From Kunming-Montreal to Cali: Is the Financial System on Track?

Status update on implementation of the *High-level roadmap: Aligning financial flows with the Kunming-Montreal Global Biodiversity Framework*

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Disclaimers

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Summary

The Kunming-Montreal Global Biodiversity Framework (GBF[1]) provided clear marching orders to align financial flows with the aim of halting and reversing nature loss. Since it was adopted at CBD COP15, various actors within the financial system—governments, central banks, private and public institutions—have further incorporated nature and biodiversity into financial decision-making, including nature-related risk assessment and sustainable investment strategies. This briefing note provides a summary of how the financial system has responded to the GBF over the past two years, following the *High-level roadmap: Aligning financial flows with the Kunming-Montreal Global Biodiversity Framework.*[2]

In many cases, actions on nature support the delivery of the Paris Climate Agreement. As most parts of the financial sector are taking action on climate, the briefing note also signposts to lessons from and alignment with the climate transition journey for finance. Still, more efficiencies between these realms are possible.

Going into COP16, many financial institutions are calling for stronger policy signals to further mobilise private finance for net-zero and nature-positive transition, and bring our economies into a safe and just operating space. They are asking for clear guidance on measuring and disclosing nature-related risks, impacts, and financial flows to avoid greenwashing and ensure meaningful biodiversity outcomes. With public mandates, Public Development Banks (PDBs) especially the Multilateral Development Banks (MDBs) are particularly active in promoting biodiversity through investments, policy integration, and financial innovations, but challenges remain, including the need for standardised frameworks and enhanced collaboration between public and private sectors.

The financial sector's ability to meet their potential in supporting the delivery of the GBF will depend on the continued development of regulatory and fiscal policies, integrated nature and climate actions, and a robust framework to monitor biodiversity-related financial flows and impacts. In the next two years to COP17, the D3 indicator reporting should be piloted with a mechanism for making clear links into countries' NBSAP priorities.

1 Also referred to as "The Biodiversity Plan".
2 Available from https://www.unepfi.org/publications/high-level-roadmap-aligning-financial-flows-with-the-kunming-montreal-global-biodiversity-framework/.

This briefing note provides further information on questions that CBD Parties may have going into the COP, such as:

What has the global financial sector done to align with and contribute towards the goals and targets of the GBF?

The global finance sector has made some significant strides over the past two years in aligning with the GBF since it was adopted at COP15. Many institutions are starting to incorporate biodiversity into financial decision-making through nature-related risk assessments, sustainable investment strategies, and the scaling of biodiversity funding. Examples include:

- Taskforce on Nature-related Financial Disclosures (TNFD): Promotes the integration of nature-related risks into financial disclosures. The TNFD has over 400 adopters globally as of early October 2024, including a diverse group of major companies and financial institutions from across various sectors, such as asset managers, banks, and real economy sectors like agriculture, aquaculture, and metals and mining.
- Public Development Banks (PDBs): Actively investing in nature-positive projects and aligning policies with biodiversity goals.
- Private Finance for Nature: Private investment in nature has surged to USD 102 billion as at May 2024, or by 11x since mid-2020.[3]
- Central Banks & Supervisors: Networks like NGFS are integrating nature-related risks into financial stability assessments.

While the financial sector has really shown up and responded to policy signals since COP15, those signals need to continue to ensure this work matures and does not fizzle out. Still, most voluntary efforts will not reach their intended effect without coherent policy action across the entire financial system including consistent norms and regulations between jurisdictions.

How have governments' financial regulators and supervisors responded to the GBF?

Governments' financial regulators and supervisors have responded by increasingly starting to:

- **Integrating biodiversity risks into financial regulation and supervision**: The European Central Bank's climate and environmental risk guidance has led to banks expanding their risk management frameworks to incorporate nature. In order to gauge the extent to which nature-related risk may also be material for the UK's financial stability, a preliminary stress-test was applied to the portfolios of the seven largest UK banks.

3 See Private finance for nature surges

- **Promoting nature in sustainable finance frameworks**: Countries such as South Africa, France, the Uniyted Kingdom and Australia have introduced measures to incentivise nature-positive investments and penalise harmful practices. The creation of Natural Compensation, Restoration and Renaturation Sites in France (SNCRR), for example, will lead to the creation of units that can be traded on markets.
- **Developing sustainable finance taxonomies focused on nature**: Countries and regions have been developing nature-inclusive sustainable finance taxonomies.
- **De-risking biodiversity investments**: Through instruments like blended finance and nature-based financial products. New tools for financing biodiversity are being developed with the help of governments, and active public-private dialogues have yielded innovative solutions.

However, these efforts are still in a limited number and at early stages in most countries, and often they are taking place in countries without the most vulnerable biodiversity. A World Bank study suggests that banks whose countries have the lowest incomes face the highest risks from nature loss (Calice *et al.*, 2023). Furthermore, enormous "environmentally harmful subsidies" of USD 2.6 trillion per year (BfN, 2024) are undermining all good efforts to reach the goals and targets of the GBF, and must be addressed. A recent CDP and WWF report emphasises with urgency that the Financial Stability Board and Basel Committee on Banking Supervision, as well as national regulatory and supervisory authorities, should integrate nature risks into regulation governing Global and Domestic Systemically Important Banks (G-SIB/D-SIB).

How much biodiversity-related funding has been committed from private finance towards nature-positive outcomes, and how can this be measured more consistently and transparently against biodiversity goals?

Private finance commitments toward biodiversity have risen significantly, with over USD 102 billion themed for nature or with a nature KPI in circulation (per UNEP FI and FfB, 2024b). Consistent measurement is lacking though and should be pursued through:

- Development of sustainable finance taxonomies that include nature and asset class-specific standards such as for nature bonds.
- These should be interoperable with public finance frameworks such as the Common Principles for Tracking Nature-Positive Finance: MDBs are now piloting these principles to standardise the measurement of biodiversity finance flows. Some PDBs have similar systems—for example Le groupe Agence française de développement (AFD).[4]

4 See Nature finance principles tracking

A lack of consistent definitions are hampering financial institutions from directing such funds appropriately, and raising concerns of greenwashing.[5] Countries need sustainable finance taxonomies that will also direct nature finance towards their domestic NBSAP priorities, and ensure impact and country-drivenness of any private finance transaction claiming to support biodiversity. Each countries' National Biodiversity Finance Plan (NBFP) will bring more detail of what changes are needed in the financial landscape more broadly to deliver the NBSAP. Between COPs 16 and 17, there should be a piloting for private finance reporting on the D3 indicator of the GBF monitoring framework to determine how to best capture data from the private financial sector. It is important that reporting on flows related to nature also capture the harmful flows to give a picture of portfolio wide composition given that harmful flows today are most urgent to shift

What meaningful KPIs are available to monitor contributions from the financial sector?

Several KPIs can help to track the financial sector's alignment with biodiversity goals:

- **Nature-related financial flows:** Tracking the increase in private finance for nature and the reduction of harmful financial flows (e.g., UNEP's Finance for Nature reports). The "Finance for Nature Positive" working model could be piloted to capture and categorise all types of financing related to nature, including those which need to be phased out to stop financing harm. The D3 reporting indicator should be piloted to support a successful widespread roll-out yielding meaningful data about how much the private finance sector is contributing, in a consistent approach to see how far Goal D is being met.
- **Nature-related disclosures:** With the TNFD recommendations launched in 2023, the number of TNFD disclosures in the public domain and extent of coverage of all sectors and geographies is an important indicator. As at early October 2024, more than 400 private companies and FIs are committed to conducting TNFD-aligned disclosures and reporting on nature-related risks. A handful of example TNFD reports are already in the public domain today.
- **Number of institutions setting "nature positive" targets at portfolio level:** Similar to net-zero commitments, the number of financial institutions and the assets under management of these is an important indicator. Today, more than 200 financial institutions have agreed to set nature-related portfolio targets including 177 institutions who have signed the Finance for Biodiversity Pledge, 35 through the Principles for Responsible Banking, and others via individual commitments such as the Development Bank of Southern Africa. Other initiatives deal with specific nature issues such as deforestation or blue economy, with dozens more commitments made, and more than 200 investors have also endorsed the PRI Spring initiative.[6]

5 See Unclear definitions hindering bank financing of nature positive solutions
6 See PRI Spring

- PDB activities: Metrics such as biodiversity risk scoring and nature-positive financing from institutions such as AfD, ADB and EBRD are generally easier to track than private finance due to the transparency of public funds.[7] However, further harmonisation of data[8] is needed.

7 The OECD has provided a year-by-year overview of the main trends in development finance with biodiversity-related objectives for the period 2015–22.

8 The TNFD has worked closely with both the International Sustainability Standards Board (ISSB), the European Financial Reporting Advisory Group (EFRAG), and the Global Reporting Initiative (GRI) to ensure interoperability between the TNFD recommendations, ISSB standards, GRI Standards and European Sustainability Reporting Standards (ESRS).

1. TNFD and ESRS Mapping: A detailed mapping between TNFD's 14 disclosure recommendations and the ESRS requirements highlights a strong alignment. All TNFD disclosures are reflected in the ESRS standards, especially for nature-related risks and opportunities, focusing on double materiality (both impact and financial). The mapping helps companies subject to the EU's Corporate Sustainability Reporting Directive (CSRD) align their nature-related disclosures with both frameworks.
2. ISSB and ESRS Interoperability: In May 2024, EFRAG and the ISSB published guidance on how companies can use the ISSB's sustainability disclosure standards in conjunction with the ESRS. The guidance aims to reduce duplication and complexity by aligning key reporting pillars such as governance, strategy, risk management, and metrics. This facilitates global comparability while complying with both sets of standards.
3. TNFD and GRI Interoperability mapping: In July 2024, GRI and TNFD released a joint interoperability mapping resource that provides a comprehensive overview of how the TNFD Disclosure Recommendations and metrics align with the GRI Standards.

1. Introduction

COP15 was marked by the growing level of participation of financial sector representatives in various forums, including the first dedicated Finance and Biodiversity Day. The resulting Kunming-Montreal Global Biodiversity Framework was a landmark agreement in many respects, among others in linking the topic of nature with the financial sector in a meaningful way. The GBF provides a broad framework for the financial sector to help address the nature crisis by reducing negative and increasing positive impacts of financed activities on nature, whilst addressing sustainable development needs and supporting a just ecological transition. This includes mainstreaming nature in financial decision-making; assessing and disclosing nature-related risks, dependencies, and impacts from businesses and financial institutions; scaling-up resources targeted to biodiversity conservation and sustainable use; repurposing harmful incentives—all in the perspective of aligning public and private financial flows with the 2030 targets and 2050 vision of the GBF. The GBF calls for mobilising at least USD 200 billion per year from public and private sources for biodiversity-related funding by 2030. Also by 2030, it seeks to raise international financial flows from Global North to Global South countries to at least USD 30 billion per year.

The **High-level roadmap: Aligning financial flows with the Kunming-Montreal Global Biodiversity Framework**[9] was released after COP15, drawing on commitments and insights from the first Finance and Biodiversity Day. It was developed by UNEP FI in consultation with the Secretariat of the CBD, the United Nations Development Programme (UNDP), the World Bank, Finance for Biodiversity Foundation, and Finance Montreal, as co-organisers of the event. The roadmap is divided into three main areas of recommendations:

- **Prepare:** setting a clear and consistent environment to catalyze action
- **Implement:** taking action to align financial flows with the shared vision of the Global Biodiversity Framework
- **Engage:** supporting the mainstreaming of biodiversity through effective engagement.

Actors within the financial landscape considered in the Roadmap include:

- **Government policymakers**, in particular finance ministries and treasuries, who have a mandate to propose and implement financial and economic policies and regulations that contribute to creating the "enabling environment" for the mainstreaming of biodiversity within financial decision-making and the alignment of financial flows.

9 Available in full here: High Level Roadmap for Aligning Financial Flows

- **Financial supervisory entities and central banks**, with mandates to support the implementation of financial policies and regulations, and set prudential requirements and guidelines to catalyze and encourage the consideration and management of nature-related risks, dependencies and impacts by financial organisations.
- **Public and private financial institutions**, as well as corporate investors, whose asset allocation decisions ultimately impact, or contribute to the protection, restoration and/or sustainable use of, nature.

This briefing note summarises the global finance sector's response to the Roadmap, giving an overview of key actions that have taken place in the past two years by the actors highlighted in the roadmap and others. It is published ahead of the second Finance and Biodiversity Day, taking place on 28 October 2024, at COP 16 in Cali, Colombia. Building on the success of the inaugural event in Montreal, this event aims to foster meaningful engagement among CEOs, Finance Ministers, and other leaders in biodiversity and finance, providing a platform for high-level debate and collaboration on meeting society's nature goals. It is planned to coincide with the High-Level Segment of the COP and aims to support the achievement of resource mobilisation and alignment of financial flows with the vision and mission of the Global Biodiversity Framework.

The conclusion of this document suggests what would be needed from CBD Parties to set the enabling environment for the finance sector to meet its full potential in helping deliver the GBF worldwide. The finance sector calls for stronger policy signals at COP16 to ensure private financial flows align with biodiversity goals, urging governments to develop clear regulations, monitoring frameworks, and incentives. Recommended actions include mandatory nature-related disclosures, development of sectoral taxonomies, creation of Nature Transition Plans, and empowering financial regulators to incorporate biodiversity risks into stress tests. Governments should develop economic incentives and blended finance mechanisms to mobilise private investment for biodiversity-positive projects, while ensuring these policies align with climate and social goals to foster a just ecological transition. Seed funding at the right scale is important to ensure that there is a ready pipeline of investment-ready nature-positive businesses.[10] Public-private cooperation is crucial for closing the biodiversity funding gap, and stronger partnerships will be needed to mobilise resources and achieve the 2050 vision of living in harmony with nature.

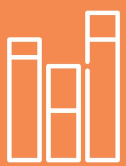
10 Denke *et al.* (2023) for the Coalition for Private Investment in Conservation (CPIC), Towards Building a Capital Continuum for Nature-Positive Investments.

Actors in the financial system, and navigating this document

The audience of this document is CBD Parties. It provides a high-level summary of the activities across many parts of the financial system which varies widely. To improve clarity when referring to different actors in the financial system in each sector, the relevant groups are marked by icons:

Government policymakers, in particular finance ministries and treasuries, who have a mandate to propose and implement financial and economic policies and regulations.

Financial supervisory entities and central banks, with mandates to support the implementation of financial policies and regulations, and set prudential requirements and guidelines to catalyse and encourage the consideration and management of nature-related risks, dependencies and impacts by financial organisations.



Public and private financial institutions, as well as corporate investors, whose asset allocation decisions ultimately impact, or contirbutes to the protection, restoration anbd/or sustainable use of, nature.

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Public and private financial institutions, as well as corporate investors, whose asset allocation decisions ultimately impact, or contributes to the protection, restoration and/or sustainable use of, nature

2. Prepare: Setting a clear and consistent environment to catalyse action

The financial sector is starting to set a clear and more consistent environment for acting on nature by adopting nature-related reporting standards and integrating biodiversity risks into investment decisions. Regulatory frameworks for disclosures and globally harmonised corporate accounting initiatives further support this shift.

Since December 2022, government policy makers have increasingly recognised the importance of nature loss as a systemic risk to economies and societies. The GBF has been a pivotal guide for these efforts, setting out clear goals for 2050 and action targets for 2030. Up to COP16, governments are currently updating National Biodiversity Strategy and Action Plans (NBSAPs) to meet these goals and targets in the context of their domestic circumstances. The updates are taking place in most Parties with more recognition of all the actors who need to be engaged to halt and reverse nature loss. Since Goal D emphasises the alignment of all financial flows, there is unprecedented recognition of the role of finance in attaining all NBSAP goals and targets, whether by avoiding harm, managing risk or meeting funding needs "from all sources".

Parties to the CBD have also been encouraged to develop national biodiversity finance plans to support adequate and timely mobilisation of international and domestic, public and private financial resources for the effective implementation of the GBF. UNDP BIOFIN works with country partners to develop and implement context driven Biodiversity Finance Plans (BFP). The BFPs map out a pathway for a country to develop a nature-positive biodiversity finance approach, one which supports the achievement of national and global biodiversity goals to result in interconnected long-lasting positive changes to the environmental, social, and economic systems dependent upon nature. Now more than 40 countries have developed BFPs, and over 90 additional countries are initiating this work now. These plans are developed in dialogue with ministries of environment and finance, taking into account the role of public and private sector actors—seeking to increase funding for biodiversity as well as reduce harm caused by economic systems. In the Philippines BFP, for example, finance solutions were built around the Philippines Biodiversity Strategy and Action Plan programmes, with each programme presented with investment needs and prospective monetary and non-monetary returns on investment. A strong finance sector involvement in the development of national BFP plans will help ensure the development of national pathways that are most appropriate for local conditions and needs.

Yet still some NBSAPs updates will not meet the COP16 deadline and others may lack sufficient ambition to give clear policy signals—this remains to be seen. This underscores the critical role of finance ministries and treasuries in bridging the gap between ambition and action. While progress has been made, for example through the efforts of the Coalition of Finance Ministers for Climate Action, there is an urgent need for these ministries to intensify their focus on integrating biodiversity, climate change and development considerations into fiscal policies and budget frameworks. The Sustainable Budgeting Approach by UNEP provides a vital tool in this regard, yet much more must be done to ensure nature-related considerations are consistently and meaningfully included in budget statements. Achieving this will be key to setting the clear policy signals needed to mobilise private sector investment and align financial flows with the Global Biodiversity Framework's goals.

Policymakers (and Ministries of Finance in particular) are THE KEY actor, without whose proactive and effective engagement in developing an enabling fiscal, legal and regulatory environment, PDBs and other public and private FIs can never bridge the gap between reality and potential. The closing section provides more detail on what is needed from policy in order to direct the efforts of the financial sector to help deliver the GBF.

The Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) have made significant progress in integrating climate-related risks into financial regulations. However, broader environmental issues such as ecosystem degradation and biodiversity loss still receive insufficient attention (FSB, 2024).

Financial supervisory entities and central banks are only beginning to emphasise the **systemic risks posed by nature loss**. The Network for Greening the Financial System (NGFS), which includes over 140 central banks and supervisors, has highlighted the need to integrate natural capital considerations into financial stability assessments. Importantly, the NGFS released two landmark reports in July 2024: a new/updated Conceptual Framework that outlines the broad framework for nature-related risks,[11] and a report aiming to raise awareness more specifically about nature-related litigation risk.[12] The Taskforce on Nature-related Financial Disclosures (TNFD), modeled in alignment with the Taskforce on Climate-related Financial Disclosures (TCFD), has been a critical tool in this regard, developing a set of disclosure recommendations and guidance that encourage and enable business and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. The goal is to incorporate these risks into financial supervisory practices, aligning them with broader sustainability objectives, in the interest of financial stability. The French biodiversity disclosure law (Article 29) mandates financial institutions to report on biodiversity-related risks, aligning with global standards like TNFD. Switzerland is developing a similar framework to require biodiversity risk disclosures in financial markets, integrating with existing climate reporting.

11 See NGFS (2024a). Nature-related Financial Risks: a Conceptual Framework to guide Action by Central Banks and Supervisors.

12 See NGFS (2024b). Nature-related litigation: emerging trends and lessons learned from climate-related litigation.

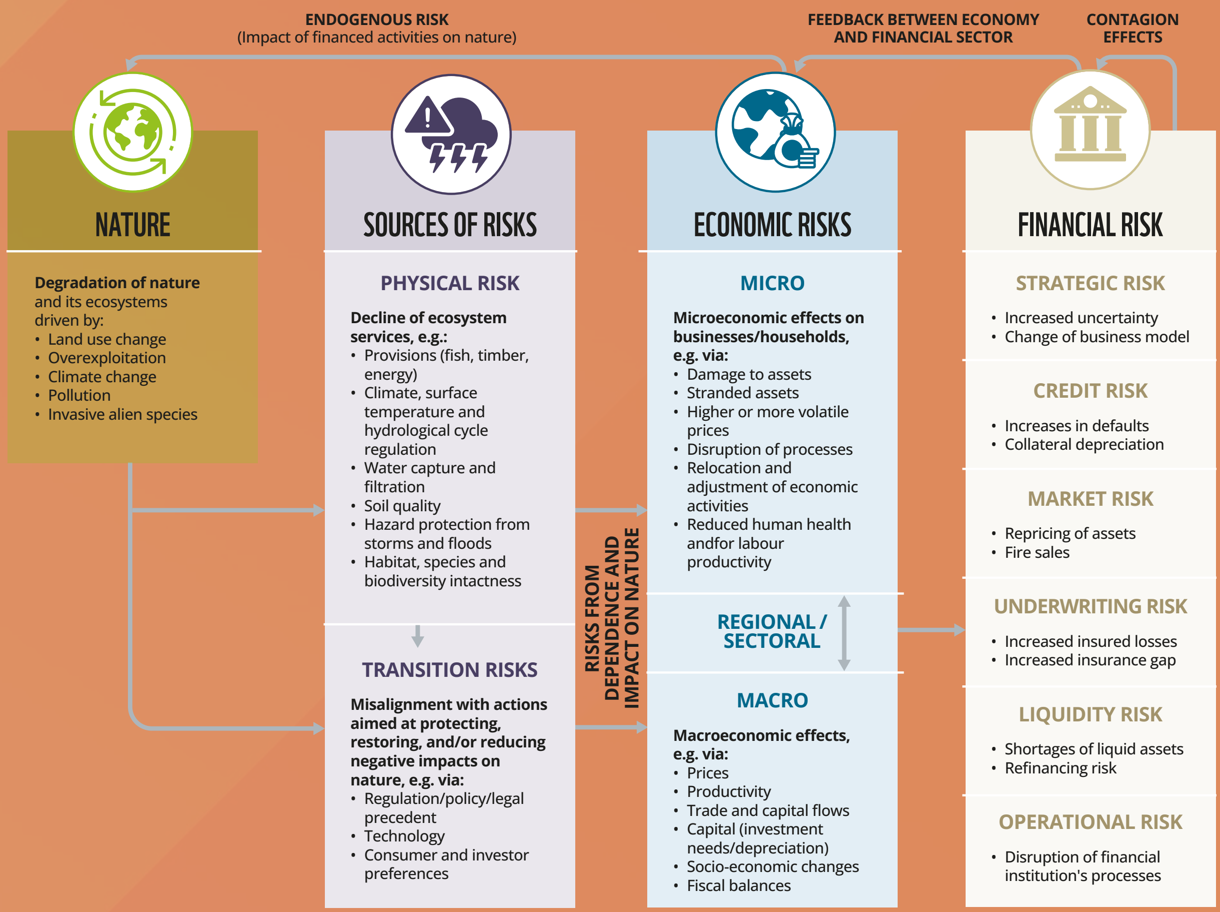
What's a systemic risk, and how can it be prevented?

In finance, **systemic risk** refers to the risk that the failure of a single financial institution, market, or entity could trigger a widespread collapse of the entire financial system or economy. It arises from the interconnectedness of financial institutions, markets, and economies, where the failure of one significant part can lead to a chain reaction, affecting others and potentially causing a large-scale financial crisis. Systemic risk can be triggered by events such as market crashes or large-scale defaults, and is a major concern for regulators.

Preventing systemic risks in finance involves stronger regulation, ensuring institutions maintain adequate capital and liquidity. Diversification of assets reduces exposure to any single failure. Regular stress testing, macroprudential policies to monitor risks, and central clearing houses help limit contagion. Additionally, crisis management frameworks, such as central bank interventions and orderly resolution plans, can contain crises before they escalate. These measures collectively reduce, but cannot fully eliminate, systemic risks.

What are the transition channels for nature-related risks?

Transmission channels in systemic risk refer to the pathways through which financial instability or disruptions in one part of the financial system can spread and affect the broader economy or the entire financial system. These channels allow risks to propagate, leading to systemic crises. CDP and WWF (2024) citing NGFS (2024a) who in turn build on Svartzman et al/Banque de France (2021) illustrate these for nature-related risks:



Central banks are slowly but increasingly incorporating **biodiversity-related considerations into monetary policy**. Leaders in this charge, such as the Bank of England and the European Central Bank, are integrating environmental factors into their supervisory frameworks, with the preliminary stress test of the seven largest banks in the UK. Central banks, such as those in Brazil, the Netherlands, Malaysia, Mexico, Philippines and South Africa, are exploring their assets' dependencies on nature. "A Silent Spring for the Financial System?" published by the Banque de France (Svartzman *et al.*, 2021) for example explored the financial system's exposure to biodiversity-related risks, and found that 42% of the securities held by French financial institutions depend significantly on ecosystem services: in 2022–24 this work contributed to the growing dialogue on "biodiversity-related financial risks" (BRFR) and underscored the need for the financial sector to mitigate such risks by transitioning to nature-positive investments. Achievements include the growing inclusion of biodiversity in climate stress tests, the issuance of green bonds, and the development of sustainable finance taxonomies. A recent report by **Financial Stability Board (FSB)** (2024)—tasked with promoting global financial stability by coordinating national financial authorities and international standard-setting bodies—showed that financial authorities are at different stages of evaluating the relevance of biodiversity loss and other nature-related risks as a financial risk, with approaches varying, in part due to differing mandates.[13]

13 See Stocktake on nature-related risks

The annex of FSB's Stocktake on Nature-related Risks Supervisory and regulatory approaches and perspectives on financial risk[14] provides a list of examples of recent developments in regulatory and supervisory guidance and requirements on nature-related financial risks. These include e.g:

Brazil—Banco Central do Brasil:

- Integrated Risk Management (Resolution CMN 4,557, of 2017)
- Social, Environmental and Climate Responsibility (Resolution CMN 4,945, of 2021)
- Guide to Supervisory Practices (GPS) includes nature-related risk

China—National Financial Regulatory Administration:

Green Finance Guidelines for the Banking and Insurance Industry (2022).

Key evaluation indicators for the implementation of green finance in banking institutions, with revised version due in 2024. Biodiversity protection" is an important part of the indicators.

Article 28 of the Guidelines requires banking and insurance institutions to publicise their green finance strategies and policies and to fully disclose the development of green finance.

Switzerland—Swiss Financial Market Supervisory Authority:

FINMA is reviewing the existing disclosure requirements (2024) and consulting on a new circular on nature-related financial risks.

The **International Financial Reporting Standards (IFRS)** are a set of globally recognised accounting standards developed by the **International Accounting Standards Board (IASB)**. These standards aim to provide a common language for businesses and financial reporting, ensuring transparency, consistency, and comparability of financial statements across different countries and industries. The IFRS has released educational material clarifying that the S2 standard covers nature-related risks, and they have launched a nature research program to further integrate nature into financial reporting.

Many public and private financial institutions have signaled their intent to align with the GBF and address nature-related risks, for example through the Finance for Biodiversity Pledge, undertaking initial nature-related disclosure assessments or making a pledge to become a TNFD Adopter. Many institutions, particularly under initiatives such as the Finance for Biodiversity Pledge and the Principles for Responsible Banking, have committed to setting and reporting on targets related to their biodiversity impacts. This includes assessing how their operations and investments affect natural ecosystems and aligning their financial flows with sustainability goals. The TNFD framework provides a structured approach for these disclosures, helping institutions integrate nature into their risk management and strategic planning. Much of the effort here has been market-driven and voluntary, though, with mixed uptake

14 Ibid, from page 35.

from policy makers. A more coherent policy landscape that rewards first-movers and evens the playing field would accelerate positive outcomes.

PDBs—domestic bilateral and multilateral—have an important role to play in supporting the mainstreaming of biodiversity in the public and private sectors, channeling finance, and supporting financial innovation for biodiversity, implementing the International Development Finance Club (IDFC) Common Position Paper on Biodiversity.[15] At the Climate COP26, ten leading MDBs endorsed a Joint Statement on Nature, People and Planet that included five pillars: 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. As part of the Joint Statement, signatory MDBs committed to clearly set out institutional strategic approaches to further mainstream nature into their analysis, assessment, advice, investments, and operations by 2025 i.e. the Common Principles for Tracking Nature-Positive Finance. Key policy measures taken by individual MDBs include for example:

- The World Bank Group has adopted a new vision and mission 'to create a world free of poverty on a livable planet', thereby connecting nature, climate, and development goals. Nature is also integrated into various WBG commitments, including the twentieth replenishment of the International Development Association (IDA20).
- EBRD launched its first Approach to Nature in 2023, outlining how it will support GBF delivery through three pillars: Protect, Invest, and Disclose.
- IDB placed nature at the heart of its Institutional Strategy via the Natural Capital and Biodiversity Mainstreaming Action Plan in 2024, with specific indicators and actions that support GBF targets and implementation.
- Per EIB's Environment Framework (launched in 2022), the EU's Climate and Environment Bank is committed to mainstreaming biodiversity in all its operations activities
- ADB is launching a new Environment Action Plan to accelerate nature-positive investments and mainstream environmental sustainability across its operations.
- IsDB plans to launch a green finance conceptual framework and action plan at COP16 highlighting nature, and will update its safeguard policies in response.

(Measures to implement these are discussed in the next section.) New announcements will be made by PDBs at COP16, e.g. by AFD who are launching a "Planet Roadmap", with the objective of aligning all AFD activities with the GBF, in addition to the Paris Agreement.

There has also been a growing recognition of the synergies between **nature action, climate action, and development goals**. Conserving, restoring, and managing biodiversity and ecosystems enhances our ability to withstand climate change, offering cost-effective, long-term solutions to safeguard lives, livelihoods, and infrastructure, while also promoting progress toward achieving the Sustainable Development Goals. Governments and financial institutions are increasingly considering nature-based solutions as a key component of climate strategies. This includes measures like conserving natural habitats to enhance carbon sequestration and implementing sustainable agricultural practices to reduce emissions. Such integrated approaches are critical in addressing the interconnected crises of biodiversity loss and climate change, and they are being incorporated into both national policies and corporate strategies.

15 Published for the COP15 and in the course of implementation. See IDFC Common Position Paper.

Overall, while significant progress has been made, achieving the ambitious targets set by the GBF will require continued and enhanced efforts across all sectors and by all actors, and a recognition of key challenges to continued progress on development such as sovereign debt stress and global inequalities in climate impacts (to be considered in detail on Finance & Biodiversity Day). The full suite of updated NBSAPs to be considered and ongoing international dialogues including at COP28 and the UNGA will be critical in maintaining momentum and ensuring accountability. The final section of this document gives an overview of the relevant policy measures that would allow the financial sector to meet its full potential in helping to meet the GBF goals and targets.

3. Implement: Taking action to align financial flows

Taking action to align financial flows broadly involves shifting the financial flows that harm nature and ensuring more finance for nature conservation, restoration, and supporting nature's stewards.

What are "harmful flows" as compared to "positive flows"?

The **UNEP State of Finance for Nature 2023** report highlights that harmful financial flows—those that negatively impact biodiversity and ecosystems—are a significant barrier to achieving global biodiversity goals. The report emphasises that these harmful flows far exceed positive investments in nature, driven by both public and private finance.

For public finance, harmful **subsidies** are identified as a major driver. Recent global estimates suggest that environmentally harmful subsidies, spanning various sectors such as fossil fuels, mining, agriculture, marine fisheries, forestry, transport, water, and construction, could reach up to USD 1.8 trillion annually. This amount accounts for approximately 2% of the world's GDP. These include subsidies to industries like agriculture, fossil fuels, and fisheries that contribute to deforestation, habitat destruction, and pollution. Reforming or repurposing these subsidies is critical to reducing the damage to ecosystems and aligning public financial flows with nature-positive outcomes. For **private finance**, harmful flows are largely driven by investments in industry sectors with nature-negative impacts, such as mining, infrastructure, and agriculture. These sectors contribute to environmental degradation and biodiversity loss particularly when they do not apply the mitigation hierarchy and other good practices. Addressing this issue requires policy interventions such as the implementation of disclosure requirements, green taxonomies, and incentives for nature-positive investments, encouraging private investors to shift their capital toward more sustainable practices.

Green budgeting is an important tool for incorporating nature and biodiversity considerations into government budgeting and fiscal policies. It aims to align public spending and revenue generation with nature-positive aims, including the protection and restoration of biodiversity, while identifying and reducing harmful financial flows that negatively impact nature.

The GBF **Headline Indicator D.3 on Private Funding** of the GBF refers to the proportion of development and production practices that are aligned with biodiversity values. This indicator aims to measure how well economic activities, particularly in sectors like agriculture, forestry, fisheries, and others, integrate biodiversity considerations into their practices.

Governments continue to review the GBF monitoring framework including the D3 indicator, yet many are already acting to tangibly shift financial flows towards positive outcomes by implementing policies that incentivise sustainable investments and penalise harmful practices. This can include creating or strengthening regulations for environmental impact assessments, offering tax incentives or subsidies for conservation and restoration projects, establishing green finance frameworks, and mandating transparency and disclosure of environmental impacts by companies. However, a critical area that requires more attention is the integration of environmental and development considerations into national budgets—the most important annual policy mainstreaming instrument available to governments. These budgets set the incentives framework and determine investment allocation decisions by households, businesses, and investors alike. The **EU Nature Restoration Law** is a clear example of integrating environmental and development considerations into national budgets, as it mandates member states to implement nature restoration measures across various ecosystems. By requiring governments to allocate resources for restoring degraded ecosystems, the law influences national budget priorities and sets a framework for environmental mainstreaming. Zambia has made notable progress: In 2021, the country developed green bond guidelines and listing rules. In 2022, the government amended the **Zambia Development Agency Bill**, reducing the investment threshold from USD 500,000 to USD 50,000 to attract more local investment in nature-positive businesses. This change allows biodiversity conservation projects to benefit from fiscal and non-fiscal incentives, such as tax exemptions and concessions, enhancing their ability to attract funding. By aligning financial incentives with biodiversity goals, Zambia is facilitating investments that generate social and environmental returns, particularly in sectors with limited access to commercial financing.

NBSAPs and Biodiversity Finance Plans (BFPs) are expected to illuminate more actions needed to reach the goals by 2030, and currently according to UNEP the harmful flows are 140x times more than the positive flows—so while there is progress, still a lot of work is needed to ensure that fiscal policies and budgetary allocations align with the ambitious goals of the Global Biodiversity Framework by 2030. Some instruments are already available for this purpose, as the UNDP-BIOFIN step-by-step guidelines "The Nature of Subsidies"[16] (UNDP BIOFIN, 2024) to examine, repurpose and monitor major subsidies to make them fiscally responsible and nature-positive. To accelerate progress, studies are currently being conducted in 27 countries through the support of UNDP BIOFIN, to assess the negative impacts of subsidies on biodiversity and to develop action plans aimed at reforming and redesigning these subsidies.

16 See Nature Subsidies: A Step-by-Step Guide.

A major step has been the inclusion of **biodiversity in sustainable finance taxonomies** led in general by Ministries of Finance. These provide clear definitions and classifications of economic activities that are either harmful or beneficial to biodiversity. These taxonomies help financial institutions identify, assess, and prioritise investments that support nature-positive outcomes. Jurisdictions like the EU, through its **Sustainable Finance Taxonomy**, and other regions are including biodiversity criteria to guide investment decisions in sectors such as agriculture, forestry, and energy.

While this briefing note focuses on financial oversight, enforcing real-economy due diligence regulations with meaningful financial penalties for non-compliance, e.g. EUDR, and laying the basis of legal requirements for due diligence by the financial sector, is also critical.[17] Reforming harmful subsidies can redirect financial flows towards nature-positive investments. For example, repurposing agricultural subsidies to support sustainable farming practices, or redirecting fossil fuel subsidies to renewable energy, can significantly reduce environmental damage while creating incentives for conservation. By removing these harmful incentives, countries can align public financial flows with biodiversity goals, as called for under GBF Target 18.

Central banks and financial supervisors are recognising the risks of nature loss and accordingly beginning to address biodiversity considerations into their policies and frameworks. They support the issuance of **green bonds**, specifically aimed at funding projects with positive environmental outcomes, including biodiversity conservation and restoration. By incorporating biodiversity into these mechanisms, central banks and financial supervisors are creating stronger incentives for aligning financial flows with nature conservation and sustainable use, thus helping to address biodiversity loss alongside climate-related risks. Many of the efforts of emerging market central banks in this regard are actively supported by PDBs, whether by regional MDBs or by the World Bank Group.

CDP and WWF have just published a new policy report, "Addressing the Giants: integrating nature in regulations for systemically important banks", urging the Financial Stability Board and Basel Committee on Banking Supervision, as well as national regulatory and supervisory authorities, to do much more to integrate nature risks into regulation governing Global and Domestic Systemically Important Banks (G-SIB/D-SIB). They alert that these banks are particularly exposed due to their size, complexity, and interconnectedness with the global economy, and—citing Marsden *et al.* (2024)—highlight the systemic risks of ecosystem tipping points (ETPs). Marsden *et al.* emphasize that, "The scale of environmental breakdown posed by ETPs necessitates a precautionary approach. This must focus on rapidly eliminating negative drivers to prevent thresholds being crossed ex ante, including exploring the role of the financial sector in facilitating these drivers (known as "double materiality"). Improved modeling can and should play a role, but the fundamental uncertainty associated with ETPs means these exercises are more suited for exploring risks rather than managing them. Ultimately, this approach will need to be led by governments, and requires central banks and financial supervisors to coordinate with policymakers in ministries of finance, industry and environment to fulfill their primary mandates of price and financial stability."

17 See Global Resource Initiative.

In the domain of public finance, PDBs are increasingly playing a role in supporting the implementation of the GBF by their clients, in particular related to toTarget 19. MDBs created a formal Working Group on Nature that is advancing work on nature-related opportunities. Notably, In addition, recent MDB nature-related commitments are summarised in the Viewpoint Note, endorsed at the highest level in each organisation. This includes working together to track nature finance, and a joint stock take of existing biodiversity metrics to understand which are used for what purposes and to create a basket of indicators useful for scaling and replicating financial products“Prepare” section). Each MBD is implementing activities in line with their stated commitments :

- **ADB** is working to expand the scope and scale of related investments, anchored by three interconnected pillars: biodiversity and ecosystem management, pollution control and circular economy, and nature-based climate solutions. Flagship initiatives include the Ocean and Coastal Resilience Program, the Yangtze River Ecosystem Restoration Program, and the Regional Flyway Initiative. The latter alone aims to mobilise USD 3 billion in investments for wetland protection and restoration, enhancing species populations across the region. Beyond these initiatives, ADB is driving systemic change by embedding ecosystem values into economic assessments and project designs, promoting green procurement practices, and piloting natural capital accounting. ADB’s commitment to accelerate nature finance is evident through mechanisms like the Natural Capital Fund and the Nature Solutions Finance Hub (NSFH), poised to catalyze USD 5 billion for nature-based solutions through innovative models such as nature bonds, carbon credits, and blended finance mechanisms.
- **EBRD** is updating its Environmental and Social Policy, including exploring biodiversity gains beyond the requirements of the mitigation hierarchy. It has also signed its first investments with private clients that include nature-related sustainability performance targets, around water resource stewardship and material circularity, and its first large-scale nature-based solution for climate resilience in Chisinau, Moldova. The EBRD is working with donors to mobilise needed resources at scale, with initiatives such as the Blue Mediterranean Partnership.
- **EIB** is piloting the use of innovative instruments such as climate and debt conversions, sustainability-linked products and landscape approaches in order to deliver nature impact at scale. EIB is developing a biodiversity risk score (to be finalised by 2025), which will allow for the assessment of nature-related financial risk of EIB’s counterparts at portfolio level and will inform the integration of nature into climate transition plans. Finally, the shift in the EIB Standards from a No Net Loss to a No Loss approach to biodiversity is becoming a reality for all operations. The EIB is complementing its current biodiversity finance tracking with the development of a methodology on measuring impact of its financing.
- **IDB** is including nature as part of its new Institutional Strategy, publishing a natural capital and biodiversity mainstreaming action plan, and working with Chile, Colombia, Ecuador, Belize, Uruguay and Argentina to mainstream natural capital assessments and valuations in policy and investment frameworks. It also has a dedicated nature-based solutions accelerator currently serving Colombia, Brazil, Guatemala and Mexico,

and is deploying funds from France, the United Kingdom, the United States of America, Canada, the GEF and GCF toward nature-positive investment alongside the bank's ordinary capital. The IDB is pioneering several innovative finance mechanisms including debt for nature conversions, biodiversity credits and tokens, biodiversity bonds, treasury solutions, and risk capital for nature-positive entrepreneurs. The IDB has also developed a nature dependency risk analysis pilot for its portfolio. It has several biome specific programs such as Amazonia Forever, which has 118 projects in execution totaling USD 1.1 billion, and the newer América en el Centro, and One Caribbean.[18]

- **IsDB** has become the first AAA-rated institution to issue a Green Sukuk, and since then, has issued more than USD 5 billion in Green and Sustainability Sukuk. In 2022, IsDB launched a Guidance on the Use of Nature-based Solutions for Climate Change Adaptation.
- **The World Bank Group (WBG)** is undertaking a broad range of investments that conserve and restore critical ecosystems and support the broader economic transition toward nature-positive practices. The FY24 active World Bank (IBRD/IDA) portfolio supported USD 4 billion of direct investments in nature, with IDA serving as a key source of concessional finance accelerating nature action in low-income countries. The WBG Guarantee Platform housed at MIGA provides a menu of guarantees to public and private actors to unlock and scale up investments in nature. To track its GBF contributions in a systematic manner, the WBG has recently developed a Nature Finance Tracking Methodology[19] which is being piloted. The new Scorecard 2024–2030 will in turn track the terrestrial and inland/marine aquatic areas that are brought under enhanced protection, conservation, restoration, or sustainable management supported by WBG operations. Beyond project financing, the WBG is leading and contributing to global and national-level policy and regulatory reforms aimed at mainstreaming nature considerations into the way economies and financial markets function, including as part of a collaboration with the NGFS, the TNFD, the Sustainable Banking and Finance Network (SBFN), and the ISSB. IFC has also developed a Biodiversity Finance Reference Guide to help catalyze private sector finance at scale.[20]
- **IDFC** has developed a Toolbox[21] for members to integrate biodiversity into their operations, and conducts an annual «Green Finance Mapping»[22] to monitor the financial commitments of its members.

Following the playbook in the climate finance space, the private sector has made rapid strides both to commit to goals and targets on alignment of their portfolios and to tangibly shift financial flows from harmful to neutral or positive impact. According to UNEP FI and the FfB Foundation, private finance for nature has seen a significant surge and could potentially help close the nature finance gap by 2030. Specifically, private investment in nature grew from USD 9.4 billion to over USD 102 billion in the past four years (UNEP FI and FfB, 2024b). If current investment rates continue, it is projected that up

18 See e.g. Biodiversity in Latin America and the Caribbean
19 See Note on Nature Tracking Methodology
20 See World Bank on Biodiversity and www.ifc.org/biodiversityfinance
21 See IDFC Biodiversity Toolkit.
22 See IDFC Green Finance Mapping Report 2022

to USD 1.45 trillion could be mobilised by 2030, aiding in efforts to reverse biodiversity loss as outlined in the GBF. This highlights the growing momentum and support for nature-related finance, including via venture capital, actively managed funds, exchange traded funds and alternative investments.

There is a key distinction between the **quantity** and **quality** of finance for nature. While we are seeing increased financial flows, the true impact is limited by how these funds are allocated. There are significant concerns regarding the actual alignment of these investments with nature-positive outcomes, largely due to inconsistencies in definitions and labeling. Furthermore, FIs who might issue nature-related concerns are held back by concerns of being accused of greenwashing. UNEP FI and FfB's discussion paper, "Finance for Nature Positive" released on 26 September 2024, aims to propose a working model for further refinement.[23]

Today most nature-related finance comes from public sources, yet private finance is necessary to close the gap in financing the GBF, but unlocking funds at this level requires collaborative, ambitious commitments and near-term action across the entire financial system. Alternative investments, traded debt, and private equity are increasingly adding nature-related Key Performance Indicators (KPIs) and new instruments like biodiversity credits show promise for funding vital conservation and restoration efforts.

Despite this significant growth, there remains a substantial nature and biodiversity funding gap that needs to be addressed. There is a need to build a clear capital continuum for nature-positive investments and overcome hurdles that limit the growth and uptake of the markets, such as small ticket sizes, "missing middle" or "Valley of Death" ticket sizes (Denke et al, 2023), high transaction costs, insufficient or unclear returns, and longer and uncertain payback times. Asset classes such as green bonds, impact investments, and blended finance are seeing notable growth, each offering unique benefits and facing specific constraints. Green bonds attract institutional investors but face standardisation challenges; impact investments foster innovation but struggle with consistent impact measurement; and blended finance de-risks investments but requires complex deal structuring. Expanding these asset classes and overcoming their constraints is essential for closing the biodiversity funding gap and ensuring sustained private finance involvement in conservation efforts.

New Green Shoots

Since 2022, the annual New Green Shoots webinar has been kicking off the new year with a review of the latest innovative nature finance products that have come onto the market. The event is hosted by UNEP FI, Finance for Biodiversity Foundation, EU Finance@Biodiversity Community and PRI, as part of its "We Need to Talk About Biodiversity" Series.

23 See Finance for Nature Positive: Building a working model

However, while the increase in financial flows is promising, it is essential to critically assess both the integrity and efficacy of these investments. There is a growing concern that the sheer volume of finance may not equate to meaningful biodiversity outcomes due to significant disparities in the definition and application of “nature-positive” criteria. The lack of standardised taxonomies and rigorous impact measurement frameworks poses risks of greenwashing and misallocation of capital. Therefore, it is imperative to develop and enforce robust standards, including taxonomies, science-based targets and comprehensive due diligence processes, to ensure that these investments are genuinely aligned with biodiversity objectives and contribute to the long-term resilience of natural ecosystems.

This growth includes contributions from various asset classes, such as alternative investments, traded debt, and private equity. Innovative financial instruments like biodiversity credits, debt-for-nature swaps, and private venture capital are also emerging as promising tools for funding conservation initiatives. Despite this positive trend, significant challenges remain, including ensuring that these funds reach high-impact conservation projects and align with national biodiversity priorities (Smith *et al.*, 2024). The UNEP State of Finance reports regularly on Nature-based Solutions specifically, and has shown an uptick from 14% to 17% of the total investments in NbS coming from the private sector.

ENCORE (Exploring Natural Capital Opportunities, Risks, and Exposure)[24] is a tool that helps financial institutions understand their exposure to environmental risks, including biodiversity loss. The **biodiversity module** within ENCORE allows users to assess how aligned their portfolios are with broad biodiversity goals through two global metrics. NatureFinance’s Alignment Tool[25] also provides a tool for aligning financial flows with nature-positive outcomes. NatureFinance’s tool will be updated following the TNFD recommendations.

24 See ENCORE

25 See Nature Finance Alignment Tool

4. Engage: Supporting the mainstreaming of biodiversity through effective engagement

The GBF has set ambitious targets for nature, with widespread international support. Yet this is not yet universal at the necessary level consistent with the "whole of society" vision. To be more transformative towards a nature-positive future, the financial sector must shift from simply minimising harm to actively contributing to changing our economic system towards more regenerative. Finance can be an actor for change: Financial institutions have a unique opportunity to engage their clients in real economy sectors and collaborate with governments to drive nature-positive outcomes. The Global Fund for Coral Reefs (GFCR) for example has developed ten general investment principles outlining they use to make decisions on investments, which clarifies expectations for investees.[26] By working with businesses in industries like agriculture, energy, and infrastructure, they can promote practices that protect and restore biodiversity, reduce environmental degradation, and support sustainable resource use. Additionally, financial institutions can advocate for and collaborate on policy changes with governments to create regulatory frameworks and incentives that align economic activities with nature-positive goals. This engagement can drive systemic change, encouraging businesses and governments to integrate nature into economic decision-making and achieve broader sustainability targets.

Increasing recognition and inclusion of Indigenous Peoples and Local Communities in nature-related governance, such as through the implementation of Free, Prior, and Informed Consent (FPIC) protocols in all countries is a serious shortcoming, especially given the key importance of these actors in stewarding biodiversity. In addition to FPIC, there should be coherent policies respecting Indigenous Peoples and Local Communities' customary rights and zero tolerance for threats and violence against communities.[27] Better policies are needed to ensure both local leadership and benefit-sharing in the "just nature transition". Measures for aligning financial flows with a nature-positive future must consider the differential impacts on for example women, vulnerable and marginalised communities. This involves ensuring that transitions to sustainable practices do not disproportionately affect these groups negatively. Governments should implement social safety nets and support systems for communities reliant on nature-damaging industries, and consider for example Conser-

26 See Coral Reef Finance Insight
27 See The Human Rights Blindspot in Deforestation

vation Basic Income[28] as an alternative to market-based instruments to finance nature positively. Only a just transition will have the traction needed to succeed,

Stewardship, or active ownership, is a key tool for investors to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend. A number of collaborative engagement initiatives have come about since the adoption of the GBF, with Nature Action 100—representing nearly USD 30 trillion in assets under management (AUM) as of August 2024—having been launched during COP15. NA100, co-led by Ceres, the Institutional Investors Working Group, Finance for Biodiversity Foundation and Planet Tracker, focuses on supporting greater corporate ambition and action to reverse nature and biodiversity loss, targeting 100 companies in eight key sectors (biotechnology and pharmaceuticals; chemicals, such as agricultural chemicals; household and personal goods; consumer goods retail, including e-commerce and specialty retailers and distributors; food, ranging from meat and dairy producers to processed foods; food and beverage retail; forestry and packaging, including forest management and pulp and paper products; and metals and mining). Another initiative, Spring, focuses on addressing forest loss and land degradation in key geographies by engaging over 60 companies with influence on deforestation trends through their direct operations, supply chain management, and responsible political engagement. Spring, which is led by the Principles for Responsible Investment, is supported by over 200 investors (representing USD 15 trillion in AUM) as of August 2024. The FAIRR initiative, with support from WWF, UNEP FI and the World Benchmarking Alliance, is bringing key investors together to collaboratively engage seven seafood companies to improve their traceability.

Institutional investors have also been engaging with policy-makers, with the Investor Policy Dialogue on Deforestation, coordinated by the Tropical Forest Alliance, convening over 80 financial institutions (representing USD 10.5 trillion in AUM) to engage policy-makers in Brazil, Indonesia and key consumer countries of soft commodities.

28 See e.g. de Lange *et al.* (2023). A global conservation basic income to safeguard biodiversity; Fletcher & Büscher (2020). Conservation basic income: A non-market mechanism to support convivial conservation; Sheehan & Martin-Ortega (2023). Is conservation basic income a good idea?; Mumbunan & Maitri pre-print A Review of Basic Income for Nature and Climate.

5. Links with development goals

The successful implementation of the GBF contributes directly to achieving development and poverty reduction outcomes by ensuring the sustainability of ecosystems that underpin human well-being and economic stability. For countries in the Global South, which often face significant challenges like debt stress and financial instability, the GBF offers an innovative pathway to turn biodiversity assets into revenue-generating opportunities. Recent developments have seen a growing interest in nature-based solutions (NbS) and biodiversity credits as financial instruments that can attract investment while promoting conservation. For example, countries like Gabon and Costa Rica have been at the forefront of leveraging their natural resources to issue sovereign bonds linked to biodiversity protection, providing them with much-needed financial capital. Recently the USA and Indonesia agreed a USD 35 million debt swap with the support of the Global Fund for Coral Reefs. By aligning national policies with the GBF, Global South countries can tap into international funding and carbon markets, use NbS to alleviate debt burdens, and enhance financial stability while contributing to global biodiversity goals. These approaches not only address immediate economic pressures but also create long-term economic opportunities by preserving the natural capital that is vital for sustainable development.

To boost private financing in Global South countries in alignment with the SDGs, a robust sustainable finance framework is essential, including taxonomies, disclosures, reporting standards, and supportive investment environments. These elements ensure effective, transparent, and impactful investments aligned with SDGs. To achieve them, governments are leveraging Integrated National Financing Frameworks (INFFs) to attract both domestic and international investors, promote SDG-focused opportunities, and create supportive conditions through comprehensive financing policies and reforms. To date, more than 85 countries are using the INFF approach to strengthen integrated financing for sustainable development at the country level, and over 40 countries have already designed dedicated Biodiversity Finance Plans (BFPs) with the support of UNDP BIOFIN. INFFs can advance national strategies for nature and biodiversity finance by integrating these solutions into central planning and financing processes. They complement existing biodiversity finance efforts and address issues related to financing with negative impacts on nature.

6. Links with climate goals

Fundamentally, the nature crisis is inextricably linked with the climate crisis. Climate change is one of five major drivers of nature loss. However, the relationship between nature and climate is mutually reinforcing and degradation of healthy ecosystems decreases their ability to adapt to and mitigate climate change. This creates a negative feedback loop worsening both crises in tandem and deepening both financial and social costs. Therefore, there is no net zero without nature. Emissions from agriculture, forestry and land use alone count for 22% of emissions today.[29] At the same time, nature can absorb 37% of the emissions needed toward the 2030 net-zero goals.[30] The degradation of ecosystems not only drives climate change but also weakens humanity's capacity to adapt to its effects. Forests, wetlands, and grasslands serve as natural shields, mitigating floods, droughts, and landslides, while marine ecosystems like coral reefs protect against storm surges. Healthy ecosystems provide essential resources such as food, clean water, and medicines, especially vital for vulnerable communities. They also preserve traditional and indigenous knowledge, offering sustainable practices that help communities adapt to changing environmental conditions.

Implementing nature-based solutions—defined as actions to protect, manage, and restore ecosystems—offers adaptive, low-cost strategies that benefit both people and nature. These approaches, like ecosystem-based adaptation, help mitigate climate impacts by utilising ecosystems such as forests and wetlands to absorb carbon and shield communities from extreme weather. Benefits of those solutions outweigh their costs as, according to the Global Commission on Adaptation, every USD 1 invested in these methods can generate up to USD 10 in economic benefits.[31] Recent research also shows how nature-based solutions could also account for 37% of the emissions reductions needed by 2030 to limit global warming to 2°C or lower.[32]

Science has recognised that climate and nature and biodiversity are parts of the same complex problem[33] and it is increasingly becoming clear that the multitude of interlinkages, synergies and trade-offs between them would benefit from the joint management of both crises.[34] Explicitly including nature in net-zero plans leverages the momentum behind climate change.

29 Per IPCC (2023). AR6 Synthesis Report, p.5.
30 Griscom *et al.* (2017). Natural Climate Solutions.
31 Global Commission on Adaptation (2019). Adapt Now: A Global Call for Leadership on Climate Resilience.
32 Griscom *et al.* (2017). Natural Climate Solutions.
33 IPBES-IPCC (2021). Biodiversity and Climate Change: Workshop Report of the IPBES-IPCC co-sponsored workshop.
34 TPT Nature Working Group (2024). The Future for Nature in Transition Planning.

In fact, the IPCC climate pathways for 1.5 degrees C rely on nature to some extent, but more could be done to integrate nature and climate into models.[35] Because of the close interdependencies, especially between major climate tipping points and environmental degradation and biodiversity loss, scenarios that fail to consider the nature impacts will significantly underestimate total risks, particularly in sectors that are profoundly dependent on nature.[36] Additionally, the opportunity space is constrained by what has been termed the "land squeeze" with growing demands on land area for food and commodity production, conservation needs to meet biodiversity targets, and land needs for nature-based climate change mitigation actions all competing for limited space.[37]

Work to address nature and biodiversity loss is following a similar path to climate in the finance sector. Climate, and more recently nature, was first viewed as individual risk and opportunity and now the finance sector strategically manages climate as a systemic issue. The 2017 TCFD recommendations together with the NGFS determination that climate change was linked to financial risk was a watershed moment that led to climate disclosure standards less than a decade later. Today, more than 20 jurisdictions, accounting for 55% of global GDP and more than half of global greenhouse gas emissions, are taking steps to reflect ISSB Standards in their legal or regulatory framework.[38]

Building on the disclosures and climate methodologies for emissions measurements and target-setting, voluntary net-zero climate commitments gained momentum at COP 26 in Glasgow. There has been an exponential increase in signatories to net-zero alliances now over 675 institutions across the financial sector representing 40% of global private financial assets. GFANZ was formed to support individual institutions turning these high-level net-zero commitments into strategic, concrete actions through voluntary frameworks such as the NZTP.

The TNFD has brought similar identification and disclosure frameworks for nature and biodiversity into the mainstream and measurement and target methodologies are currently being developed.[39] Some companies and financial institutions have already started to publish TCFD-TNFD disclosure reports, enhancing alignment and integration between climate and nature reporting. Established sustainability standards, such as the GRI, have also started to publish biodiversity-specific standards to enable organisations to comprehensively disclose their most significant impacts on nature. Awareness and management of nature and biodiversity loss in mainstream finance currently lags behind climate by 5–10 years,[40] but lessons learned from the climate space and drawing on climate frameworks can support the rapid development of guidance to combat nature and biodiversity loss.

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35 IPCC. Special Report on Global Warming of 1.5°C, 2018; IPCC. Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, 2022; Philosophical Transactions of the Royal Society B. Understanding the value and limits of nature-based solutions to climate change and other global challenges, 2020; WWF (2023). Nature in Transition Plans: Why and How?

36 Ranger *et al.*, (2023). Environmental Change Institute, University of Oxford. The Green Scorpion: the Macro-Criticality of Nature for Finance.

37 WRI (2023). The global land squeeze: Managing the growing competition for land.

38 IFRS (2024). Jurisdictions representing over half the global economy by GDP take steps towards ISSB Standards.

39 Such as those of the Science Based Targets Network, Principles for Responsible Banking, and the Partnership for Biodiversity Accounting Financials.

40 Ranger *et al.* (2023). The Green Scorpion: the Macro-Criticality of Nature for Finance.

Explicitly including nature in support of net-zero transition recognises the interlinkages between nature and climate, brings nature to mainstream finance, builds on the climate momentum, and supports efficiencies within financial institutions. Net-zero transition plan frameworks established guardrails around net-zero commitments to support credibility and accountability in net-zero implementation. Such plans involve reviewing the tools, data, policies, decision-making processes, and internal governance mechanisms of financial institutions and therefore involve the entire organisation.[41] Nature provides a key solution to meeting net-zero commitments through managing nature-related GHG emissions, protecting and developing nature-related emission sinks and can be explicitly featured in a net-zero transition plan. For example, the GFANZ net-zero transition plan (NZTP) framework allows a financial institution to manage climate and nature issues strategically which supports identifying and managing synergies and trade-offs and efficiently and effectively using an institution's resources.

Climate and nature are managed separately today, but holistic management of both issues will be needed to truly address the linked impacts on the economy and management frameworks. Including nature in net-zero implementation can be done in the near-term as it makes use of established pathways in the finance sector and builds momentum toward more complete management of the nature crisis. A more complete management of the nature crisis can be accelerated based on this foundation. Ideally, given the linkages and feedback loops between climate and nature, a fully integrated, holistic management of nature and climate together is ultimately needed. Organisations who include nature as part of their climate net-zero transition plans will be able to build their understanding of the climate-nature nexus, synergies and trade-offs and be well prepared to tackle the nature crisis, as well as the strategic management nature and climate crises holistically.

41 GFANZ (2022). Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations, and Guidance.

7. Finance sector asks for parties to COP16

At COP15 over 150 financial institutions, managing more than USD 24 trillion, called on world leaders to adopt ambitious Global Biodiversity Framework at COP15. In addition, the Finance Sector was present at COP15 in Montréal, Canada, to support global ambitions for effective measures to halt and reverse biodiversity loss towards the recovery of nature. Reducing harmful financial flows and mobilising additional private resources for biodiversity are essential components for achieving the mission of the Global Biodiversity Framework. As a result, Goal D calls for the alignment of financial flows with global biodiversity goals.

Since 2022, as a result of strong signals sent by policy makers and regulators that they are taking nature risk and finance seriously, financial institutions have progressed in integrating biodiversity considerations into their practices, as illustrated from the examples in this document. As of October 2024, 177 financial institutions have signed the Finance for Biodiversity Pledge, and many of the 350+ banks that have signed the Principles for Responsible Banking are selecting nature as a target-setting impact theme. In the insurance space, the UNEP FI, under the Principles for Sustainable Insurance (PSI), launched a Nature-Positive Insurance (NPI) Working Group in 2024, which, among others, looks at the role insurance can play in contributing to the goals and targets of the GBF. This mobilisation of the private finance sector is growing and is encouraged by political and regulatory signals on the importance of aligning financial flows with global biodiversity goals. For example, Biodiversity Finance Plans (BFPs) are being developed in over 130 countries with the support of UNDP BIOFIN, aiming to catalyze public and private financial resources for biodiversity. Specifically, standard developments and disclosure requirements on nature risks, impacts, and dependencies have leaped forward in the past two years. Key illustrative examples are the uptake of the Taskforce on Nature-Related Financial Disclosures (TNFD), the update of the Global Reporting Framework (GRI), and announcements from the International Sustainability Standards Board (ISSB) to work on nature. Some jurisdictions have implemented mandatory environmental disclosures incorporating biodiversity guidance, such as the European Union with the Corporate Sustainability Reporting Directive (CSRD), while other countries collaborated at a large scale to provide instruments to facilitate disclosure practices, such as the Latin American and Caribbean (LAC) Taxonomy Common Framework for Biodiversity or the GLOBE taxonomy from UNDP BIOFIN on global expenditures.

However, there is a risk that progress may be weakened and slow down without stronger policy signaling in favor of the sustainable economic transition, this is necessary considering the urgency to close the biodiversity funding gap, estimated at USD 700 billion per year. The finance sector calls for clear policy and sectoral transformation pathways that focus on transitioning underlying economic activities, to genuinely mobilise private resources at the scale required. Voluntary actions will not be sufficient and have the potential to exacerbate gaps across market approaches and perpetuate leakage. Governments' immediate leadership is needed to send a clear signal at COP16 for Parties to strengthen their policies, regulations, and incentives to drive the necessary action from all stakeholders, including businesses and financial institutions, to halt and reverse nature loss by 2030.

Business for Nature recently highlighted the enormous subsidies that are damaging nature, circa 2.6 trillion.[42] **Target 18** of the **GBF** focuses on the need to eliminate, phase out, or reform incentives and subsidies that are harmful to biodiversity. These harmful incentives, including subsidies, are major drivers of environmental degradation, deforestation, pollution, and habitat loss. In order not to undermine the GBF's ambitious biodiversity goals, stronger policies must be implemented to eliminate harmful subsidies, starting with those which contribute to inequality and instability, for example as windfall profits/high dividends from fossil fuel companies.

Finance sector action could be further unlocked by the following measures enabling Parties to implement the alignment of financial flows with the goals and targets of the GBFD (Goal D and Targets 14, 15, 18, and 19):

- For the Resource Mobilization Strategy to explicitly address all elements of the implementation of the alignment of private financial flows.
- That the Monitoring Framework includes a clear reference and meaningful indicators for the monitoring of the alignment of private financial flows and nature-related disclosure requirements.

Private finance sector organisations have expressed their recommendations about the necessary policies which should be reflected in the Resource Mobilization Strategy to ensure that Parties implement the alignment of financial flows. Recommendations examples can be found in the FfB report "Aligning Financial Flows with the Global Biodiversity Framework: Translating Ambition into Implementation" and the UN PRI report "Nature Policy Roadmap: Policy Recommendations for Scaling up Investor Action for Nature".

Namely:

- **Disclosure and due diligence requirements:** Governments should mandate that all large and transnational companies, as well as financial institutions, assess, monitor, and disclose their nature-related risks, impacts, dependencies, and opportunities. This includes reporting on how their activities affect biodiversity and ecosystem services, aligning with the disclosure requirements in Target 15. Governments should introduce practicable environmental and human rights due diligence requirements aligned with international standards, requiring the identification, prevention, and mitigation of negative outcomes in value chains aligned with the mitigation hierarchy.

42 See Reforming Environmentally Harmful Subsidies

- **Nomenclature instruments:** Governments should support the development of nomenclature instruments for nature, including sectoral pathways and taxonomies, which will provide clearer signals to guide the economic transition and responsible investment decisions. Importantly, these instruments should enable companies and financial institutions to prepare their own entity-level nature transition plans.
- **Nature transition plans:** To drive meaningful change through reporting practices, governments should require companies and financial institutions to develop and implement Nature Transition Plans. These plans should be based on sectoral transformation pathways, outline how entities will address biodiversity loss throughout their value chains, and integrate the close interconnection between climate change and biodiversity loss. Collaborative commitments across sectors will ensure that businesses align their operations with the broader goals of halting and reversing biodiversity loss by 2030. Transition plans will facilitate a shift towards sustainable practices and contribute to achieving Goal D and Target 14 of the GBF.
- **Financial regulation:** Governments should empower their central bank and financial regulators to take actions that support biodiversity goals, such as incorporating nature-related risks into stress testing and financial stability assessments. By doing so, they can ensure that the financial system is resilient to biodiversity-related risks and incentivise financial institutions to adopt sustainable practices. This recommendation aligns with Goal D and Target 14, emphasizing the importance of systemic integration of biodiversity in financial regulation.
- **National Tracking and Monitoring, Reporting and Verification (MRV) Systems:** Governments should develop robust tracking systems and/or registries that can identify geographic intervention areas, expected KPI results, and finance leveraged by nature finance projects. To support GBF Monitoring Framework reporting and KPI reporting to investors in nature finance products, these registries should be supported by robust MRV systems. Where possible, in order to leverage the impact of these systems for financial innovation, these MRV systems should be located in Ministries of Finance.
- **Investor Duties and Collaborative Stewardship:** Governments should clarify the relevance of nature issues to investors and investors' role in addressing nature issues, and accordingly, to encourage investment stewardship on nature-related issues. Regulators should furthermore clarify how investors may engage in collaborative stewardship activities whilst remaining compliant with other market regulations.
- **Economic incentives and synergies:** Governments should develop and implement economic incentives to encourage businesses and financial institutions to invest in biodiversity-friendly projects and practices. This includes reducing harmful subsidies and scaling up positive incentives for the conservation and sustainable use of biodiversity, as highlighted in Target 18. Governments should leverage public funds to attract private investments, creating blended finance mechanisms and innovative financial instruments that support biodiversity objectives, as outlined in Target 19.

COP16 will constitute an opportunity to discover and review the NBSAPs and BFPs submitted by Parties. Overall, governments should implement their NBSAPs and BFPs in a cross-sectoral, coherent and comprehensive manner. BFPs do not only address funding needs for NBSAPs, but also provide crucial roadmaps for countries to achieve nature-positive societies and economies for the good of all people and planet[43] supporting structural transformational change, for both increased funding and reduced harm. This coherence will help to mobilise action and commitments from the private sector. By fostering innovation, aligning incentives, and setting clear boundaries, governments can steer sectoral pathways towards reducing negative impacts, increasing positive impacts, and catalyzing private finance at scale to bridge the current biodiversity finance gap.

Government policies should deliver on biodiversity objectives in coordination with climate and social goals. The climate and nature crises are interconnected: we cannot reach net zero without halting and reversing biodiversity loss, and we cannot tackle biodiversity loss without addressing climate change. Equally, the social dimensions of nature-related issues should be considered and safeguarded in the economic transition. The GBF also thoroughly recognises the need for a just nature transition (per Muller and Robins, 2022).

The road to the Climate COP30, to be hosted in Brazil in November 2025, is a critical window of opportunity for both state and non-state actors to raise their ambition in the economic transition to deliver on climate, nature and social objectives. COP30 represents a significant milestone, as it will see countries submit their third round of national climate action plans under the ratchet mechanism of the Paris Agreement. Being hosted in Brazil, there is also an opportunity to more strongly focus on the interconnections of climate and nature actions.

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

43 UNDP BIOFIN (2024). How Can Biodiversity Finance Plans Support NBSAPs?

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UN environment programme

finance initiative

UNEP Finance Initiative (UNEP FI) brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies.

For more than 30 years the Initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda establishing the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance challenges.

Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding USD 100 trillion are individually implementing UNEP FI's Principles for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis to apply the sustainability frameworks within their industries using practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

Founded in 1992, UNEP FI was the first organisation to engage the finance sector on sustainability. Today, the Initiative cultivates leadership and advances sustainable market practice while supporting the implementation of global programmes at a regional level across Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America.

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