based on generic global screening, appropriate only to inform initial screening
- Some dependency and/or impact links may be missing due to lack of sufficient robust literature
- Covers only direct impacts and dependencies
- No coverage of cultural ecosystem services as these are deemed to be important for all industries

DOCUMENTED EXPERIENCE

National assessments of the financial sector's dependency on services provided by nature (using ENCORE) and impact on biodiversity (using #4 GBS/BIA-GBS):

- Netherlands: DNB and PBL Netherlands Environmental Assessment Agency (2020): *Indebted to nature – Exploring biodiversity risks for the Dutch financial sector.* **Link**.
- France: Banque de France (2021): *A "Silent Spring" for the Financial System? Exploring Biodiversity-Related Financial Risks in France.* **Link**.

Rapid Natural Capital Risk Assessment by the Land Bank of South Africa (in collaboration with the Natural Capital Finance Alliance), focussing on large-scale maize production in a South African province. **Link**.

RELATED RESOURCES

ENCORE (2020): *About*. **Link**.

Report on the first ENCORE project phase, including a practical guide for financial institutions to understand, assess, and integrate natural capital risk in their operations: **Link**.

NCFA and PWC (2018): *Integrating Natural Capital in Risk Assessments: A step-by-step guide for banks.* **Link**.

NCFA (2021) *What does best practice on natural capital look like?* **Link**.

- E. g. (not using ENCORE) Connecting Finance and Natural Capital: Case Study for ACTIAM. Full Case Study.

Global Nature Fund (2017): *The Business Case For Natural Capital Assessment*. Link.

Natural Capital Coalition (2016): *Natural Capital Protocol*. Link.

- A standardised framework to identify, measure, and value direct and indirect impacts (positive and negative) and/or dependencies on natural capital.

STEP 3: BIODIVERSITY STRATEGY AND TARGETS

Purpose: Long-term anchoring of biodiversity conservation in strategic processes, creating commitment in the senior management, leading to continuously reducing negative impacts on biodiversity. A financial institution can thereby also take on a role model function.

Selection of relevant reports & examples:

6— BIODIVERSITY STRATEGY

TYPE OF METHOD/TOOL

Strategy aligning an institution with biodiversity values

PURPOSE

Anchoring biodiversity conservation in strategic processes in order to reduce/ negative and/or aim for positive impacts

STRUCTURE AND FUNCTION

Principles:

- Specifying the scope of biodiversity that is included, rather than a general mentioning of biodiversity' or 'environment';
- Specifying which impacts are included (e. g. direct, indirect, cumulative) and which types of projects or finance (existing, future and/or past projects);
- Including concrete, measurable targets (s. tool #7) and timeframes for their achievement that are science-based and will contribute to the Global Biodiversity Framework (GBF) as adopted by the CBD COP15 and regional or national initiatives and policies (e. g. the EU Biodiversity Strategy).
- Applying the mitigation hierarchy (s. tool #11);
- Having a member of senior management who is personally responsible for the implementation of the strategy and the achievement of associated objectives to foster implementation;
- Informing employees about the topic and providing support in their day-to-day business in implementing the strategy;
- Regular internal and external reporting on implementation;
- Collaborating closely with clients and partners

TYPICAL USE

To answer questions such as:

- What role does biodiversity play for our institution?
- What are our biodiversity objectives?
- How and by when do we want to reach biodiversity objectives?
- Who is responsible for achieving our biodiversity objectives?
- How is my organisation contributing to the objectives of the CDB?

LEVEL AND SCOPE OF APPLICATION

- Institutional level
- Species, ecosystem services and/or habitat

SKILLS AND RESOURCES REQUIRED

- Backing by senior management
- Understanding of biodiversity, biodiversity finance and of opportunities for mainstreaming biodiversity as a cross-sectoral development issue

STRENGTHS

- Cross-cutting, providing guidance on biodiversity to the whole institution and clients/partners
- Creating commitment in the senior management
- Can be used to start acting on results from measurement of dependencies and impacts

LIMITATIONS

- Effect is highly dependent on subsequent implementation

DOCUMENTED EXPERIENCE

AFD's Biodiversity Road Map, s. Example #6.1.

ASN Bank has set the goal of a net positive effect on biodiversity as a result of all loans and investments by 2030: **Net positive effect on biodiversity in 2030.**

Case Studies on Actiam, FMO, Robeco and others in: The Sustainable Finance Platform (2020): Biodiversity Opportunities and Risks for the Financial Sector. **Link**.

RELATED RESOURCES

BBOP (2018): *Business Planning for Biodiversity Net Gain: Technical Notes to the Roadmap*. **Link**.

CBD (2021): First Draft of the post-2020 Global Biodiversity Framework. **Link**.

UNEP FI and UNEP WCMC (2021): *Biodiversity Target-setting: Guidance for banks*. **Link**.

- Guidance on setting biodiversity targets for the signatories of the Principles for Responsible Banking (PRB).

6.1— EXAMPLE: THE FRENCH DEVELOPMENT AGENCY BIODIVERSITY ROAD MAP

TYPE OF METHOD/TOOL

Corporate strategy for biodiversity mainstreaming within a financial institution.

PURPOSE

Aligning the AFD Group with the post-2020 Global Biodiversity Framework (GBF) targets and enhancing its institutional and financial contribution to the CDB resource mobilisation and implementation strategies.

STRUCTURE AND FUNCTION

AFD's Biodiversity Road Map (BRM) is a cross-cutting framework with four sections and ten strategic targets promoting the mainstreaming of biodiversity issues within the bank's

1. **Strategic commitments and organisational chart;**
2. **Investment strategy and targets as well as risk analysis procedures and tools;**
3. **Research and training programmes;**
4. **Communication and partnerships.**

A specific committee (whose membership represents all directorates and affiliates of the bank) steers the BRM under the direction of a **dedicated executive committee** (namely the Planet COMEX). The operational implementation of the BRM is **coordinated through a biodiversity global practice platform composed of biodiversity focal agents, duely appointed in all business and support units of the bank** (head quarter and regional agencies). The daily management and secretariat of this platform is under the leadership of a **dedicated biodiversity cross-cutting team**, closely cooperating with the climate unit.
The BRM has a **monitoring framework**. The monitoring process is based on an internal annual progress report over the 10 targets, produced by the biodiversity team and an ex-post external review, the recommendations of which will feed into the definition of the strategy for the next four years' period.
AFD Group is looking at progressively merging its climate and biodiversity strategies and road maps.

TYPICAL USE

To answer questions such as:

- How is my organisation contributing to goals and objectives of the CDB?
- What is the annual investment of my institution contributing to the CDB targets and its real impacts?
- What are the key biodiversity experts and teams within my organisation?
- How can I mainstream biodiversity within my scope of command?

LEVEL AND SCOPE OF APPLICATION

- From the global strategy of the bank and its financial risk analysis down to investment portfolios/ projects;
- Investment procedures, as well as biodiversity targets monitoring and investments tracking systems

SKILLS AND RESOURCES REQUIRED

- Understanding financial institutions, their leverage on the post-2020 GBF, and the opportunities for mainstreaming biodiversity as a cross-sectoral development issue with strong social and climate links;
- Good knowledge of tools associated with biodiversity finance and related financial risks.

STRENGTHS

- A cross-cutting capacity building and mobilisation support tool to all business/ support units

LIMITATIONS

- Efficiency highly dependent on the level of dedicated resources and the COMEX' political will

DOCUMENTED EXPERIENCE

AFD's BRM can be found in Annex 3 of its **Strategy 2020-2014 for Territorial and Ecological Transition** (p. 38).

RELATED RESOURCES

SCBD, BfN, FfB, PRI and UNEP FI (2021): *Financial Sector Guide for the Convention on Biological Diversity*. **Link**.

Finance in Common Summit (2020): *Joint declaration of all Public Development Banks in the World*. **Link**.

Finance for Biodiversity Initiative: *Publications*. **Link**.

7— SCIENCE-BASED TARGETS (SBTS)

TYPE OF METHOD/TOOL

Target setting

PURPOSE

Giving financial institutions a clear pathway by using science to define their role in restoring nature

STRUCTURE AND FUNCTION

Definition: Measurable, actionable, and time-bound objectives, based on the best available science, that allow actors to align with Earth's limits and societal sustainability goals (Science-based Targets Network, SBTN, 2020).

SBTN's five-step process of setting SBTs:

1. **Assess:** What and where are your company's [/institution's] biggest impacts and dependencies on nature and the environment (environmental footprint, s. Step 2: Identifying risks, impacts and opportunities)?
2. **Prioritise:** Where do you need to focus and take more action? Both in areas where you have direct control and more broadly across your whole "sphere of influence" (also s. prioritising of sectors in Step 1: Internal communication and convincing).

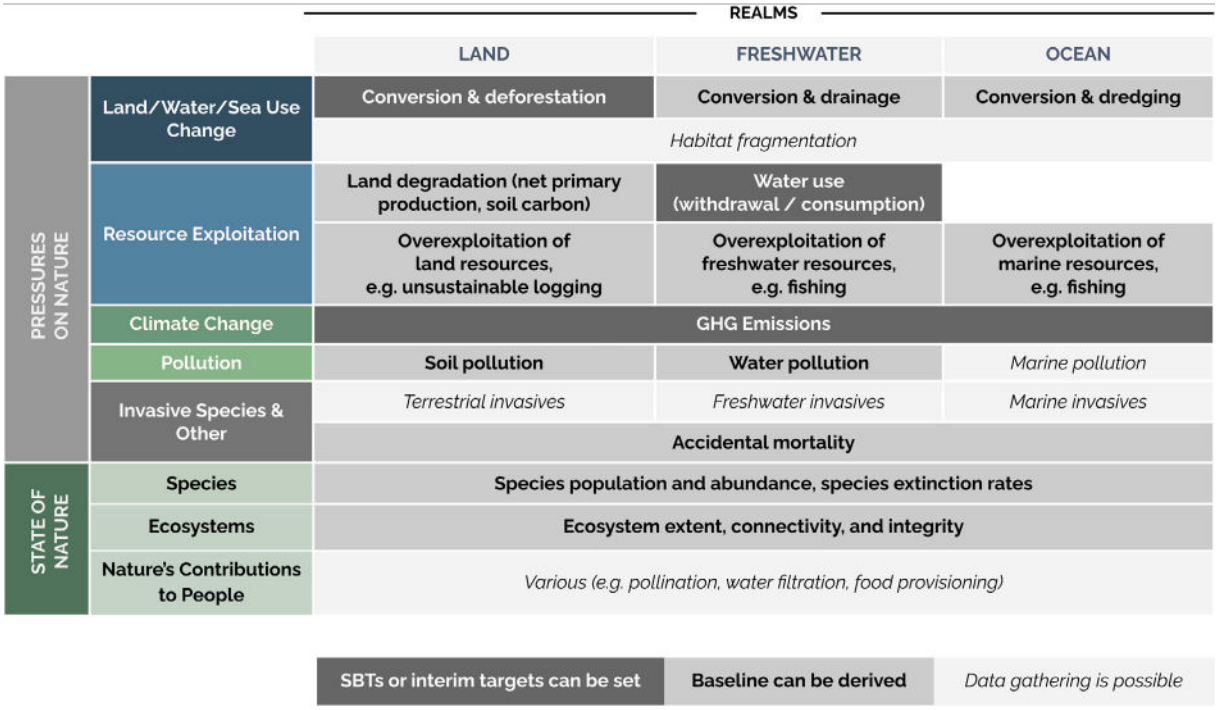
3. **Measure:** Collect baseline data for your priority targets and locations and where possible set targets.
4. **Act:** Use our Action Framework and act to avoid future impacts, reduce current impacts, regenerate and restore ecosystems, and transform systems.
5. **Track:** Finally, monitor progress toward targets and report publicly on this progress.

Principles for measurement indicators:

- Location-specific, practical, controllable, predictable, transparent, incentivising, comprehensive, aligned with Earth's limits and societal sustainability goals

Proposed target categories:

Figure 11: The proposed high-level target categories for science-based targets for nature



Source: SBTN (2020). Link.

Frameworks to inform the creation of biodiversity targets:

- **Global level:** UN Sustainable Development Goals, post-2020 Global Biodiversity Framework, SBTN, UN Decade on Ecosystem Restoration, UN Convention to Combat Desertification - Land Degradation Neutrality
- **National level:** National Biodiversity Strategy and Actions Plans (NBSAPs), National level biodiversity policies
- **Company/institutional level:** No Net loss, Biodiversity Net Gain, Zero net deforestation, Zero deforestation, Planetary Boundaries
- **Standards:** (s. tool #10) IFC Performance Standard 6, European Bank for Reconstruction and Development (EBRD) PR6, World Bank Environmental and Social Framework, Principles for Responsible Banking, Principles for Responsible Investment, etc.

TYPICAL USE

To answer questions such as:

- Where do we need to focus and take more action?
- What could be achieved in which timeframe?
- What indicators can be used to track progress?
- How can we align with international, regional and national biodiversity objectives?

LEVEL AND SCOPE OF APPLICATION

- Institutional level or prioritised sectors
- Species, ecosystem services and/or habitat

SKILLS AND RESOURCES REQUIRED

- Backing by senior management
- Understanding of biodiversity, biodiversity finance and good practice of (biodiversity) target setting

STRENGTHS

- Cross-cutting, providing guidance on biodiversity to the whole institution and clients/partners
- Creating commitment in the senior management
- Alignment with global goals can strengthen a financial institution's role in society and reduce reputational risk

LIMITATIONS

- Effect highly depends on implementation
- Alignment with global or national goals does not automatically drive the behavioural and systemic change needed by financial institutions
- Final post-2020 global biodiversity goals and targets not yet available

DOCUMENTED EXPERIENCE

UN Global Compact and KPMG (2016). *SDG Industry Matrix – Financial Services*. **Link**.

- Examples of alignment of financial institutions with SDGs

UNEP FI and UNEP WCMC (2021). *Biodiversity Target-setting: Guidance for banks*. **Link**.

- designed for Principles for Responsible Banking (PRB) signatories, allowing banks to take a systematic approach to setting and achieving biodiversity targets, including case studies and FAQs

SBTN is currently developing methods that actors can use to set targets. **Link**.

RELATED RESOURCES

SBTN (2020). *Science-Based Targets for Nature Initial Guidance for Business*. **Link**.

- Including illustrative science-based targets and indicators and their alignment to corporate accounting/reporting frameworks, societal goals, and planetary boundaries (p. 38) and in **annex**.

Gullison, R.E. et al. (2015): *Good Practices for the Collection of Biodiversity Baseline Data*. **Link**.

An industry-wide directory of Key Performance Indicators (KPI) for biodiversity, ecosystem services and related themes is being developed by IRIS+.

STEP 4: CAPACITY DEVELOPMENT

Purpose: Identifying capacity needs to implement strategy and targets (also see section "skills and resources required" of the methods and tools to be applied in steps 3-8)

Selection of relevant reports & examples:

8— TRAINING FOR GLOBAL BIODIVERSITY SCORE (GBS)

TYPE OF METHOD/TOOL

Training courses

PURPOSE

Introducing Biodiversity Footprint Assessments based on the GBS tool (s. #4) in order to enable participants to conduct a biodiversity footprint assessment for their organisation.

STRUCTURE AND FUNCTION

Level 1 Training – Introduction to the GBS tool and to Biodiversity Footprint Assessments:

- Draw a link between biodiversity loss and companies' activities
- Get familiar with the unfolding of a Biodiversity Footprint Assessment (BFA)
- Have a good command of the data collection process
- Beginner knowledge regarding results interpretation

Level 2 Training – Mastering the tool and conducting Biodiversity Footprint Assessments:

- Lead a comprehensive GBS-based BFA
- Accompany client in a BFA and formulate effective recommendations
- Manage all the functionalities of the tool

TYPICAL USE

To answer questions such as:

- How is biodiversity linked to economic activities?
- What is the footprinting methodology?
- What is the GBS and its data requirements and what are its results?
- How to apply the GBS? LEVEL AND SCOPE OF APPLICATION

LEVEL AND SCOPE OF APPLICATION

- Level of a portfolio, an asset class, a company, or a project
- Species (used to characterise the intactness of ecosystems)

SKILLS AND RESOURCES REQUIRED

- Level 1 training: 1 day, 1,600 € excl. VAT, knowledge related to biodiversity & ecosystem services
- Level 2 training: Having completed level 1 training, 2 days, 3,500 € excl. VAT

STRENGTHS

- Innovative subject rising in the corporate agenda
- In line with regulatory and future international frameworks on biodiversity (reporting, goals)

LIMITATIONS

- Effect is highly dependent on subsequent implementation

DOCUMENTED EXPERIENCE

s. tool #4

RELATED RESOURCES

Webinar **Link**.

9— WE VALUE NATURE

TYPE OF METHOD/TOOL

Open-source training modules

PURPOSE

Provide guidance on key steps, approaches and tools to integrating natural capital in decision-making

STRUCTURE AND FUNCTION

Two training modules, which have also been adapted to the Food & Beverage sector. A third module is currently being developed.

The main training materials are centred around the Natural Capital Protocol, a decision-making framework that enables organisations and business to identify, measure and value their direct and indirect impacts and dependencies on natural capital.

The content can be adapted so each module can be delivered over multiple durations.

Module 1: Introduction to natural capital

- This module has been designed for businesses, organisations or colleagues in the early stages of their natural capital journey with an interest in learning more about what natural capital is, why it is important for business and how to start integrating it into business decision-making

Module 2: A first natural capital assessment

- Using the Natural Capital Protocol as a basis, this module provides practical and concrete guidance on how, as a company, you can begin to approach a first natural capital assessment in order to integrate nature into decision-making. This training module has been developed in collaboration with Little Blue Research Ltd.

TYPICAL USE

To answer questions such as:

- What is the relationship between business and nature?
- What are related business risks and opportunities?
- What practical approaches, practices and tools are there to integrate natural capital into decision making?
- What natural capital impacts and dependencies are material to my business/ institution?
- How to value natural capital?

LEVEL AND SCOPE OF APPLICATION

- Institutional level, level of a portfolio, an asset class, a company, or a project
- Species, ecosystem services and/or habitat

STRENGTHS

- Depending on interests, topics can be covered more or less intense
- Open-source resources that can be adapted

LIMITATIONS

- Project is scheduled to come to an end this year – no more training sessions but materials will still be available

RELATED RESOURCES

We Value Nature training resources including accompanying facilitators notes, participant agenda and speaker notes as well as train the trainer resources. Link.

We Value Nature Webinar (2021): *How the finance sector is valuing nature*. Link.

Purpose: Avoiding biodiversity risks and impacts, aiming for no net loss

Selection of relevant reports & examples:

10— ENVIRONMENTAL SAFEGUARDS (IFC PS 6, EBRD PR 6)

TYPE OF METHOD/TOOL

Environmental Safeguards to avoid risks and reduce harm

PURPOSE

Ensuring that the negative impact of investments on biodiversity is minimised and (in some cases) that opportunities for positive impacts are explored.

STRUCTURE AND FUNCTION

Environmental Safeguards are based on an identification of direct and indirect project-related risks to biodiversity and ecosystem services, particularly with regard to habitat loss, degradation and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading and pollution. Their applicability is established during the risks and impacts identification process (IFC = Performance Standard 1) and the implementation of actions is carried out throughout the project cycle in order to avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way.

- A risk-based approach
- Application of the Mitigation Hierarchy to avoid, minimize, restore and (as a last resort) offset impacts (see #11)
- Criteria to identify biodiversity features of high concern
- Requirements for measurable outcomes (no net loss or net gain) for priority features
- Requirements for planning, implementing and monitoring mitigation actions and (if necessary) offsets. (WWF & The Biodiversity Consultancy op. cit.)

IFC Performance Standard 6

- Distinguishes between different habitats (modified, natural, critical) and applies strict or less strict standards accordingly (projects in critical habitats need to achieve net gain in biodiversity, projects in natural habitat need to achieve no net loss, projects in modified habitat should minimise impacts and implement mitigation measures as appropriate.)
- Takes the different values attached to biodiversity and ecosystem services by affected stakeholders into account.
- Is considered the international benchmark for identifying and managing environmental and social risks.

EBRD Performance Requirement 6

- Focuses on priority biodiversity features, combining considerations of irreplaceability and vulnerability, e. g. species or issues that do not merit critical habitat status, but remain of concern from a conservation perspective.
- Requires a critical habitat assessment where impacts on critical biodiversity features could occur

TYPICAL USE

To answer questions such as:

- What direct, indirect and residual risks for biodiversity could our activities cause?
- What values do affected communities (and other stakeholders) attach to biodiversity and ecosystem services?
- How can we avoid or minimise negative impacts?
- How can we monitor changes regarding our impacts?
- What systems and verification practices do we need to check impacts across our value chain?
- Environmental safeguards are the main mechanism used by PDBs for managing biodiversity risk. Each MDB has its own environmental and social safeguard framework, including standards for biodiversity, while most bilateral development banks have adopted IFC's Performance Standards. (WWF & The Biodiversity Consultancy op. cit.)

LEVEL AND SCOPE OF APPLICATION

- Project-level
- Habitat (IFC), habitat and species (EBRD)

SKILLS AND RESOURCES REQUIRED

- A robust framework, significant resourcing for ensuring and verifying implementation, internal systems and a culture to make sure that biodiversity concerns are considered in project appraisal and approval, a robust disclosure framework that encourages both clients and banks to meet the standards, and a powerful ombudsman or similar oversight mechanism. (WWF & The Biodiversity Consultancy op. cit)
- Competent professionals to assist in conducting the risks and impacts identification process and with appropriate regional experience to assist in the development of a mitigation hierarchy and to verify the implementation of those measures.

STRENGTHS

- Defining a clear process and checkpoints that force consideration and management of risk
- Well-applied safeguards strongly encourage developers to apply the mitigation hierarchy

LIMITATIONS

- Reactive mechanism mostly focused on no net loss
- Effectiveness highly depends on implementation

DOCUMENTED EXPERIENCE

IFC (2012): Performance Standard 6. Link.

- Guiding documents and case studies.

RELATED RESOURCES

EBRD (2019): *Environmental and Social Policy*. Link.

EBRD (2019): *Guidance Note: Performance Requirement 6.* Link.

EBRD (2019): The Environmental and Social Risk Management Manual for Financial Intermediaries. Link.

- Step by step guidance for the appraisal of environment and social-related risks, and the identification of environmental opportunities in transactions.

World Bank (2017): *Environmental and Social Framework.* Link.

11— MITIGATION HIERARCHY

TYPE OF METHOD/TOOL

A prioritized set of possible management responses to anticipated impacts

PURPOSE

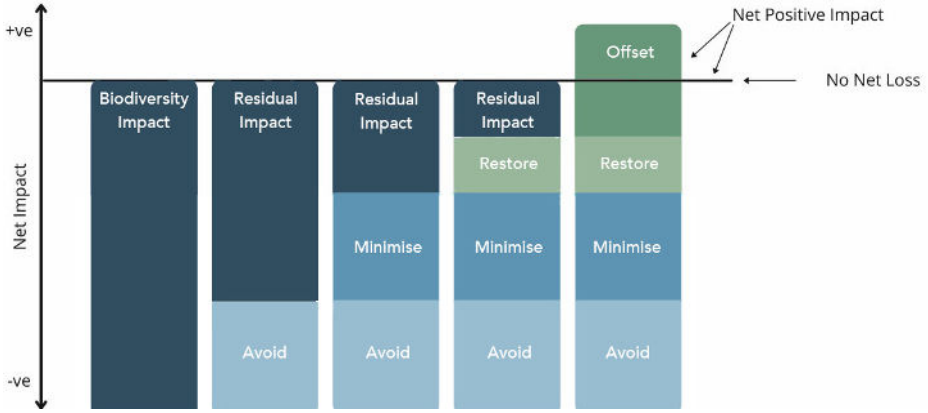
Structuring the management of potential biodiversity impacts

STRUCTURE AND FUNCTION

Based on a series of sequential steps that must be taken throughout the project cycle to limit negative impacts to biodiversity (no net loss) or to achieve net gain (s. Figure 12). The steps are:

- Avoidance: actions taken to fully prevent impacts to biodiversity values, such as changing the spatial design of a project to prevent impacts in specific locations
- Minimisation: actions taken to reduce the duration, intensity and/or extent of impacts that cannot be completely avoided
- Rehabilitation/Restoration: actions taken to return areas to beneficial use and if possible, assist in the recovery of the ecosystem that has been degraded, damaged, or destroyed
- Biodiversity Offset: measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development after appropriate prevention and mitigation measures have been taken. (Hardner et al. op. cit.)

Figure 12: The Mitigation Hierarchy



Source: The Biodiversity Consultancy (2015). Link.

Applying the mitigation hierarchy is not a one-way linear process but usually involves iteration of its steps. Before it can be applied, the potential impacts of investments and projects on biodiversity must be identified (see ***STEP 2: IDENTIFYING RISKS, IMPACTS AND OPPORTUNITIES***).

Where feasible, avoidance and minimisation are preferable to relying on rehabilitation/restoration and offsets because they maintain biodiversity values that may be difficult or costly to replace. Preventive measures are considered more effective and less costly in many cases. Offsets should only be considered as a last resort e. g. as negative impacts in one area can affect the resilience of entire ecosystems, which cannot be compensated for elsewhere.

TYPICAL USE

To answer questions such as:

- Is the proposed development likely to be sustainable in this location, given its natural resource dependencies or is there a less valuable site for a development in terms of biodiversity?
- How can we minimise the degradation of biodiversity as much as possible?
- What restoration measures can be taken for the impaired ecosystems at the project site?
- What offsets can be identified and implemented off-site to compensate for negative residual impacts?
- Is there a risk of irreversible or non-offsetable impacts?

Most DFIs already apply the mitigation hierarchy in order to avoid an overall negative impact on biodiversity ("no net loss") or to achieve an overall positive impact on biodiversity ("net positive approach") with development projects in different sectors.(WWF & The Biodiversity Consultancy op. cit.)

LEVEL AND SCOPE OF APPLICATION

- Project-level
- Species, habitat and ecosystem services

SKILLS AND RESOURCES REQUIRED

- In some cases, the design of mitigation measures will require a fair amount of technical analysis.
- It is good practice to consult project stakeholders in all steps of planning.

STRENGTHS

- Promotes performance measurement
- Effective application of the mitigation hierarchy provides the opportunity for early identification of biodiversity risks and mitigation options

LIMITATIONS

- There may be trade-offs between environmental and economic effectiveness that need to be resolved
- Avoidance tends to have higher but fixed, known costs and in many cases a higher probability of success than later components

DOCUMENTED EXPERIENCE

For examples from different industry sectors of actions that can be taken to avoid impacting ecologically sensitive areas as well as guidelines for minimisation, rehabilitation/restoration and offsets see

RELATED RESOURCES

Cross-Sector Biodiversity Initiative (CSBI) (2015): *A cross-sector guide for implementing the Mitigation Hierarchy*. **Link**.

- provides practical guidance, innovative approaches and examples for technical specialists, extractive industry experts and financial institutions

Hardner, J. et al. (2015): *Good Practices for Biodiversity Inclusive Impact Assessment and Management Planning*. Part 2 on management planning. **Link**.

Purpose: Identifying opportunities for increasing biodiversity-positive investments, e. g. by creating climate-biodiversity co-benefits through nature-based solutions, leveraging private finance and/or developing and implementing green financial products, aiming for net gain

Selection of relevant reports & examples:

12— GREEN BONDS

TYPE OF METHOD/TOOL

Green financial product – green debt security

PURPOSE

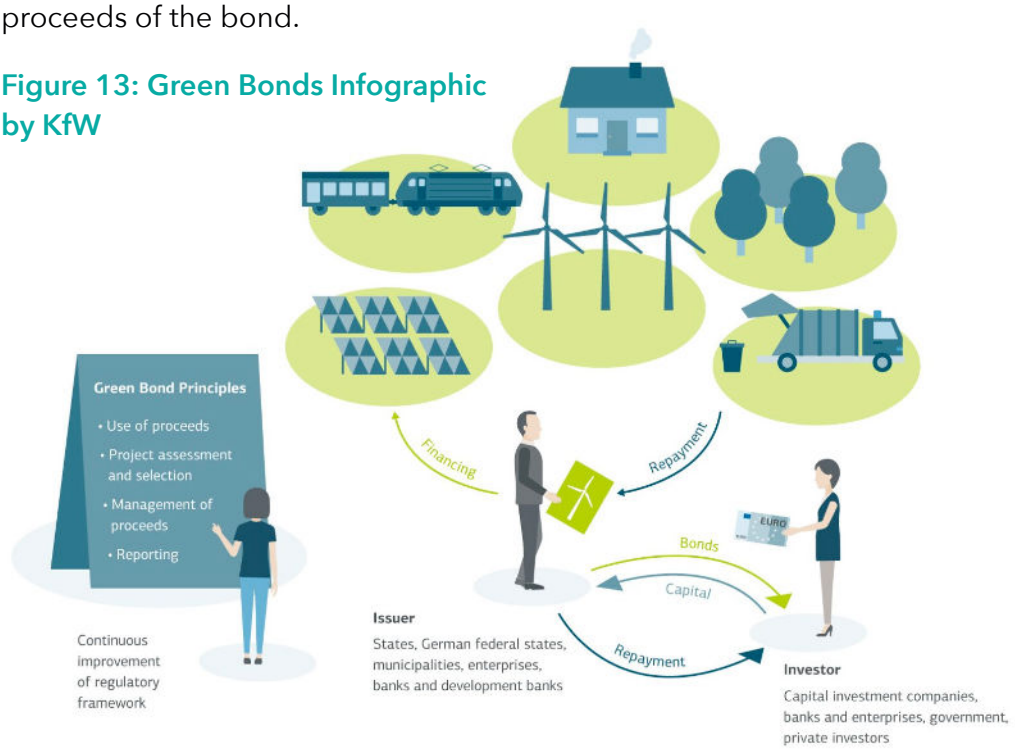
Raising capital specifically to support climate-related and environmental projects

STRUCTURE AND FUNCTION

In addition to evaluating the standard financial characteristics (such as maturity, coupon, price, and credit quality of the issuer), investors also assess the specific environmental purpose of the projects that green bonds intend to support. Green bonds are generally priced very close to regular bonds as investors are not willing to give up return or pay extra for the green aspect of the bond and related reporting.

In order to bring greater clarity to the definitions and processes associated with green bonds, the Green Bond Principles (GBP), a set of voluntary guidelines framing the issuance of green bonds, have been developed. The GBP suggest a process for designating, disclosing, managing, and reporting on the proceeds of the bond.

Figure 13: Green Bonds Infographic by KfW



Source: KfW (2017). Link.

The four core components for alignment with the GBP are:

1. **Use of Proceeds:** The issuer defines the kind of green projects it seeks to support with the green bond. All designated eligible Green Projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer. Selection criteria are often reviewed and assessed by an external expert party.
2. **Process for Project Evaluation and Selection:** The issuer of a Green Bond should clearly communicate to investors: a) The environmental sustainability objectives of the eligible Green Projects; b) The process by which the issuer determines how the projects fit within the eligible Green Projects categories; and c) Complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).
3. **Management of Proceeds:** The issuer discloses how it will separate green bond proceeds and make periodic allocations to eligible investments. The GBP encourage that an issuer's management of proceeds be verified by the use of an external auditor or other third party.
4. **Reporting:** Issuers should make, and keep readily available up to date information on the use of proceeds and provide annual reports on this and the expected environmental sustainability impacts.

TYPICAL USE

- As issuances have grown in size, the types of investors have grown increasingly diverse as well and include institutional investors (such as pension funds and insurance companies), asset managers, companies, foundations and religious organisations.
- The GBP recognise several broad categories of potentially eligible projects, which include, but are not limited to: renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, circular economy adapted products, production technologies and processes and green buildings.
- The taxonomies currently being produced may give further guidance to Green Bond issuers as to what may be considered green and eligible by investors.
- So far, most green bonds are issued to finance climate-related activities.

SKILLS AND RESOURCES REQUIRED

- Requirements vary from country to country
- Entities issuing bonds must disclose financial information to regulators, rating agencies, and investors.

STRENGTHS

- Investor diversification,
- Closer engagement with investors,
- Raising awareness for an issuer's activities,
- Helping to build a market that helps mobilise private sector financing for climate-focused and environmentally friendly activities
- High growth potential with positive developmental impacts

LIMITATIONS

- The market for green bonds is still very small
- Lack of expertise among capital market participants in developing and emerging countries
- May be less suitable than other instruments in countries with less-developed capital markets
- No legally binding green bond standards so far

DOCUMENTED EXPERIENCE

World Bank (2015): What are green bonds? Pp. 24-27 & 32-33. Link.

- Examples of several multilateral banks who have issued bonds supporting the financing of "green" projects, mostly related to climate change.

RELATED RESOURCES

ICMA (2021): *Green Bond Principles – Voluntary Process Guidelines for Issuing Green Bonds.* Link.

13— LEVERAGING PRIVATE FINANCE

13.1 EXAMPLE: ECO.BUSINESS FUND (EBF)

TYPE OF EXAMPLE

Fund with biodiversity-positive impact

PURPOSE

Establishing alternative production methods and corresponding sustainability standards, but also functioning as an instrument for a more ecological orientation of the financial system and the economy.

STRUCTURE AND FUNCTION

The eco.business Fund (EBF) promotes business and consumption practices that contribute to **biodiversity conservation**, the **sustainable use of natural resources, climate change mitigation** and **adaptation to its impacts** in Latin America, the Caribbean and sub-Saharan Africa. It is structured as a public-private partnership and was initiated by KfW, Conservation International (CI) and Finance in Motion. Finance in Motion is also acting as the fund advisor.

The EBF supports companies that replace conventional production methods with sustainable ones. Examples of this include measures to contribute to forest and landscape restoration and conservation, such as supporting agroforestry systems, as well as practices that reduce the pressure on

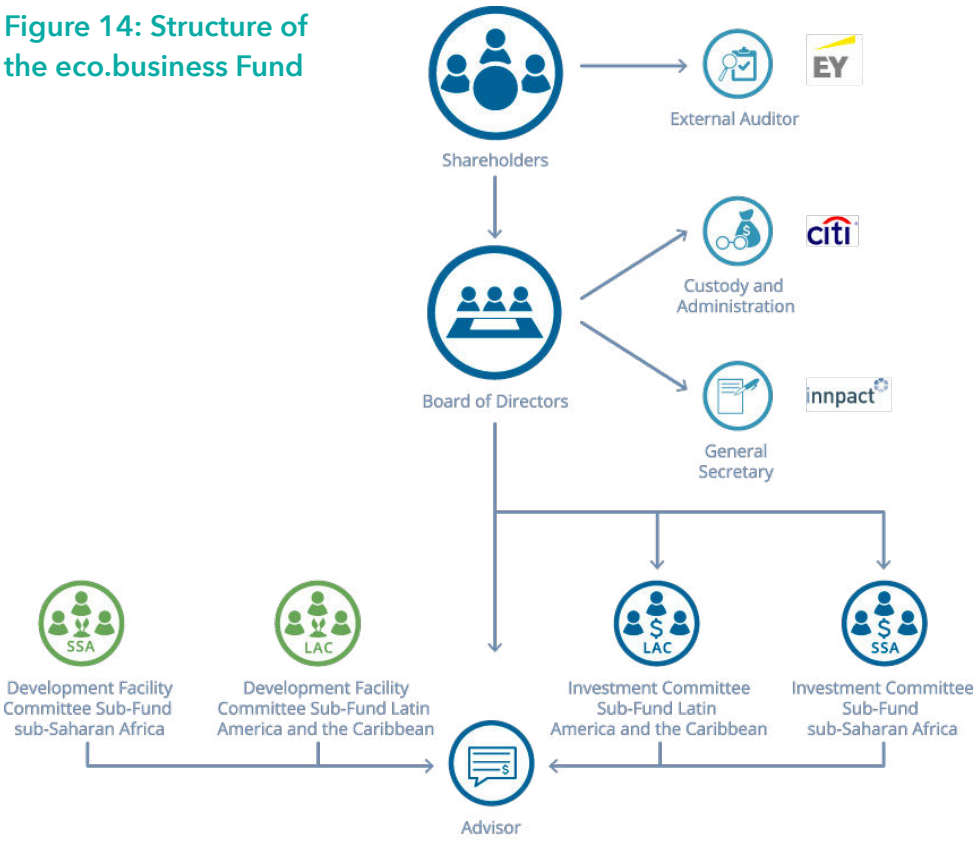
natural resources, such as water saving technologies or the sustainable intensification of agriculture. The Fund also supports businesses that hold selected **sustainability standards**. It focuses on sustainability in four economic sectors: agriculture and agri-processing, fishery and aquaculture, forestry, and tourism.

To this end, the EBF **brings together private and public investors** who bear different levels of risk. The participation of public institutions creates a risk buffer for other investors, which increases the attractiveness of the fund and attracts more private capital.

The EBF provides debt-financing through three avenues:

- Local financial institutions that are committed to the fund's mission and have the capacity to reach its target group;
- Its target group, i.e., businesses that implement sustainable practices and are aligned with its mission;
- Real-sector intermediaries in sub-Saharan Africa, such as commodity buyers or aggregators that have made credible sustainable sourcing commitments.

Figure 14: Structure of the eco.business Fund



Source: https://www.ecobusiness.fund/en/the-fund

Through its Development Facility, the EBF also provides technical assistance.

Investees receiving EBF financing must:

- either hold an eligible sustainability standard or
- implement either one of the practices outlined in the "Green List" or
- support a practice fully aligned with the fund's mission.

TYPICAL USE

The EBF targets highly biodiverse regions of the world whose ecosystems are particularly vulnerable.

Example: **Contribution of the EBF to the preservation of forests and native vegetation in Latin American countries:** The EBF provides financing to businesses holding sustainability standards that explicitly prevent forest conversion. In addition, several of the fund's eligible standards promote the preservation of native vegetation within the boundaries of the production unit. For example, Rainforest Alliance (RA) requires producers to hold a native vegetation coverage or reserve between 10 15% of the land under production, which is individually defined per crop. Through its financing, the EBF has protected 230,000 hectares in Latin America from deforestation.

LEVEL AND SCOPE OF APPLICATION

- Regions: Latin America, the Caribbean and sub-Saharan Africa
- Sectors: agriculture and agri-processing, fishery and aquaculture, forestry and tourism
- Types on investees: mostly financial institutions

DOCUMENTED EXPERIENCE

EBF (2019): Impact Stories. **Link**.

RELATED RESOURCES

Eco.business Fund Website. **Link**.

EBF (2021): Impact Report 2020. **Link**.

EBF (2019): Impact Framework. **Link**.

Convergence – the global network for blended finance. **Link**

- Generating blended finance data, intelligence, and deal flow to increase private sector investment in developing countries, aiming to decrease the SDG funding gap across sectors.

14— NATURE-BASED SOLUTIONS (NBS) (DRAFT VERSION)

TYPE OF METHOD/TOOL

An umbrella term for a portfolio of measures based on natural processes and ecosystems and an emerging institutional asset class/category

PURPOSE

Investment into markets and activities that generate benefits for biodiversity conservation, climate protection and human well-being and tackle different societal challenges

STRUCTURE AND FUNCTION

NbS are increasingly being viewed not only as a way to reconcile economic development with the stewardship of ecosystems, but also as a means to diversify and transform business and enable

sustainable development [24]. They cover a broad range of ecosystem management options, such as the incorporation of green and blue infrastructure in urban areas to help with urban cooling and flood abatement, maintaining forests in upper catchments to protect communities downstream from flooding, restoring peatlands to improve carbon sequestration or agroecological land-use to produce sustainable food.

Need for investment

In order to successfully tackle the interlinked climate, biodiversity, and land degradation crises annual investments in nature-based solutions will have to triple by 2030 and increase four-fold by 2050 from the current investments into nature-based solutions of USD 133 billion (using 2020 as base year) [25]. The G20 countries invested $120 billion in NbS in 2020, which represents 92 % of global annual NbS investment [26]. Private finance only accounts for 14%, including capital mobilized through sustainable agricultural and forestry supply chains, private equity investments, biodiversity offsets financed by private sectors, philanthropic capital, private finance leveraged by multilateral organizations and forest and other land use-related carbon markets. Investors, developers, market infrastructure makers customers and beneficiaries can play roles in creating a market where nature-based solutions access new sources of revenue, increases resilience of commercial activities, reduces costs or contributes to reputation and purpose.

Business models

Two major categories of business model emerged in a recent assessment [27]: 1) Sale of products and services and 2) Creation of cost benefit. Sales models generate revenue through the sale of commodities, ecosystem services and other services generated by NbS. Cost benefit models generate revenue through capturing a portion of operational or capital cost savings to beneficiaries – for example, reducing costs of storm damage to coastal businesses by investing in natural systems that protect coastlines (such as mangroves and coral reefs). These costs can be reduced across public, private and philanthropic sectors. In addition, a significant number of projects utilize more than one income stream to underpin the business model. This approach is known as 'stacking' of revenue streams to achieve the target financial outcome.

Table 1: Type of NbS business models. Source: Finance Earth (2021).

Sale of products and services	Creation of cost benefit
• Commodities – including timber and agricultural produce • Pauments for ecosystem services ('PES''): – Carbon credits – predominantly sold through the voluntary carbon market – Other credits – predominantly sold through locally regulated markets– for nutrient and biodiversity credits – Other PES – incentive payments from a beneficiary/user of an ecosystem to the provider of an ecosystem service (specifially those who preserve or maintain the ecosystem)	• Corporate cost savings – activities that reduce corporate operational and capital costs
Other services : • Services – including ecotourism offerings and area management (often montised through access/entry fees) • Rental income – payments to landholders/property owners for use of land/ property	• Public and philanthropic cost savings – activities that reduce the financial risk of delivering target outcomes

[24] Seddon et al. (2020): Understanding the value and limits of nature-based solutions to climate change and other global challenges. Link.
[25] United Nations Environment Programme (2022): State of Finance for Nature in the G20. Link.
[26] Ibid.
[27] Finance Earth (2021): A Market Review of Nature-Based Solutions: An Emerging Institutional Asset Class (commissioned by the Green Purposes Company). Link.

TYPICAL USE

- Investments in nature-based solutions have the potential to generate environmental and social benefits at multiple scales. But scaling investment in robust nature-based solutions remains a challenge in part due to the nascent body of knowledge around the drivers of risk and return for these investments
- NbS projects with strong links to existing commodities markets, such as agriculture, forestry and freshwater projects, currently receive the largest share of investment globally

SKILLS AND RESOURCES REQUIRED

- Enabling conditions, e.g. through incentives and blended finance mechanisms that share risks among investors
- Innovative and creative project development to identify high potential business models
- Technical capacities for ecosystem services assessment and valuation (quantification of costs and benefits)
- Stakeholder management
- The creation of multilateral consortia of close partnerships between companies, communities, local governments, national governments, non-governmental organizations, local financial institutions, and national and international financial institutions is emerging as critical to the provision of large scale, long-term investments in ecosystem [28]

STRENGTHS

- Potentially provide direct and sizable social and environmental impacts
- Enables investors to continue investing in existing asset classes within financial markets (e.g. commodities such as timber, agricultural products and clean water) by using new, nature- and climate-positive methods.
- NbS are already being delivered and can be exponentially scaled-up if they are fully valued and receive proper investment `
- NbS directly address a potentially unsustainable over-reliance on grey infrastructure (evidence suggests that they, in certain contexts, provide low-cost solutions to many climate change-related impacts and offer key advantages over engineered solutions)

LIMITATIONS

- High risks(?)
- Up to now not typically mainstreamed into policy, legislation and regulations
- Lack of a clear project pipeline
- Trade-offs and associated risks can arise if climate mitigation policy encourages NbS with low biodiversity value, such as afforestation with non-native monocultures (maladaptation, greenwashing)
- The investments relate to human, social and natural capital (not just material and financial capital) - need to improve the measurement of these forms of capital

[28] Seddon et al. (2020) op.cit.

DOCUMENTED EXPERIENCE

Global Program on Nature-based Solutions for Climate Resilience

- https://www.naturebasedsolutions.org

Panorama: Solutions for a Healthy Planet

- https://panorama.solutions/en

Nature-based Solutions Initiative

- https://www.naturebasedsolutionsinitiative.org/nbs-case-studies/

RELATED RESOURCES

Finance Earth (2021): *A Market Review of Nature-Based Solutions: An Emerging Institutional Asset Class (commissioned by the Green Purposes Company).* Link.

Seddon et al. (2020): *Understanding the value and limits of nature-based solutions to climate change and other global challenges.* Link.

United Nations Environment Programme (2022): *State of Finance for Nature in the G20.* Link.

IUCN

- https://www.iucn.org/theme/nature-based-solutions/about

European Commission

- https://ec.europa.eu/info/research-and-innovation/research-area/environment/nature-based-solutions_en

Nature-based Solutions Initiative

- https://www.naturebasedsolutionsinitiative.org

IDB

- https://blogs.iadb.org/sostenibilidad/en/financial-innovation-investment-for-nbs-in-lac/

STEP 7: MONITORING AND REPORTING

Purpose: Increasing transparency on biodiversity risks, impacts and opportunities in order to enable the assessment of risks to system-wide financial stability and to adapt processes and investments on the institutional level, further promoting no net loss and net gain objectives.

Selection of relevant reports & examples:

15— GLOBAL REPORTING INITIATIVE SUSTAINABILITY REPORTING STANDARDS (GRI STANDARDS)

TYPE OF METHOD/TOOL

Reporting standards

PURPOSE

Enabling any institution or organisation – large or small, private or public – to understand and report on their impacts on the economy, environment and people and how it manages these impacts in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development.

STRUCTURE AND FUNCTION

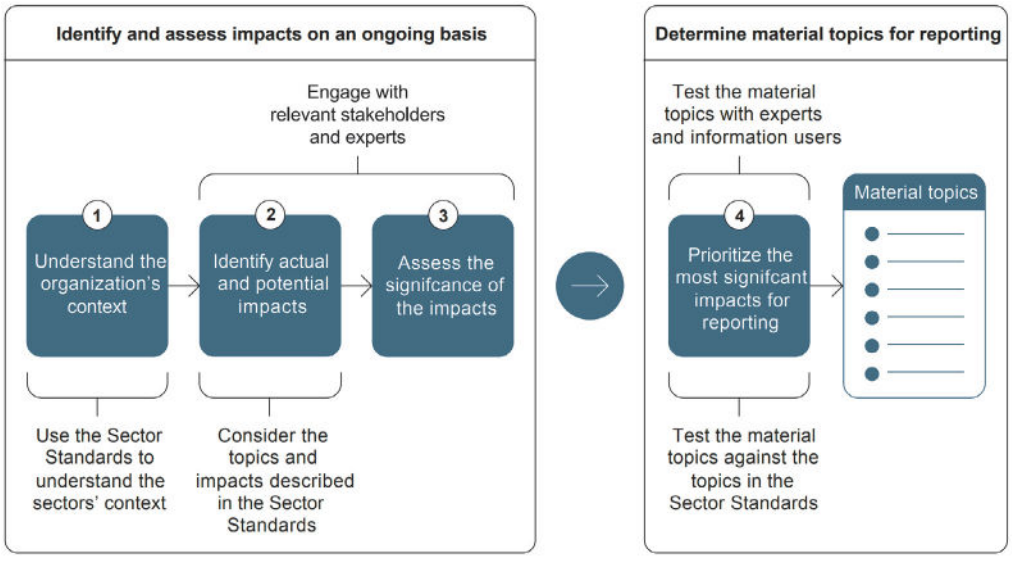
The GRI Standards represent global best practice for reporting publicly on a range of economic, environmental and social impacts. Sustainability reporting based on the Standards provides information about an institution's positive or negative contributions to sustainable development.

The GRI Standards is a modular system of interconnected standards.

- the GRI Universal Standards, applying to all organisations;
- the GRI Sector Standards, applicable to specific sectors; and
- the GRI Topic Standards, each listing disclosures relevant to a particular topic.

To identify material topics, organisations should follow four steps:

Figure 16: Process to determine material topics



*Source: GRI (2021): GRI 3: Material Topics 2021. **Link**.*

For each material topic reported, such as biodiversity, organisations shall:

a. describe the actual & potential, negative & positive impacts on the economy, environment, and people;

b. report whether it is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships;

c. describe its policies or commitments regarding the material topic;

d. describe actions taken to manage the topic and related impacts, including:

   i. actions to prevent or mitigate potential negative impacts;

   ii. actions to address actual negative impacts;

   iii. actions to manage actual and potential positive impacts;

e. report the following information about tracking the effectiveness of the actions taken:

   i. processes used to track the effectiveness of the actions;

   ii. goals, targets, and indicators used to evaluate progress;

   iii. the effectiveness of the actions, including progress toward the goals and targets;

   iv. lessons learned and how these have been incorporated into its operational policies & procedures;

f. describe how engagement with stakeholders has informed the actions taken and how it has informed whether the actions have been effective.

Biodiversity as a material topic – additional detailed reporting on:

- operational sites in or near protected areas and areas of high biodiversity value outside protected areas;
- the nature of significant direct and indirect impacts on biodiversity;
- habitat areas protected or restored;

IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organisation, by level of extinction risk.

TYPICAL USE

To answer questions such as:

- What impact does my organisation have on the economy, environment, and people/biodiversity?
- How do these impacts come about?
- What strategies are in place to manage these impacts?
- How are these impacts actually managed?
- How effective are actions to manage these impacts?
- How can the management of the impacts be improved?
- How can stakeholders be engaged in the management of the impacts?

LEVEL AND SCOPE OF APPLICATION

- Institutional/organisational level
- Species, genes, habitat and ecosystem services

SKILLS AND RESOURCES REQUIRED

- Technical expertise in ESG Reporting
- First reporting is likely to be time-consuming
- IBAT (s. #1) is well suited to be used as a data source
- Funding in case of using additional services (GRI Report Services Pricing Policy)

STRENGTHS

- Global common framework for impact reporting, which drives information sharing and informed decision making
- Can encourage transparency and good practice

LIMITATIONS

- Focuses on risks rather than biodiversity outcomes and so are less suited for assessing whether a company is – or could become – nature positive
- The biodiversity indicators have been unchanged for over 10 years, although the GRI is anticipating revising the indicators in the next years

DOCUMENTED EXPERIENCE

Of the world's largest 250 corporations, 92% report on their sustainability performance and 74% of these use GRI's Standards to do so. In addition, 35 countries use GRI as their sustainability reporting standard in their sustainability policies (GRI and KPMG, 2017, cited in **UNEP WCMC, 2020**).

RELATED RESOURCES

GRI (2016): *GRI 304: Biodiversity 2016*. **Link**.

16— TNFD REPORTING FRAMEWORK (TBC)

TYPE OF METHOD/TOOL

Guidance on reporting nature-related risks, opportunities and impact

PURPOSE

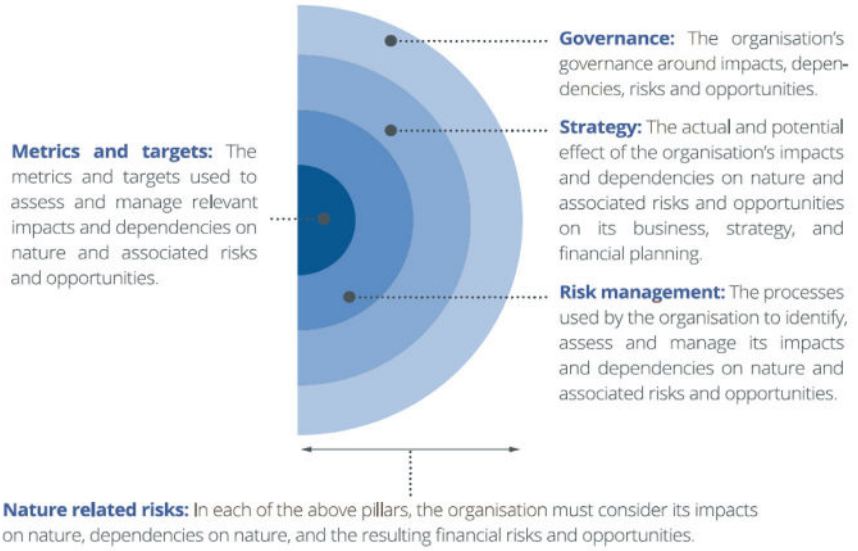
Allowing companies and financial institutions to incorporate nature-related risks and opportunities into their risk management and strategic planning processes including the development of new sustainable finance products.

STRUCTURE AND FUNCTION

The TNFD does not intend to develop a new standard itself, but for its outputs to be **integrated into existing frameworks** and standards, such as those e. g. published by GRI (see #15), **SASB**, the **Climate Disclosure Standards Board** (CDSB) and the forthcoming International Financial Reporting Standards' (IFRS) **International Sustainability Standards Board** (ISSB).

The TNFD framework will adopt a **five-pillar approach** (see Figure 17). The framework will be supported by guidance on how financial institutions and non-financial corporates can align their business practices and financing respectively to manage their impacts and dependencies on nature.

Figure 17: Core elements of recommended nature-related financial disclosures



Source: IWG TNFD's Informal Technical Expert Group, drawing from TCFD (2017). Link.

The TNFD suggests organising information required to report in **"data stacks"** that will be compiled and maintained by the TNFD. They are supposed to be easily **convertible into "reporting metrics"** for all key sectors of economy, all types of institutions and asset classes. The reporting entities will have access to this information and be able to pick what is relevant for them for their reporting purposes.

TNFD metrics will cover: the state of nature, pressures on nature and the response to nature.

The **amount and detail of reporting** could progressively increase from a basic assessment of nature related risks to full alignment with the complete range of metrics and a complete assessment of nature related risks and opportunities relevant for full value chain in the given industry/sector.

- Investors can make informed and robust capital allocation decisions;
- Analysts can be better equipped to utilise environmental and natural capital-related information in determining impacts on future cash flow and ultimately company valuations;
- Companies can incorporate environmental and natural capital-related information in mainstream financial reports alongside data on climate, assisting companies in achieving a holistic view of how climate change and natural capital can affect their performance and the necessary actions they could take to address the risks and opportunities;
- Regulators may use results when assessing risks to system-wide financial stability;
- Stock exchanges can consider new voluntary and mandatory listing requirements linked to material environmental and natural capital-related risks and opportunities alongside climate change;
- Accounting firms can provide more comprehensive assurance of companies reporting on environmental and natural capital-related performance.

LEVEL AND SCOPE OF APPLICATION

- Level of whole businesses and financial institutions

Based on extensive research and consultations in the process of setting up of the TNFD, the business community, Governments, international community and conservation organisations have agreed that company reporting should cover the following aspects of nature:

- Living aspects of nature and all services they provide to economy and society, covering habitats, species and genetic resources from all sources;
- Impacts on water, soil and air;
- Impacts of a reduced supply of quality minerals (including oil and gas) on the health and vitality of living nature, water, soil and air.

SKILLS AND RESOURCES REQUIRED

- Ability to take on a double materiality reporting perspective, disclosing how nature is impacting the institution and how the institution impacts nature
- High quality data and analytical skills

STRENGTHS

- Committed to market transparency and stability
- Increase corporates' and investors' understanding of the financial implications associated with nature, biodiversity, and ecosystems services
- Allows investors to make informed and robust capital allocation decisions that take nature-related risks and opportunities into account
- Aims to operationalise synergies between climate and nature-related risk reporting and accounting

LIMITATIONS

- Additional reporting could be seen as an additional burden and a "box-ticking task"
- Will not be legally binding for all – national policies needed
- Disclosure alone will not increase nature-positive investments at the required speed

DOCUMENTED EXPERIENCE (TBC)

RELATED RESOURCES

Taskforce on Nature-related Financial Disclosures. **Link**.

UNDP and UNEP FI (2021). Reporting on Nature-related Risks, Impacts and Dependencies. **Link**.

17— THE FRENCH DEVELOPMENT AGENCY (AFD)'S BIODIVERSITY FINANCE TRACKING METHOD

TYPE OF METHOD/TOOL

Process and metrics dedicated to reporting on the bank's financial contribution to the implementation of the United Nations Convention on Biological Diversity's objectives i.e. its biodiversity finance.

PURPOSE

Enhancing AFD's capacity to report on its biodiversity finance through a science-based, reliable and transparent metric, aligned with international biodiversity finance standards and best practices.

STRUCTURE AND FUNCTION

The AFD Group biodiversity finance tracking method weights the financial contribution of each of its investments to the implementation of the CBD's objectives.

Four principles guide the structure of the method

- **Full compatibility with the ODA reporting directives** approved by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD DAC) Working Party on Development Finance Statistics, specifically the eligibility criteria attached to the Rio markers on biodiversity (see related resources below);
- **Alignment with the monitoring framework of the post-2020 Global Biodiversity Framework** (GBF) and the 2030 Agenda for Sustainable Development;
- **Applicability to all investments** whatever the sector, geography or types of financial means;
- **Simplicity and speed of use by non-expert users.**

It follows a **three-step process:**

1. Selection of projects eligible for "biodiversity finance" accounting: using the eligibility criteria of the OECD DAC Rio Marker for biodiversity: (i) a clear do no harm approach based on best practice ESG norms to guarantee no net loss; (ii) an explicit approach embedded in the project conception and logical framework to ensure that a demonstrated positive impact (net gain) on biodiversity is produced by the project, thus justifying its contribution to one of the three objectives of the CDB;
2. Qualification of the project's principal impact (net gain) for biodiversity: using eligibility criteria and indicators29 attached to each of the following 6 Strategic Biodiversity Goals (SBG)
3. Weighting of the project's "biodiversity finance" as indicated in the table below. A 10% bonus is added to the weighting factors of projects reaching a net-gain within a Protected or Key Biodiversity Area.

SBG	Weighting factor
(1) Protection	*100%*
(2) Restoration	*80%*
(3) Integrated spatial/land-use planning	*60%*
(4) Stakeholders' biodiversity policies/governance/strategies	*50%*
(5) Sustainable management of natural resources stocks (quality and quantity)	*40%*
(6) Reduction of local pressures	*20%*

The primary proposal of the applicable Rio Marker for Biodiversity and the SBG is under the responsibility of the AFD project manager and should be declared at the stage of project identification, based on planned activities. It is confirmed during the investment committee based on a biodiversity expert review of the project documentation if the DAC marker and the SBG eligibility criteria are met. During the whole instruction period, the AFD project manager has the opportunity to call on the support of a biodiversity support team, staffed with dedicated and competent experts.

TYPICAL USE

To answer questions such as:

- What are the best standards or approaches available for mainstreaming biodiversity within development investments?
- Is my project contributing to the implementation of the CDB and its post-2020 GBF? If yes, what indicators can I integrate in the monitoring framework to report on its biodiversity impacts?
- How much of my project's investment can be considered a contribution to AFD's "biodiversity finance"?

LEVEL AND SCOPE OF APPLICATION

- All investments of AFD, be it loans, grants, equity, guarantees or in-kind technical assistance; with the exception of non-sectoral ODA.

SKILLS AND RESOURCES REQUIRED

- Basic training on natural sciences and environmental economics

STRENGTHS

- Conformity with the OECD DAC reporting system for biodiversity
- Interoperability with the common principles on climate finance

LIMITATIONS

- In-house methodology, developed without the guidance of the final post-2020 GBF, international common principles for biodiversity finance or the EU taxonomy for sustainable finance. When published, alignment to such standards should be adjusted.

DOCUMENTED EXPERIENCE

The AFD's Biodiversity Road Map (see Example #6.1) is an annex of is strategy for territorial and ecological transition. Note that biodiversity finance tracking has been done for 10 years at AFD, though the method described here is an update of previous methods.

It is attached to an in-house toolbox offering support & training material and guidelines to users both on the method itself and on nature positive best practice and standards for biodiversity mainstreaming in all development sectors. The toolbox is intended to be maintained in order to integrate updated best practices and standards when published in the public domain.

RELATED RESOURCES

OECD DAC (2018): *Converged statistical reporting directives for the creditor reporting system (CRS) and the annual DAC questionnaire.* Link.

CBD (2020): *Draft monitoring framework for the post-2020 global biodiversity framework for review.* Link.

STEP 8: KNOWLEDGE AND INFORMATION SHARING

Purpose: Depending on role and mandate: informing policy makers'/investors' decisions and/ or share knowledge and experiences and engage clients and partners in order to avoid risks.

Selection of relevant tools, methods, platforms & initiatives:

PLATFORMS AND INITIATIVES FOR SHARING KNOWLEDGE AND EXPERIENCES[30]

- **Biodiversity in Good Company**: Cross-sectorial collaboration of companies encouraged and supported in their commitment to integrate biodiversity and ecosystem services into their environmental and sustainability management systems and operations throughout the value chain. The initiative acts as a forum for exchanging experience, opportunities for business action for biodiversity, building biodiversity business cases, and creating awareness. Members also commit to publishing their biodiversity-related activities, improving transparency and turning commitments into action.
- **Coalition for Private Investment in Conservation (CPIC)**: Global coalition of civil society organisations, private and public sector financial institutions and academia focusing on enabling conditions, which support an increase in private, return-seeking investment in conservation with the aim to close the current biodiversity conservation funding gap while facilitating sustainable development. Building on collective experience, CPIC is developing replicable, scalable investment "blueprints".
- **Convergence**: Global network generating blended finance data, intelligence and investments from the private sector into developing countries, aiming to decrease the SDG funding gap across sectors.
- **Finance for Biodiversity Initiative (F4B)**: Initiative aiming to increase the materiality of biodiversity in financial decision-making, and so better align global finance with nature conservation and restoration. F4B is advancing five workstreams: market efficiency and innovation; biodiversity-related liability; citizen engagement and public campaigns; responses to the COVID crisis; and nature markets.
- **Finance for Biodiversity Pledge**: 37 financial institutions from 13 countries committed to protect and restore biodiversity through their finance activities and investments and calling on global leaders

[30] Mostly based on WWF & The Biodiversity Consultancy (2021) op. cit. and Finance for Biodiversity Foundation (2021)

to do the same. By 2024, signatories have committed to: 1) collaborate and share knowledge on assessment methodologies, biodiversity-related metrics, targets and financial approaches for positive impact; 2) engage with companies to reduce negative and increase positive biodiversity impacts by incorporating biodiversity criteria into ESG policies; 3) assess the impact of financing activities and investments; 4) set and disclose science-based targets for biodiversity; and 5) public reporting on biodiversity impacts of their portfolios.

- **Finance@Biodiversity Community (F@B)**: Community set up by the European Commission as part of the EU Business@Biodiversity Platform, facilitating the finance sector members to lead their collective biodiversity agenda. The F@B Community aims to accelerate the process of learning and support implementation, both at a strategic level and by sharing practical experiences, thereby supporting the transition towards a resilient financial sector.
- **Global Impact Investing Network (GIIN)**: Dedicated to increasing the scale and effectiveness of impact investing around the world. By facilitating knowledge exchange, developing innovative investment approaches and tools and evidence for the industry, the network aims to reduce barriers to impact investing and increase funding for solutions to the world's biggest challenges. Impact investing for the environment focuses on sustainable agriculture, renewable energy and conservation sectors, as well as climate finance across sectors.
- **International Platform on Sustainable Finance**: Platform playing a key role in enabling cooperation by bringing together expertise on sustainability from the corporate and public sector, from industry as well as academia, civil society and the financial industry. The platform is an advisory body, the main purpose of which is to advise the European Commission on several tasks and topics related to further developing the EU taxonomy and support the Commission in the technical preparation of its implementation.
- **Natural Capital Finance Alliance (NCFA)**: Forum aiming to enable banks, investors and insurers to make more sustainable decisions by assessing their impacts and dependencies on nature. Together with UNEP FI, the ENCORE Tool (s. #5) has been developed under the Advancing Environmental Risk Management (AERM) project.
- **Partnership for Biodiversity Accounting Financials (PBAF)**: Partnership of financial institutions initiated in 2019 by ASN Bank with the aim of producing a harmonised biodiversity accounting approach for the financial sector. The partnership explores the opportunities and challenges around biodiversity impact assessment and disclosure in their Common Ground Paper published in 2020.
- **Science-based Targets Network (SBTN)**: Coalition of 45+ NGOs, creating methods and tools for companies and cities to set integrated targets across all earth systems (freshwater, land, oceans, biodiversity, climate). Setting science-based targets will allow end-users to know if they are doing enough of the right actions, in the right places, to address their full value-chain impacts (also s. #7). The methods will help end users quantify their contributions on delivering progress towards global goals and other sustainability commitments. The science-based targets for nature will be available at the end of 2022.

- **Task Force for Nature-related Financial Disclosures (TNFD)**: Task force aiding in the appraisal of naturerelated risks and shift global financial flows towards nature-positive outcomes by providing a framework for corporations and financial institutions to evaluate, manage and disclose their dependencies and impacts on nature (s. #16).
- **UN Global Compact**: Largest global corporate sustainability initiative calling companies to align their strategies and actions with universal human rights, labour, environment and anti-corruption principles, underpinned by the SDGs. Their Framework for Corporate Action on Biodiversity and Ecosystem enables corporate sustainability strategies to integrate the development, implementation, and disclosure of policies and practices on biodiversity and ecosystem services.
- **United Nations Environment Programme Finance Initiative (UNEP FI)**: Facilitates the co-creation of practical resources and knowledge sharing to enable financial institutions to embed sustainable financial market practices into their strategies. UNEP FI works with members across the financial sector and their frameworks include the Principles for Responsible Banking (PRB), Principles for Sustainable Insurance (PSI), and Principles for Responsible Investment (PRI).

18— CLIENT ENGAGEMENT STRATEGIES

18.1 EXAMPLE: ACTIAM'S CLIENT ENGAGEMENT PROCESS

TYPE OF METHOD/TOOL

Strategy to deal with client behaviour

PURPOSE

Avoiding the risks ill client behaviour may pose for financial institutions

STRUCTURE AND FUNCTION

Through its own rating system, Actiam assesses how companies in which it invests are currently behaving and how they are preparing themselves for future sustainability transitions including biodiversity risks. (For biodiversity, emphasis is put, for instance, on certification, exposure of companies and their supply chains in high value conservation areas or fragile ecosystems, and efforts to reduce land disturbance or increase biodiversity protection.) As a result, Actiam may start engagement with a company to promote a change in behaviour or ultimately not invest in the company.

Actiam categorises companies into three categories:

- **'Adaptive companies':** sufficiently keep account of their biodiversity risks and are therefore eligible for investments by Actiam's sustainability funds;
- **'Companies at risk':** have the capacity to take into account biodiversity risks but don't sufficiently do so and therefore need to be part of an engagement process;
- **'Non-adaptive companies':** lack the capacity to adapt to the ongoing sustainability transitions and therefore are not eligible for investments by Actiam.

The thresholds between the categories were developed using scientific evidence, expert insight and by keeping a precautionary principle in mind.

With companies that have the capacity to improve their policies and management practices of biodiversity-related topics, Actiam enters into a dialogue to influence the company's behaviour.

The engagement process can be conducted either as a response to specific incidents or proactively to address solutions that would steer companies towards Actiam's expectations. In order to monitor change, clear targets are set and milestones are formulated during the process.

Actiam acknowledges that ensuring effective engagement depends on information that is not always readily available and therefore uses satellite images to detect and monitor activities that lead to biodiversity loss, such as deforestation.

TYPICAL USE

To answer questions such as:

- How are our clients behaving towards biodiversity risks?
- Which companies could do more?
- Which companies lack the capacity to take biodiversity risks into account?

LEVEL AND SCOPE OF APPLICATION

- Institutional level
- Habitat, species, potentially ecosystem services

SKILLS AND RESOURCES REQUIRED

- Data e. g. on company's biodiversity footprints
- Skills to analyse data and reach out to clients to

STRENGTHS

- Contributing to setting positive biodiversity targets, strategies and roadmaps with its customers
- Through its strategic partnership with Satelligence, Actiam is developing in-house knowledge and expertise regarding sectors that have a significant negative impact on biodiversity

LIMITATIONS

- Due to the size of its portfolio, Actiam is unable to screen all their investments in great detail individually.
- Data that allows mapping a company's supply chain more effectively needs to be improved

DOCUMENTED EXPERIENCE

Actiam (2021): *Innovation award for ACTIAM's engagement programme against deforestation*. **Link**.
Actiam (2021): *Sustainable Investing – overview engagements May 2021*. **Link**.

RELATED RESOURCES

The Sustainable Finance Platform (2020): Biodiversity Opportunities and Risks for the Financial Sector **Link**.

Glossary

AREA OF HIGH BIODIVERSITY VALUE	Area not subject to legal protection but recognised for important biodiversity features by a number of governmental and nongovernmental organisations.[31]
BIODIVERSITY	The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.32
BLENDED FINANCE	The use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development (Convergence). More specifically, it is the use of concessional donor funds to mitigate specific investment risks and help rebalance riskreward profiles of pioneering, high-impact investments so that they have the potential to become commercially viable over time (IFC).
CUMULATIVE IMPACT	Includes direct and indirect impacts, past, present and future, resulting from the actions of all actors, not just the target organisation or project assessed.[33]
DIRECT IMPACT	Impacts directly attributable to a defined action or project.[34]
ECOSYSTEM SERVICES	The benefits people obtain from ecosystems. These include provisioning services such as food, water, timber, and fibre; regulating services that affect climate, floods, disease, wastes, and water quality; cultural services that provide recreational, aesthetic, and spiritual benefits; and supporting services such as soil formation, photosynthesis, and nutrient cycling.[35]
ENVIRONMENTAL IMPACT ASSESSMENT (EIA)	A formalised process, including public consultation, in which all relevant environmental consequences of a project are identified and assessed before authorisation is given. The process of identifying, predicting, evaluating and mitigating the biophysical, social, and other relevant effects of development proposals prior to major decisions being taken and commitments made.[36]
FINANCING GREEN	Increasing financial flows to projects that contribute – or intend to contribute – to the conservation, sustainable use, and restoration of biodiversity and ecosystems and their services to people.[37]

[31] GRI op. cit.
[32] United Nations (1992): Convention on Biological Diversity. **Link**.
[33] UNEP WCMC op. cit.
[34] UNEP WCMC op. cit.
[35] BBOP op. cit.
[36] BBOP op. cit.
[37] WB (2020): Mobilizing Private Finance for Nature. **Link**.

GREENING FINANCE	Directing financial flows away from projects with negative impacts on biodiversity and ecosystems to projects that mitigate negative impact and/or pursue positive environmental impacts as a co-benefit.[38]
INDIRECT IMPACT	Indirect impacts (sometimes called secondary impacts or induced impacts), are impacts triggered in response to the presence of the project, rather than being directly caused by the project's own operations.[39]
MATERIALITY	Refers to the significance of a matter in relation to a set of financial or performance information. If a matter is material to the set of information, then it is likely to be of significance to a user of that information (OECD). Materiality is rarely determinable by a bare quantitative equation; rather, it requires an assessment of whether a reasonable investor would consider the information relevant to its decision of whether or not to invest in a company. That assessment may require consideration of both quantitative and qualitative factors (Commonwealth Climate and Law Initiative)[41]
METRIC	A system or standard of measurement. A combination of measures or modelled element.[42]
MODIFIED HABITAT	According to IFC Performance Standard 6, modified habitats are areas that may contain a large proportion of plant and/or animal species of non-native origin, and/or where human activity has substantially modified an area's primary ecological functions and species composition.[43]
NATURAL CAPITAL	The elements of nature that directly and indirectly produce value or benefits to people, including ecosystems, species, freshwater, land, minerals, the air and oceans, as well as natural processes and functions.[44]
NATURAL HABITAT	According to IFC Performance Standard 6, natural habitats are areas composed of viable assemblages of plant and/or animal species of largely native origin, and/or where human activity has not essentially modified an area's primary ecological functions and species composition.
NATURE	Nature is all life on Earth (i.e. biodiversity), together with the geology, water, climate and all other inanimate components that comprise our planet.[45]

[38] WB op. cit.
[39] BBOP (2018): Glossary. **Link**.
[40] GRI (2016): GRI 304: Biodiversity 2016. **Link**.
[41] WB op. cit.
[42] UNEP WCMC op. cit.
[43] BBOP op. cit.
[44] BBOP op. cit.
[45] CBD (2021): Biodiversity and Nature. Close but quite not the same. **Link**.

NATURE-BASED SOLUTIONS	Nature-based solutions (NbS) are 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[46]. Umbrella term for various people-centred ecosystem services approaches within spatial planning (e.g. ecosystem-based adaptation, ecosystembased disaster risk management, REDD+).
NATURE-POSITIVE	Nature-positive describes halting and reversing current trends in biodiversity loss for the benefit of human and planetary well-being.[47]
NATURE-RELATED/ BIODIVERSITY-RELATED RISKS	Harming biodiversity and ecosystems translates into tangible and pervasive risks for investors and businesses. These include physical, transition and systemic risk. In turn, these biodiversity risks translate directly into impacts on finance. Physical risks result from the loss of biodiversity and (critical) ecosystem services (direct drivers: land/sea-use change, overuse, pollution, invasive alien species and climate change) Transition and reputation risk may entail extensive policy, leval, technology and market changes (current and future regulation, financing requirements, societal expectations, changing consumer preferences). Systemic risks can refer to the risk, that a critical natural system no longer functions properly (large-scale disruption to natural systems), risks that arise at portfolio-level of a financial institution and risks to system-wide financial stability [48] [49]
NET GAIN	A target for a development project in which the impacts on biodiversity caused by the project are outweighed by measures taken to otherwise mitigate the project's impacts.[50]
NO NET LOSS	A target for a development project in which the impacts on biodiversity caused by the project are balanced by measures taken to otherwise mitigate the project's impacts.[51]

[46] IUCN (2016): WCC-2016-Res-069-EN. Link.
[47] IUCN (2021). Link.
[48] WWF & The Biodiversity Consultancy (2021) op. cit.
[49] TNFD op. cit.
[50] UNEP WCMC op. cit.
[51] UNEP WCMC (2020): Biodiversity Measures for Business: Corporate biodiversity measurement and disclosure within the current and future global policy context. Link.