Nature Target Setting Framework

for Asset Managers and Asset Owners

Finance *for* Biodiversity Foundation

Full Version
Second Edition, July 2024

Versions of the Nature Target Setting Framework:

Second edition, July 2024

Beta version, November 2023

Finance *for*
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Executive summary

Biodiversity loss presents a material systemic financial risk. The interactions between asset managers and asset owners with nature are born primarily through their asset allocation and investment decisions. As such, investors have a crucial role in redirecting financial flows away from nature-negative impacts towards positive outcomes for nature.

This is the **second version of the guidance document of the Nature Target Setting Framework for Asset Managers and Asset Owners**, developed with the members of the Finance for Biodiversity (FfB) Foundation.

This latest version builds on the first beta version of the framework published in November 2023, which marked a new milestone in the FfB Foundation's efforts to help and support financial institutions to share knowledge and collaborate to halting and reversing biodiversity loss by 2030. The focus of the beta version was to provide investors with an overview of the framework's structure and guide investors on getting started by setting initiation targets.

The framework provides guidance for Finance for Biodiversity Pledge signatories and the broader investor community to set targets on nature. Setting targets is one of the five commitments under the FfB Pledge. This is not a prescriptive methodology that investors must fully adhere to. The final scope and structure of targets are left to the discretion of each investor.

This document seeks to create a shared understanding and common language for investors, which will evolve in scope and depth over time. The scope of the beta and the second version is limited to the following asset classes: **listed equity and corporate bonds**. Additional asset classes, including sovereign debt, will be integrated into the guidance in future iterations.

This guidance proposes three types of nature targets for asset managers and asset owners.

Initiation targets enable investors to analyse their exposure to nature-related impacts, dependencies, risks, and opportunities and how these relate to their fiduciary duty, as they incorporate the results in the governance, strategy, and activities of the organisation.

Monitoring and portfolio targets are structured such that investors establish sector-relevant Key Performance Indicators (KPIs) and stewardship actions to address the potential key impact drivers of their portfolio on nature. Initially focusing on ten priority sectors, with 20 key impact sectors identified in total.

We are inviting all asset owners and asset managers, including those who are not signatories to the FfB Pledge, to use this guidance document and contribute to its future development, to set, disclose and report progress on targets for nature as soon as feasible for their organisations.

This guidance document responds directly to Targets 14 and 15 of the Global Biodiversity Framework, the expectation that financial institutions align financial flows with the goals of the Kunming-Montreal Agreement and has been developed in alignment with key initiatives on nature and climate change, including the TNFD, SBTN, UNEP FI, UNEP PRI, NZIF, NZAOA, GFANZ, amongst others.

In developing this guide, we have collaborated closely with SBTN as a crucial partner and with UNEP FI, which has crafted analogous guidance for signatories of the Principles for Responsible Banking.

As we focus on asset managers and asset owners, this framework is not applicable to banks. We encourage all banks to look at the PRB Target Setting Guidance of the United Nations Environmental Programme Finance Initiative (UNEP FI) for assistance in establishing nature targets.

Foreword

The unprecedented and interrelated crises of biodiversity loss and climate change, among other global changes pose an existential threat to our society, our culture, our prosperity and our planet. The deterioration of nature is already directly impacting human wellbeing and livelihoods, and disproportionately affecting the least wealthy and most vulnerable people within society. It also poses material risks to businesses and finance.

In December 2022 in Montreal, Canada, at the fifteenth meeting of the Conference of the Parties to the UN Convention on Biological Diversity (COP 15), Parties to the Convention adopted the Kunming-Montreal Global Biodiversity Framework – an historic and ambitious framework for action across society to halt and reverse biodiversity loss by 2030.

As the Framework underlines, not only governments, but all actors of society, should contribute to this collective mission. It is critical that investors and financial institutions play their full part.

Building on the 2020 Finance for Biodiversity Pledge, the Finance for Biodiversity Foundation, and other observer organisations representing the financial sector, actively voiced their support at COP 15 for strong actions by business and the financial sector to protect and reduce negative impacts on biodiversity, thereby contributing to the 2030 mission to halt and reverse biodiversity loss, and the 2050 vision of living in harmony with nature.

This was reflected in the Kunming-Montreal Global Biodiversity Framework which includes specific commitments for aligning public and private financial flows in support of the goals and targets of the Framework, and for assessing and disclosing impacts on biodiversity with a view to progressively reducing negative impacts.

In recent years, we have seen a growing number of publications from academia, think-tanks such as the World Economic Forum, leading central banks and monetary authorities collaborating as the Network for Greening the Financial System, and various private sector initiatives, emphasising how today's trend of nature loss generates systemic risks for the financial system and the economy, and direct, tangible risks for investors and businesses. Consensus is building that action must be taken to address these risks.

In fact, today, investors and financial institutions are confronted with a nexus of nature-related risks and impacts. They provide and allocate capital that currently contributes to the human-induced drivers of biodiversity loss: land use change, overexploitation of nature, pollution, climate change and increases in alien invasive species. At the same time, virtually all economic activities – and the value of financial assets – depend directly or indirectly on nature and a stable climate.

According to UNEP's 2022 State of Finance for Nature report, private financial flows towards activities that protect or restore nature are about 26 billion US dollars per year. In contrast, trillions of dollars per year are invested into harmful activities. Asset managers and asset owners have the capacity to significantly support a green economic transition by focussing their stewardship and investment policies away from activities that damage nature and towards investments that restore and protect nature and promote the sustainable use of biodiversity.

With only six years left to 2030, it is urgent to act now. Finance for Biodiversity Foundation's guidance on nature-related target setting for asset managers and asset owners provides a pragmatic step-by-step guide to enable financial institutions to set targets for action and to initiate the necessary transition towards a nature-positive future.

Now is the time for investors to demonstrate active leadership, address nature-related risks and impacts, and invest in support of nature restoration, conservation, and sustainable use. Let us work towards putting this guidance into practice, demonstrating tangible commitment, reducing risks and generating positive impact.

Dr. David Cooper
Acting Executive Secretary of the Secretariat of the Convention on Biological Diversity (CBD)

Investor testimonials

"Nature's continued decline poses material financial risks to the economy and financial markets. Setting targets on nature provides a mechanism of accountability to evidence how investors are addressing key nature-related impacts, dependencies, risks and opportunities across their investment portfolios. Fidelity International welcomes this guidance as a means to inform the natural evolution of our existing work in this space."

– Charlotte Apps, Sustainable Investing Analyst at Fidelity International

"As investors navigate the net zero transition, they need to address nature impacts beyond climate change. There is little good practice on how to do this as global investors. Robeco therefore warmly welcomes this guidance for setting our next steps in contributing to the transition towards a sustainable economy."

– Lucian Peppelenbos, Climate & Biodiversity Strategist at Robeco

"Setting targets for nature is an important component in articulating organisational objectives to both internal and external stakeholders as to how material nature-related risks will be identified, measured and managed. Building on the FFB guidance on initiation target setting, investors can now access further, implementable, guidance that can support increased ambition on target setting as part of broader market developments that can accelerate financial sector alignment with the GBF."

– Chris Hart, Sustainable finance and ESG data specialist at Phoenix Group

"The preservation and restoration of biodiversity represent one of the greatest challenges of our century. Meeting this challenge requires effectively aligning financial flows with the objectives of the Global Biodiversity Framework. The target-setting guidance proposed by the Finance for Biodiversity Foundation serves as the initial step for both asset owners and asset managers in implementing these ambitious goals."

– Jean-François Coppenolle, Investment Director Climate, Biodiversity & ESG at Abeille Assurances - Aéma Group

"Biodiversity target setting needs to be placed in the context of existing climate targets to ensure a systemic resilience."

– Jeanne Fernandez, Nature Analyst at Pictet Group

"We are pleased to have been able to contribute to this guide, which we believe can help organisations take an important step towards achieving aims of the Global Biodiversity Framework."

– Clinton Adas, Global Stewardship Lead for Biodiversity and Nature at HSBC Asset Management

1. Introduction

This second version of the guidance guidance offers and overview of the Nature Target-Setting Framework for Asset Managers and Asset Owners, developed under the umbrella of the Finance for Biodiversity (FfB) Foundation.

Mounting evidence indicates that the depletion of nature globally is a systemic risk. Consequently, addressing the loss of nature in investments becomes a paramount concern for asset owners, as it aligns with their direct interests. Asset managers face a compelling imperative to address nature-loss within their investment portfolios to safeguard and enhance the assets they manage in line with their fiduciary duty.

The Nature Target Setting Framework enables investors to act by providing recommended actions and methodologies to set targets on nature. It establishes a mechanism of accountability to address nature-loss in their investment and capital allocation decisions.

The urgent need to act on nature is reflected in the Kunming Montreal Global Biodiversity Framework (GBF) adopted by 196 countries at COP15 of the Convention on Biological Diversity (CBD) in December 2022. Yet, understandably, setting targets on nature is technically demanding for investors. This justifies a phased and pragmatic approach to setting targets. In response to this demand, **this guidance offers an initial framework for investors to commence their efforts on setting targets on nature, which will evolve in scope and depth over time.**

This second version of the guidance covers listed equity and corporate bonds. Over time, additional asset classes will be included in the framework to ensure that targets are comprehensive in the consideration of material potential nature-related impacts, dependencies, risks, and opportunities.

Context

The GBF hinges on a collective mission to halt and reverse biodiversity loss by 2030, underpinned by 23 global targets for urgent action throughout the rest of this decade, and to work towards a shared vision of living in harmony with nature by 2050.

The implications of the GBF for financial institutions are discussed in a publication by the FfB Foundation, the CBD Secretariat, United Nations Environmental Programme Finance Initiative (UNEP FI) and the Principles for Responsible Investment (PRI), entitled 'Aligning Financial Flows with the Kunming-Montreal Global Biodiversity Framework'.

Asset managers and asset owners' material interactions with nature are borne primarily through the asset allocation and investment decisions they make. Therefore, financial institutions have a crucial role to play in contributing to the achievement of the GBF by redirecting financial flows away from nature-negative impacts towards positive outcomes for nature.

This role is explicitly recognised in targets 14 and 15 of the GBF. Target 14 refers to the expectation that financial institutions align their private financial flows with the GBF. Target 15 refers to the expectation that large and transnational companies and financial institutions assess, monitor, and transparently disclose their impacts, dependencies, and risks on nature along their operations, supply and value chains, and portfolios. In addition, many of the other 23 targets relate to reducing drivers of biodiversity loss associated with specific sectors and their respective activities and investing in favour of the conservation, restoration, and the sustainable use of nature.

It is well established that climate change is a key driver of nature loss and that preserving and restoring nature is critical to achieving net zero. Hence, **the pathways and associated targets to address nature loss must be considered in tandem with those for the net zero transition, such that actions reinforce positive outcomes across both objectives and unintended consequences and trade-**

offs are avoided. This climate-nature nexus offers a range of opportunities to catalyse action on nature, including commitments, policies and processes already adopted by financial institutions on climate.

FfB Foundation's 'Unlocking the biodiversity-climate nexus' publication provides new insights on synergies and trade-offs between biodiversity and climate related to financial institutions.

Finance for Biodiversity (FfB) Foundation

Recognising the financial sector's role in addressing nature loss, the FfB Pledge was launched in 2020. Pledge signatories call on global leaders to commit to protect and restore nature through their finance activities and investments by:

1. **Collaborating and sharing knowledge**
2. **Engaging with companies**
3. **Assessing impact**
4. **Setting targets**
5. **Reporting publicly**

The five FfB Foundation's pledge commitments need to be achieved before 31 December 2024 to be reported in their 2025 disclosures (2024 data).[1]

Members of the FfB Foundation collaborate via working groups connected to the five pledge commitments.

In July 2022, the FfB Foundation initiated a **Target Setting working group**, related to the fourth pledge commitment, with the mandate to develop target-setting guidance for financial institutions on nature. In January 2023, the co-chairs of this working group and a subgroup of FfB members started to develop the framework published in the beta version, which has since been refined to create the structure presented in this document.

This framework proposes guidance for asset managers and asset owners who signed the FfB Pledge to deliver on their commitment by[2] setting targets on nature before the end of 2024, against which they can report progress. We encourage non-pledge signatory investors to start setting and disclosing targets with us!

Banks are out of scope in this document. While developing this framework, we worked closely with UNEP FI, which has created similar guidance for Principles for Responsible Banking signatories. Consequently, we strongly encourage banking signatories of the FfB Pledge to refer to the UNEP FI Nature Target Setting Guidance. We encourage banking FfB Pledge signatories to look at the UNEP FI nature target setting guidance for assistance in establishing nature targets.

[1] Signatories having joined the Pledge after the 01/01/2024 should refer to the diagram on Chapter 4.4.

[2] The scope and type of target is left to the discretion of the individual investor

2. Theory of change for investor action on nature

To enable investors to start to assess and manage their nature-related impacts, dependencies, risks and opportunities we have developed the following theory of change. This is centred on two key principles: (1) ratchet investors action over time, and (2) act on the key drivers of biodiversity loss.

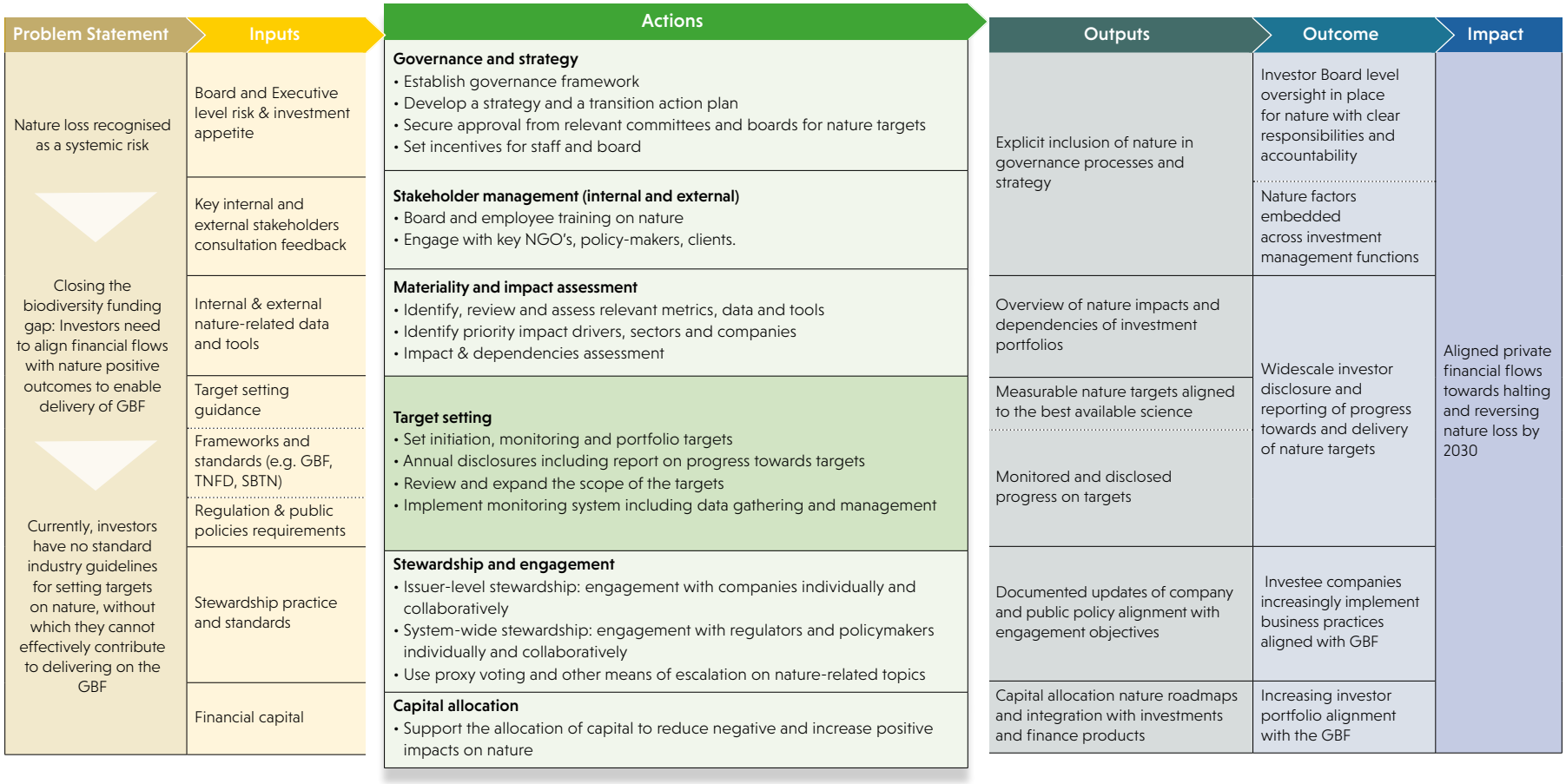


Figure 1. Theory of Change - Ratcheting investor action on nature towards impact

*Stakeholders in this context refers to internal and external stakeholders (e.g. employees, NGO's, policy makers, clients). AM and AO need to align strategy, targets, stewardship practices and investment solutions

2.1 Ratchet investor action

Investors must first build their knowledge by assessing and understanding their exposure to key nature-related impacts, dependencies, risks, and opportunities. Having laid these foundations, investors will then set targets on nature, with an initial focus on high-impact sectors. As investors work towards these targets, the science, data, and disclosure on nature-related impacts, dependencies, risks, and opportunities will improve, enabling investors to explore further action and enhance targets with greater depth and scope. This ratcheting approach is analogous to the policy review cycles associated with the Paris Agreement.

We recommend investors set their first targets by the end of 2024[3] and periodically review them, initially after three years and at least every five years after that. By ratcheting targets over time, investors will gradually align their portfolios to contribute to the objectives of the GBF, aligning financial flows towards halting and reversing biodiversity loss by 2030 and living in harmony with nature by 2050.

In the following paragraphs, we describe this iterative approach to target setting.

2.1.1 Knowledge building

Financial institutions must work to contribute to halt and reverse biodiversity loss in 2030 in their investment strategies. This starts with establishing a baseline of knowledge and understanding amongst their investment and risk teams the key concepts associated with nature, including nature-related impacts and dependencies, ecosystem services, amongs others. Investors may reference the materials on nature developed by the central banks (NGFS) or use sector-specific materials from NGOs.

Taskforce on Nature-related Financial Disclosures (TNFD) —e.g., 'Additional guidance for financial institutions'— as well as by other key organisations such as Business for Nature (BfN) —'Sector Actions Towards a Nature-Positive Future'— World Economic Forum (WEF) —'Nature-Positive Industry Sector Transitions'— World Business Council for Sustainable Development (WBCSD) —'Roadmaps to Nature Positive'—.

2.1.2 Sector, impact and dependency assessment

Having established a foundation of nature-related knowledge, financial institutions could conduct a sector assessment to identify sectors with the highest impacts and dependencies on nature in their portfolios. In contrast to issuer-level data, the science and data on sector-level impacts and dependencies reasonably well established, enabling investors to identify potential hotspots in their investment portfolios.

Investors can then zoom in and conduct deep-dive research on the impacts and dependencies of companies in these sectors, starting to perform more detailed quantitative assessments on impacts and dependencies on nature. Critical pieces of information for more detailed assessment include location and landscape-level hotspots. The granularity of impact assessments depend on investors' ambition, capacity and resources.

More information on how to get started with assessments and the different tools for financial institutions can be found in the 'Act Now' Guide and the Guide on Measurement Approaches of the FfB Foundation. When landscape-level data becomes available and more accessible to financial institutions, we will incorporate it into our framework and provide supplementary guidance.

2.1.3 Target-setting

The sector and impact assessments can inform the selection of priority target-setting sectors. This sectoral approach helps guide investors in prioritizing the actions to undertake when it comes to engaging with companies and implementing associated voting decisions, investment analysis, investment policies, strategies, and policy advocacy.

By increasing the scope of these targets periodically including the number of sectors in scope, the monitoring and portfolio targets developed in this guidance can support an overarching shift in investments within and across sectors towards nature-positive exposures.

[3] See section 4.4 for signatories having joined as of the 01/01/2024

2.2 Focus on the direct drivers of nature change

To enable investors to set targets in the near term, we propose a concise and coherent framework based on the five underlying direct drivers of biodiversity loss identified by IPBES (2019). These drivers do not focus directly on the state of nature ("impact"), but rather on the enabling conditions that are required for nature to be restored ("outcomes"). According to science, human activity results in five direct drivers leading to declines in the state of nature:

1. Land, water, and sea use change
2. Resource exploitation
3. Climate change
4. Pollution
5. Invasive alien species

Sector by sector, our framework identifies the potential impact drivers that may result in nature change per sector and help investors identify actions to decrease their potential contribution (i.e., response metrics defined by TNFD). Investors can use these response metrics to set targets, complemented by stewardship actions with invested companies. While these response metrics do not capture the full complexity and locational specificity of impacts on nature, they enable an immediate focus on transforming business activity to halting and reversing biodiversity loss. As science and company disclosures improve over time, more and better data on impacts and locational specificity can be incorporated to refine strategies and targets. Moreover, existing targets on net zero already work on one of the impact drivers of nature change (GHG Emissions) which enables a direct crossover between climate and nature target setting, reflecting the complex nature of the planet's ecosystems and the impact we have on them.

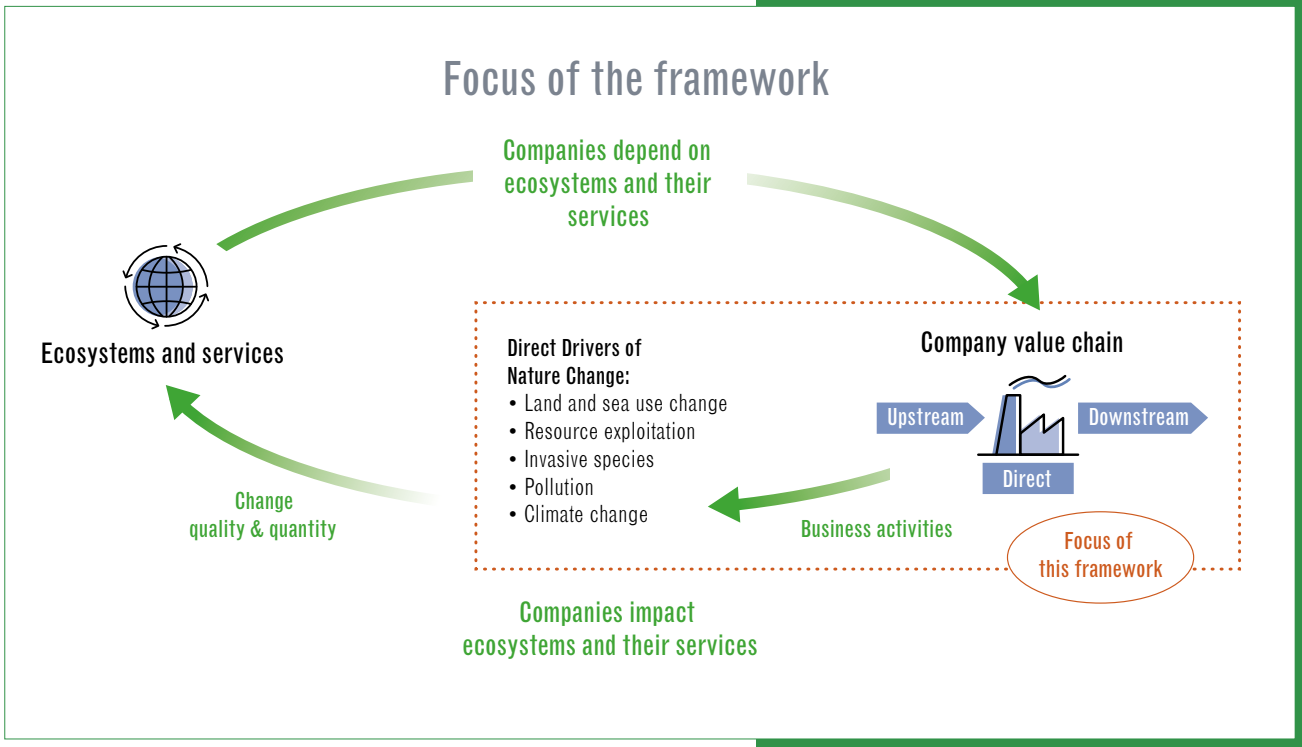


Figure 2. Focus on the five direct drivers of biodiversity loss

3. Alignment with key global frameworks

This Nature Target Setting Framework is designed to align with the GBF and existing global frameworks such as TNFD and SBTN. It also aligns with the core principles and structure of the net zero investment frameworks (NZAOA, NZAMi, GFANZ, SBTi) to ensure that investors can address nature and climate change in an integrated fashion. In this chapter the alignment of this guidance with the key frameworks is described.

3.1 Global Biodiversity Framework

The GBF was adopted at COP15 of the CBD in December 2022 and sets out an ambitious pathway to reach a shared global vision of a world living in harmony with nature by 2050 and a collective mission to halt and reverse biodiversity loss by 2030. This vision relies on 23 action-oriented global targets for 2030.

The GBF is being translated into national-level policy through National Biodiversity Strategy and Action Plan (NBSAP) updates. To meet its goals and targets, the GBF emphasises a "whole of society approach," including private sector actors such as financial institutions.

Taking stock of the GBF and its upcoming implications regarding country-level policymaking and regulations, we recommend that financial institutions start by assessing, disclosing, and monitoring the risks, impact and dependencies of their portfolios to reduce negative and increase positive impacts on nature, as referenced in Target 15. We also invite investors to go a step further than mentioned in the GBF and set targets on nature to steer finance and engagement activities towards halting and reversing biodiversity loss in 2030.

We encourage financial institutions to start thinking about nature-positive investment targets. This is referenced in Target 19 of the GBF, requiring policymakers to mobilise financial institutions for leveraging private finance, blended finance and raising additional resources to invest in biodiversity through impact funds and other private financial instruments. We will develop targets to support positive impact investing in a future iteration of this guidance document.

3.2 Taskforce on Nature-related Financial Disclosures

TNFD is a global, market-led, science-based, and government-supported initiative with the mandate to deliver a risk management and disclosure framework for organisations to report and act on nature-related risks and opportunities to support a shift in global financial flows away from nature-negative outcomes towards nature-positive outcomes.

This mission of the TNFD is consistent with Target 15 of the GBF, the expectation that large and transnational companies and financial institutions assess, monitor, and transparently disclose their impacts, dependencies and risks on nature along their operations, supply and value chains, and portfolios by 2030.

Notably, the TNFD is designed to help drive alignment with the emerging global reporting baseline under development by the International Sustainability Standards Board (ISSB) and with best practice standards and tools already in use by market participants today.

Our guidance and framework are designed to align with the recommendations of the TNFD, including the principles the TNFD sets out for setting targets. In addition, we have considered the TNFD sector disclosure metrics, the specific TNFD-recommended sector metrics for financial institutions and the additional sector guidance from WBCSD, BfN and WEF in designing the sector-level response metrics in our framework.

3.3 Science Based Targets Network

In May 2023, SBTN released their first set of guidance for setting targets on freshwater and land, along with a range of tools to help companies implement the 5-step framework (see figure). For example, the freshwater method advises on freshwater quality and quantity targets, in line with the maximum water withdrawal or nutrient load for priority water basins. In 2023, 17 multinational companies are piloting the first science-based targets (SBTs) for nature. Lessons will be taken into account in future releases by SBTN, including ocean targets and technical guidance for Steps 4 (Act) and 5 (Track).

As part of the engagement with companies described by FfB Foundation in chapter 4.4.3 on Engagement, SBTN encourages all asset managers and owners to request investee companies to start setting SBTs for nature. SBTN advises prioritizing assets in high-risk sectors and locations, and based on your sphere of influence as an investor (step 2 in the figure). SBTN encourages toinvestors to support investee companies in setting SBTs (for instance with a sustainability linked loan or another tangible benefit for the investee). This provides an incentive, while allowing for mutually beneficial learning that can feed into future updates of the SBTN methods, tools and guidance.

SBTN is working on initial guidance for the financial sector, scheduled to be released in the second half of 2024. This will not be a full target-setting methodology for financial institutions, to be validated in the same way as the methods for freshwater and land use for corporates. Rather, this publication will clarify how the five-step framework can be applied by financial institutions, how they can support companies in setting SBTs for nature (visualizing money flows via value chains to ecosystems, such as water basins), and what actions and targets financial institutions can take and set today. This will include referencing back to this publication by the FfB Foundation.

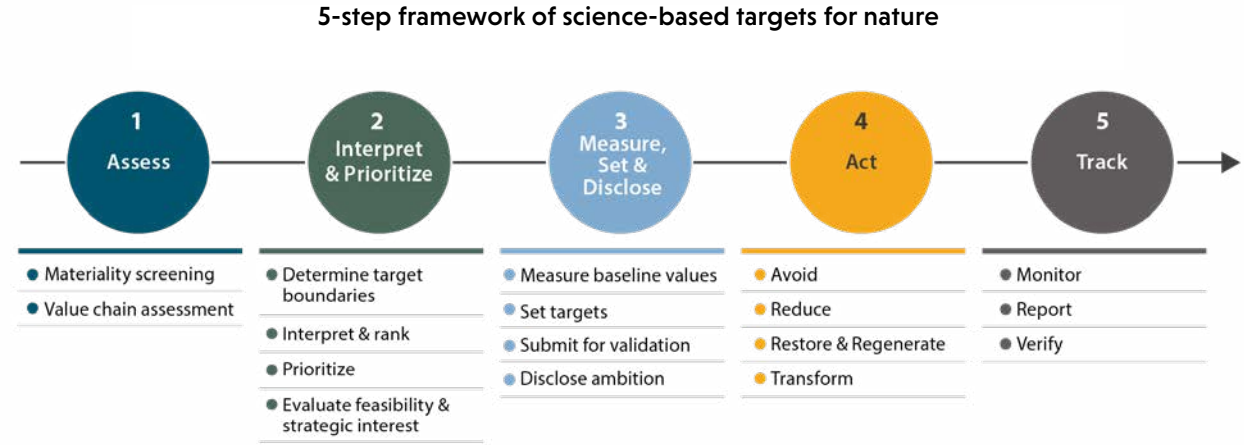


Figure 3. The five-step process for setting science-based targets. Source: SBTN

3.4 Net zero investment frameworks

The framework aligns and is consistent with the flagship net zero frameworks, such as the NZIF, the UN-convened NZAOA, NZAMI, the GFANZ, and the SBTi.

It is critical that targets on nature are aligned to and help accelerate the trajectory to net zero, making the most of opportunities associated with the "climate-nature nexus" in investment policies and processes.

Including nature in the already widespread net-zero transition plans can be a stepping stone in addressing the climate-nature nexus; and by leveraging the same structure as the market-leading net-zero target-setting frameworks, we aim to establish interoperability in the strategic delivery of both net zero targets and targets on nature. Users can then leverage the methodologies and knowledge base they have acquired on climate and apply these principles to nature. However, we acknowledge that some trade-offs may occur between climate targets and nature targets and encourage investors to identify them to make the most informed decisions.

4. The Nature Target Setting Framework

The overall goal of this framework is to help and enable asset managers and asset owners to start setting targets on nature and, thus, align financial flows with the GBF to halt and reverse biodiversity loss by 2030.

The Nature Target Setting Framework is designed to be used by a broad range of asset managers and asset owners, considering their different mandates, starting points and implementation strategies. This reflects the user's fiduciary duties and acknowledges that there may be elements of the framework that are not suitable or applicable in specific contexts.

Given that the scientific understanding of nature and the respective transition pathways are, in most cases, still in development, the framework is designed to enable near-term pragmatic action to address nature loss, with a dynamic approach that enables targets to be updated to align with the best available science as this scientific understanding matures.

The following paragraphs describe the fundamental principles and the framework's scope. Following that, the four types of targets proposed by this framework are introduced.

4.1 Key principles

The framework is centred around the same five guiding principles as identified in the 'Net Zero Investment Framework Implementation Guide,' adapted to the use case with nature:

1. **Impact:** The primary objective is to halt and reverse global nature loss in line with the mission and vision set out by the GBF. While different investors will have varying abilities to undertake action, the framework must be structured such that targets encourage investors to maximise their efforts to achieve the transformational systems change required in the real economy.

2. **Rigour:** Alignment should be consistent with the best available science, based on sound evidence data and a clear understanding of the transmission pathways to enable change. In contrast to climate science, nature-based pathways are still in the early stages of development. As such, the framework will be structured to evolve such that targets can be updated to align with the best available science.

3. **Practicality:** This framework must be suited for broad-based adoption by various investors, subject to varying resource constraints. Interoperability with existing processes, technologies, requirements, and overarching sustainability objectives is critical to ensure feasibility for a broad range of investors.

4. **Accessibility:** Definitions, methodologies and the process for implementation must be clear, such that the framework can be easily applied, where possible using publicly available information and assessments.

5. **Accountability:** Definitions, methodologies, and metrics must be clearly articulated to enable clients, beneficiaries, and other stakeholders to credibly assess progress alignment against the stated objectives of the targets.

In addition to, and in alignment with, the Corporate Sustainability Reporting Directive (CSRD), all targets should be set for material sectors. Regarding the recommendations and guidance of the TNFD, targets should include a clear articulation of how the target addresses the identified impact drivers, including considering anticipated regulatory requirements, market constraints, limitations, or other contextual information relevant to understanding the target. More details regarding the good practices in terms of disclosure can be found in Chapter 10 of this guidance.

4.2 Scope

With this framework we initially focus on the following asset categories:

- Listed equity
- Corporate bonds

We chose this approach to focus on the asset classes that make up the largest portion of most asset managers' and owners' portfolios.

In the next version, we aim to include sovereign bonds in the framework and envision a 'step-by-step' approach for additional asset categories over time.

We recommend a similar approach for prioritising sectors and impact drivers to address through the target set. We advise starting with 10 sectors and focusing on the key potential impact drivers of each sector. Over time, investors can cover additional sectors and address more impact drivers.

4.3 Application by asset owners and asset managers

We recommend that both asset owners and asset managers set initiation targets for their own operations and corporate structure within the prescribed timeframe. In terms f sectoral targets, engagement targets and portfolio coverage targets, there are some differences.

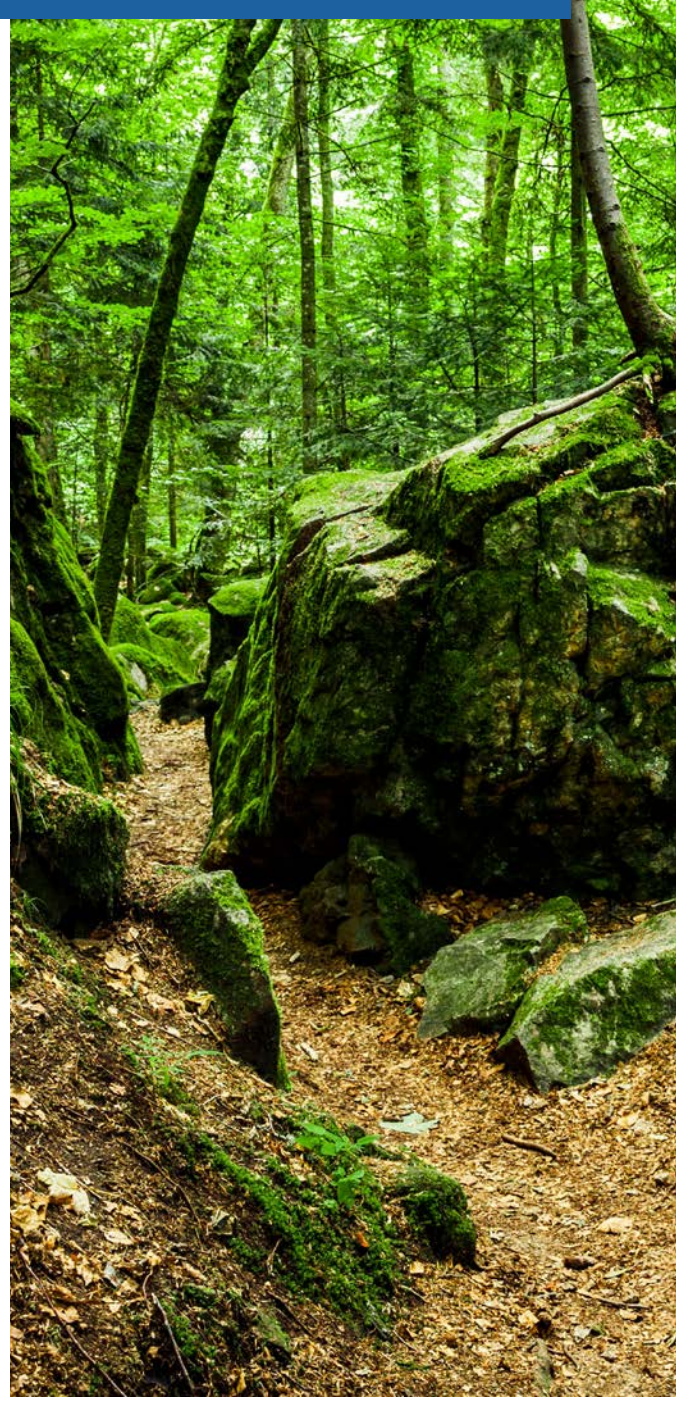
For asset owners, these targets can cover "all assets under management (and on the balance sheet) managed by the asset owner while exercising asset allocation in fiduciary duty" including:

- In-house managed money;
- Shareholder money;
- Policyholder money (in cases where the asset owner carries out the asset allocation).

Targets may include unit-linked products when the asset owner retains complete investment discretion for these products.

Targets exclude money managed by group-owned asset managers for third-party clients. This is not considered as asset owner money, since it does not appear on the balance sheet of the asset owner. However, we recommend that members engage third party investment partners in discussions on biodiversity target setting.

Asset managers range from those who provide all services to a single asset owner to large diversified multi-client managers who provide services to specialist managers (e.g., sector/product/asset class-specific). Where asset managers are solely responsible for managing a client's portfolio and/or are specialists in nature-related or sustainable investments and are already managing products and portfolios consistent with the Global Biodiversity Framework, all this guidance can be applied. We encourage other asset managers to implement the guidance across their funds under management to the greatest extent possible.



4.4 Key targets

This framework guides investors in setting targets to address key impact drivers on nature across their portfolios through an iterative approach. We adapted the key targets from the beta version of the guidance, transitioning from initiation, sector and engagement targets to a step-by-step approach that includes initiation targets, and monitoring targets as an option before defining portfolio targets.

The three types of targets to progress toward the implementation of portfolio targets are described in the following three steps:

Step 1: Initiation targets
These targets can be developed to understand the importance of and analyse exposure to, nature-related impacts, dependencies, risks, and opportunities. This understanding can be embedded in the governance, strategy and activities of the organisation, in line with the asset managers' or asset owners' fiduciary duty.

Step 2 (optional): Monitoring target
These targets are designed to structure the deployment of the required resources to be able to monitor sector-relevant KPIs across priority sectors and implement stewardship actions to address the identified key impact drivers on nature. This is an optional step before delving into portfolio targets.

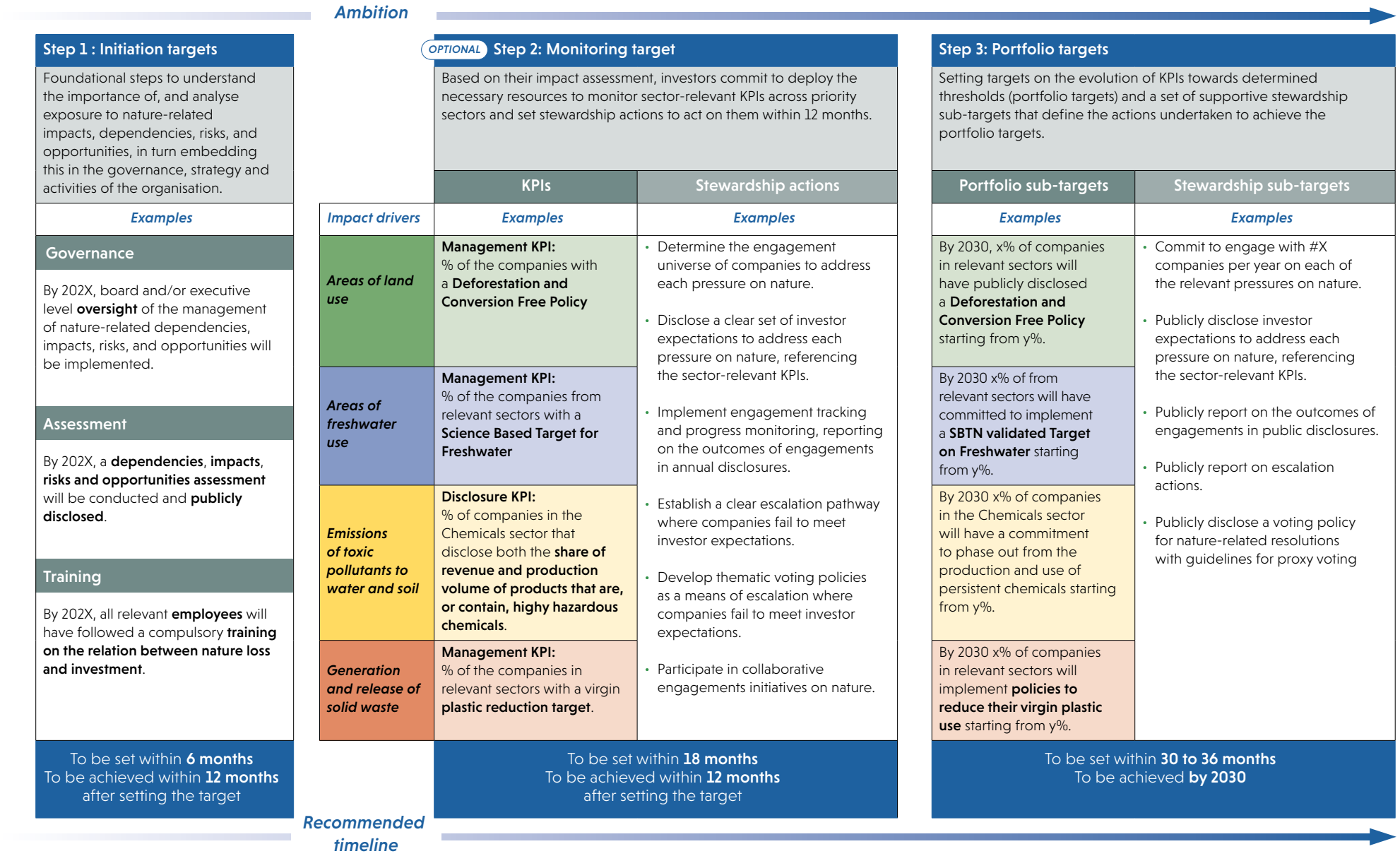
Step 3: Portfolio targets
These targets are the final step in formalizing ambitions to reduce the potential negative impact of the portfolio. They involve establishing thresholds to reach on the previously monitored KPIs which then become portfolio sub-targets and defining a clear action plan to achieve these through stewardship sub-targets.

The overall process of setting targets according to the step-by-step approach of this second version of the framework is described in detail, including examples for targets in Figure 4.

Investors are encouraged to implement and achieve their initiation targets imminently, as these constitute the base assessment required to set Monitoring and Portfolio targets. Monitoring targets are important to identify and monitor the pressures exerted on nature as a result of portfolio allocations to individual companies and sectors. KPI monitoring is designed to help better inform investment and asset allocation decisions, complemented by a stewardship strategy to address the impact drivers induced by the companies in portfolio.

We revised the initial concept of offering beginner and advanced tracks with concrete years for setting targets, as outlined in the previous beta version of the framework. Instead, we now advocate for a unified approach to applying these targets over time. This adjustment ensures that all targets are set to be achieved by 2030, in alignment with the Global Biodiversity Framework's mission to halt and reverse biodiversity loss. However, investors retain the flexibility to target shorter timeframes according to their specific goals.

Figure 4. The overall process of setting targets according to the step-by-step approach of this framework



Additionally, targets should incrementally evolve, to align with emerging scientific consensus and increase in scope and depth (sectors covered, impact drivers addressed, stewardship actions deployed) as data becomes more widely available. This summary highlights the major changes that will need target revisions.

- **Incremental Evolution of Targets:** Targets should evolve to align with emerging scientific consensus and increase in scope and depth. This evolution ensures that the targets remain relevant and effective as more data becomes available.

- **Reassessment Timeline:** We recommended to reassess portfolio targets no later than three years after they are initially set. Subsequent reviews should occur at least every three years thereafter. This timeline allows for adjustments based on new information and changing circumstances.

- **Accounting Mechanism:** Targets serve as an accounting mechanism to monitor the effectiveness of integrating nature-related impacts into investment strategies. Monitoring helps financial institutions track and evaluate their progress in reducing negative impacts on nature.

- **Engagement and Advocacy:** The framework recognises the importance of engagement with stakeholders and advocacy with governments for policies that promote real-world actions benefiting nature. This type of engagement is crucial for driving meaningful change beyond individual investment strategies.

Note for FfB Pledge signatories

FfB Pledge signatories promised to set and disclose targets as part of their commitment and therefore need to do the following:

Target Types and Scope

The framework provides guidance but allows flexibility. FfB Pledge signatories can choose the scope (such as which proportion of their portfolio will be covered) and the type of target (whether it's an initiation target, monitoring target, or portfolio target). This flexibility recognises that different investors may have varying strategies, speeds and capabilities.

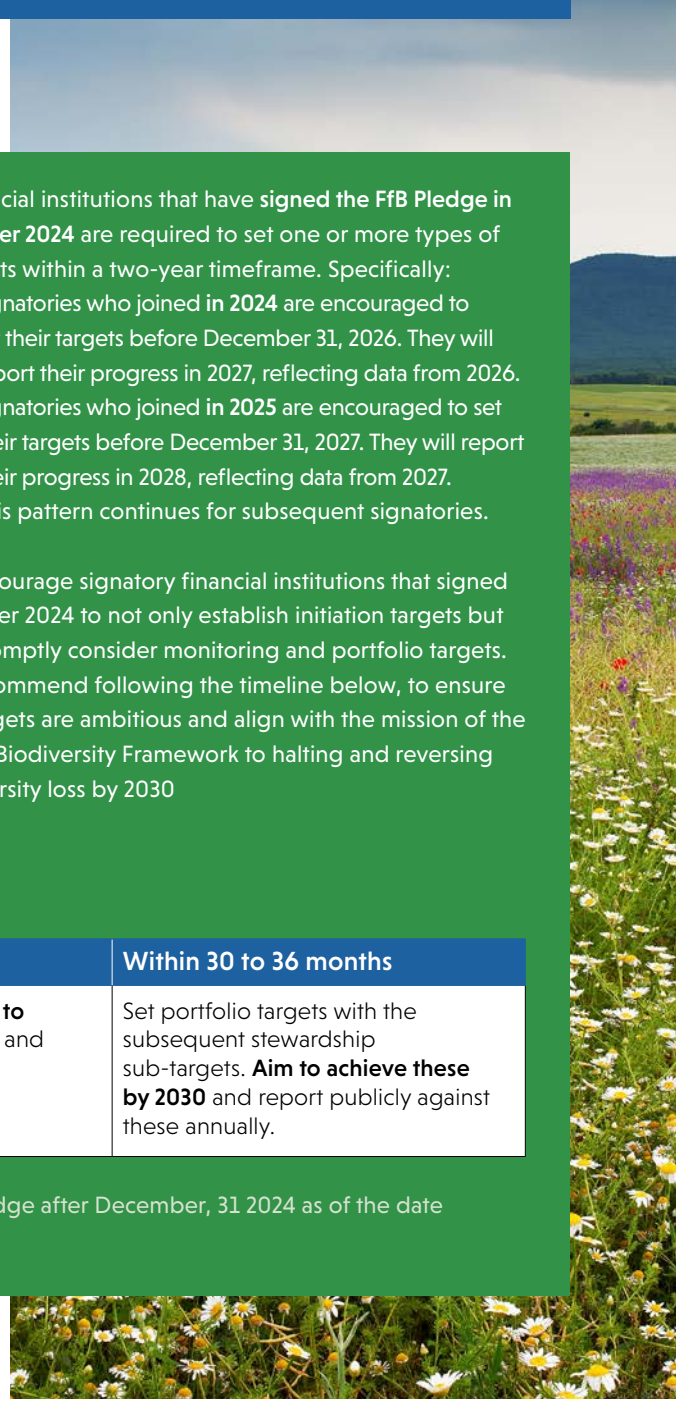
Disclosure Timeline

- Financial institutions that **signed the FfB Pledge before 2024** are required to set one or more types of targets before December 31, 2024. These targets can be reported in their 2025 disclosures, which will include data from 2024.
- Financial institutions that have **signed the FfB Pledge in or after 2024** are required to set one or more types of targets within a two-year timeframe. Specifically:
  - Signatories who joined **in 2024** are encouraged to set their targets before December 31, 2026. They will report their progress in 2027, reflecting data from 2026.
  - Signatories who joined **in 2025** are encouraged to set their targets before December 31, 2027. They will report their progress in 2028, reflecting data from 2027.
  - This pattern continues for subsequent signatories.

We encourage signatory financial institutions that signed in or after 2024 to not only establish initiation targets but also promptly consider monitoring and portfolio targets. We recommend following the timeline below, to ensure that targets are ambitious and align with the mission of the Global Biodiversity Framework to halting and reversing biodiversity loss by 2030

Within 6 months	Within 18 months	Within 30 to 36 months
Set initiation targets; report against these the following year; **aim to achieve them within 18 months**.	Set a monitoring target; **aim to achieve it within 12 months**, and report publicly against it the following year.	Set portfolio targets with the subsequent stewardship sub-targets. **Aim to achieve these by 2030** and report publicly against these annually.

Recommended timeline for Financial institutions that signed the Pledge after December, 31 2024 as of the date of the signature



5. Initiation targets

Initiation targets enable asset managers and asset owners to get started in meeting the evolving regulatory integration and reporting requirements.

Most financial institutions today are in the early stages of understanding nature-related issues, especially compared with climate issues. Hence, we recommend that investors take a progressive approach towards nature-related target setting, starting with initiation targets, as and where appropriate to the maturity of the topic within the organisation.

As shown in the Theory of Change (Figure 1 on page 7), we advise setting and disclosing concrete and time-bound initiation targets on the following topics:

- Governance, education & strategy
- Impact and dependency assessment

Governance, education and strategy

Despite rapid progress on this topic, most financial institutions are only beginning to understand nature. Therefore, we advise investors as a first step to set targets on gaining knowledge on biodiversity and develop the first positions on the topic for their organisations by setting up a governance and strategy. Below, you can find some initial elements for setting targets on the governance education and strategy level:

- Creating a clear governance structure for nature with board-level oversight and allocating specific resources (FTE) with knowledge, responsibility, and accountability for nature-related issues;
- Providing adequate education and expertise for the board/trustee(s), and more broadly across the organisation, on nature and the implications of nature-related risks and opportunities for their organisation;
- Developing clear policies on nature, including sector-specific policies on key topics such as deforestation;
- The (phased) adoption of TNFD recommendations, including embedding the insights into the governance, strategy, and risk management of the organisation;
- Integrating nature into the incentive structure for board members, executives, and staff;
- Developing a strategy and including the drivers of biodiversity loss in ESG policy plans and transition action plans.

Impact and dependency assessment

We recommend disclosing the organisation's exposure and approach to nature-related impacts, dependencies, risks and opportunities in line with TNFD recommendations and GBF Target 15. Determining the most material sectors for further research to identify priority companies is essential to the initiation targets.

Example of an initiation target

We will assess our portfolio for nature-related impacts and dependencies, risks and opportunities and disclose our insights before 2026

More inspiration for setting initiation targets

If investors need more inspiration for initiation targets, they can read our guide 'Act Now' Guide. In this guide, we have aligned the so-called 'V-process' with SBTN's 5-step process to enable near-term action on nature by financial institutions.

The V-process proposes five steps that financial institutions could take to integrate biodiversity into their activities:

1. Explore the latest scientific evidence and data on nature loss, its drivers, and how businesses and investors are exposed to nature-related risks, dependencies, impacts and opportunities;
2. Assess the exposure of your business to nature-related impacts, dependencies, risks and opportunities, and prioritize your key activities, sectors, direct drivers of biodiversity loss, and geographies (taking into account the level of exposure and other aspects of sphere of influence on subsectors and geographies);
3. Integrate biodiversity into your risk mitigation approach, strategies, and policies, and set targets to reduce negative impacts and increase positive impacts on nature;
4. Act by engaging with companies, reallocating financing, and supporting nature-based solutions;
5. Track progress towards your targets, both for external reporting and to continuously improve.

Other relevant guidance documents for inspiration and starting to set targets on nature include the TNFD Getting Started guidance.

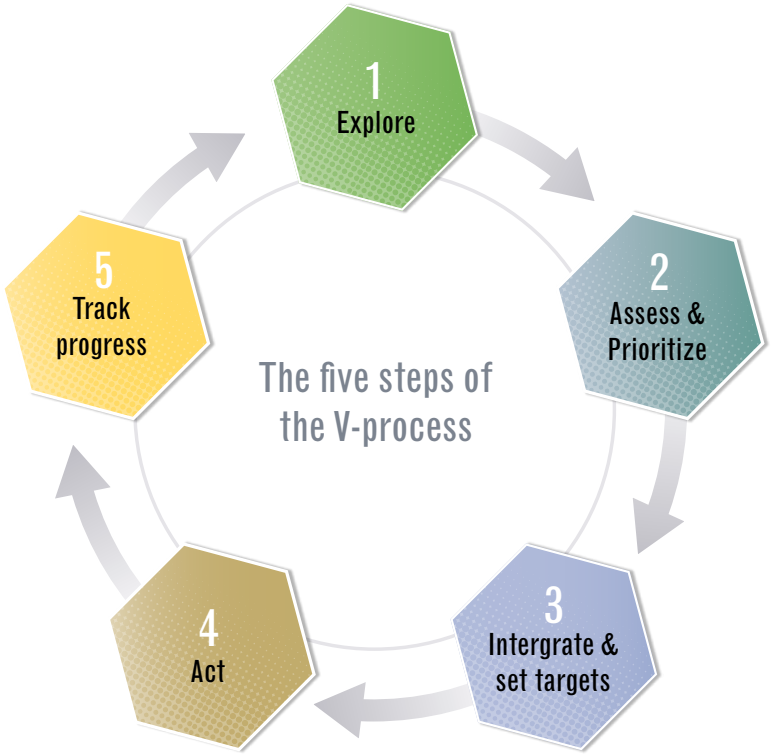


Figure 4. The five steps of the V-process

6. Sectoral approach

This chapter explains the importance of determining sector-relevant KPIs, how to aggregate them at a portfolio-level, and how they can support the development of portfolio targets.

Sector-relevant KPIs enable a practical approach to identifying and addressing material impact drivers to inform engagement and portfolio targets. Once they have been set and disclosed, portfolio targets are meant to be stable over time. Investors should aim, as best practice, to report progress by disclosing the evolution of the monitored KPIs regularly. KPIs used to monitor key impact drivers across sectors may evolve over time, for example as companies start to disclose additional and more robust data.

Investors are advised to first determine their exposure to those sectors with the most material nature-related impacts. This guidance highlights a list of 10 priority sectors, complemented by a secondary list of sectors to guide investors in this assessment. Once investors understand their exposure, they can do deep dives into these priority sectors, identifying the key impact drivers that are causing harm to nature, and determining appropriate KPIs per sector. Subsequently, investors can act to address these potential impacts via their portfolio and stewardship sub-targets.

Stewardship targets are complementary to portfolio targets. These use engagement to influence investee companies to disclose on their nature-related impacts, dependencies, risks and opportunities, in line with the recommendations of key frameworks such as the TNFD, and in-turn implement a well-articulated strategy to address these impact drivers.

There are three steps involved in developing sector KPIs:

1. Identify exposure to the 10 priority sectors, with the most material nature-related impacts (see section 6.1)
2. Prioritise the main impact drivers per sector, referencing this guide (see section 6.2)
3. Define relevant sector-relevant KPIs (see section 6.3)

Based on the outcome of the three steps, investors can start monitoring sector-relevant KPIs to inform their targets with consistent framing for each pressure on nature across sectors. KPIs can then be aggregated and framed as portfolio targets.

6.1 Identify exposure to those sectors with the most material nature-related impacts

Asset managers and owners are advised to assess their exposure to those sectors with the most potentially material nature-related impacts as recommended by the TNFD in the LEAP process.

This guidance recommends that investors prioritize assessing their exposure to 10 priority sectors deemed to have the highest potential impacts on nature. In time, investors may include additional sectors where they have material exposure.

To develop the list of priority sectors, the FfB Foundation carried out the first multi-tool project in 2022. It aimed at estimating the biodiversity impacts of companies in the MSCI World index, which includes over 1,600 large and mid-cap companies across 23 developed markets. The biodiversity foot printing approach represents an estimate of the potential impacts exerted on biodiversity of the entire company universe.

Five tools were used to obtain the results in Mean Species Abundance (MSA) and Potentially Disappeared Fraction of Species (PDF) units, among others, which were then averaged and normalized (into 0-100 scores, being 100 the highest impact) to rank the 250 most impactful companies on biodiversity. The tools used were:

- Exploring Natural Capital Opportunities, Risks, and Exposure (ENCORE)
- Biodiversity Footprint Financial Institutions (BFFI)
- Biodiversity Impact Analytics powered by the Global Biodiversity Score (BIA-GBS)
- Corporate Biodiversity Footprint (CBF)
- Global Impact Database's Biodiversity Impact Data (GID)

The project results were used for a first selection of the FfB Foundation's Nature Target Setting Guidance's priority sectors and as one of the criteria to select the 100 companies of the Nature Action 100 initiative, among others.

Limitations and areas for improvement

While the tools applied have many areas of convergence, they also exhibit limitations and differences. For instance, the tools do not encompass all biodiversity IPBES pressures, such as invasive species, nor do they cover all biodiversity realms, such as marine environment. Furthermore, each tool has different scope coverages; for example, one tool combines upstream and downstream scope 3, while others treat them separately. Nonetheless, all tools address four out of five IPBES pressures (i.e., climate change, land/freshwater use change, resource overexploitation, pollution), as well as scopes 1, 2, and 3 and they use a common revenue data source from one of the tools as a source for calculating the impacts.

List of priority sectors

Presented Table 1 is an overview of a primary list of ten priority sectors, which; according to this study, collectively account for approximately 70% of the estimated total biodiversity impact attributed to companies listed in the MSCI World Index. We advise asset managers and owners to select material sectors determined by the sectoral compositions of their portfolios through a heat map study.

Table 1. Ten priority sectors cover 30% market cap of the MSCI ACWI and 70% of the biodiversity impact on the MSCI World Index

Primary list of priority sectors	
Industry name (GICS)	**Industry code (GICS)**
Oil, Gas & Consumable Fuels	101020
Chemicals	151010
Metals & Mining	151040
Paper & Forest Products	151050
Automobiles	251020
Consumer Staples Distribution & Retail	301010
Beverages	302010
Food products	302020
Pharmaceuticals	352020
Electric utilities	551010

We have also developed a secondary list of sectors that rank lower than the priority list based on their impact on nature but still have potentially harmful effects on nature. Table 2 provides an idea of additional industries that may be covered if investors want to expand the scope of their targets, according to the sectoral exposure across portfolios:

Table 2. List of the secondary sectors potentially harmful to biodiversity to consider in the target-setting process

Secondary list of sectors	
Industry name (GICS)	**Industry code (GICS)**
Construction Materials	151020
Containers and packaging	151030
Passenger airlines	203020
Textiles, apparel and luxury goods	252030
Personal care products	303020
Health care providers & services	351020
Semiconductors and semiconductor equipment	453010
Gas Utilities	551020
Water Utilities	551030
Independent power and renewable electricity	551050
Real Estate Management & Development	601020

The primary and secondary lists of sectors are aligned with the TNFD's priority sectors.

6.2 Prioritise the main impact drivers per sector

Biodiversity loss results from five drivers of nature change from human activities: (see Section 2.2): land and sea use change, over-exploitation of resources, climate change, pollution, and proliferation of invasive species according to the Global Assessment Report on Biodiversity and Ecosystem Services of IPBES. Each of these pressures is a function of the economic activity taking place and where that activity is occurring. Unlike climate, there is no single universal metric to measure and understand biodiversity loss. Rather it must be understood through the relevant impact drivers.

While these expressions are used interchangeably among the different documents addressing the topic, we have chosen in this guidance to use the term "impact drivers" as a subset of the five pressures defined by IPBES; and to interchangeably use either the terms "pressures" or "drivers of nature change" in alignment with TNFD. More information on the definitions of these impact drivers can be found in Appendix 2. Also, as the scope of this guidance expands beyond biodiversity, we employ the term "nature". We acknowledge that some activities may have a positive impact on nature, which is why we talk about "nature change" even if the scope of this document is focused on reducing negative impact.

The critical challenge in setting targets is that data coverage relating to the key impact drivers is sparse in many areas. This calls for a pragmatic approach to setting targets, leveraging the data we do have to identify the key drivers where we have data to establish relevant KPIs.

As a first step, we mapped the key impact drivers to the 10 priority sectors, using the 2024 version of the ENCORE knowledge base. The impact drivers for the secondary sectors can be found in Appendix 1.

Climate change as a driver of nature change

Climate change as a driver of nature change is material across many sectors. However, this framework does not address climate change as it is addressed by well-established Net Zero target-setting frameworks, which are already widely adopted. The targets on nature change should therefore be considered in tandem with those for the net zero transition. If an investor has not set net-zero targets, then the investor may also include climate change for the climate-relevant sectors.

We acknowledge that climate change may interact with other pressures as each of these is linked to planetary boundaries which are themselves interlinked according to the paper Human impacts on planetary boundaries amplified by Earth system interactions, resulting in potential trade-offs and benefits. This requires careful attention from investors, according to the FfB Foundation guide Unlocking the Biodiversity-Climate Nexus and we thus encourage them to identify these synergies or trade-offs to incorporate them in their strategies.

Overview of high-impact drivers across priority sectors

Table 3 can be used by asset owners and managers to identify the key impact drivers across the priority sectors as a result of their direct activities on nature. We used the newly updated ENCORE database (version June 2024) to create this overview. The materiality of each driver and impact on nature is color-coded, with the highest materiality per sector represented in dark red and the lowest in dark green. The "ND" mention means that it has not been possible due to the lack of data available to conduct the materiality assessment for this driver in that sector. We have excluded climate change considerations in this context, as we recommend that investors refer to net-zero frameworks specifically tailored for addressing climate-related issues.

5	Highest level of negative impact on nature
4	High to very high negative impact on nature
3	Moderate to high negative impact on nature
2	Low to moderate negative impact on nature
1	Very low to low negative impact on nature
0	No to very low negative impact on nature
ND	No data to assess the level of materiality

Drivers of nature change	Impact drivers	Automobiles	Beverages	Chemicals	Consumer Staples Distribution & Retail	Electric Utilities	Food Products	Metals & Mining	Oil, Gas & Consumable Fuels	Paper & Forest Products	Pharmaceuticals
Land, Freshwater, and Sea Use Change	Area of Land Use	2	2	2	2	3	3	2	2	3	2
	Area of Freshwater Use	ND	ND	4	ND	2	4	4	4	3	ND
	Area of Seabed Use	ND	ND	4	ND	1	4	2	3	0	ND
Overexploitation of Resources	Volume of Water Use	2	3	3	3	2	4	3	3	3	3
	Other Biotic Resource Extraction (e.g. fish, timber)	ND	ND	ND	ND	3	1	ND	ND	2	ND
	Other Abiotic Resource Extraction	ND	ND	3	ND	ND	ND	4	2	ND	ND
Climate Change	GHG Emissions	1	2	3	3	3	3	3	4	3	3
Pollution	Emissions of non-GHG Air Pollutants	2	2	3	3	3	3	3	4	4	3
	Emissions of Toxic Soil and Water Pollutants	3	2	5	1	3	3	4	4	3	3
	Emissions of Nutrient Soil and Water Pollutants	ND	3	3	ND	3	3	2	0	4	3
	Generation and Release of Solid Waste	2	3	3	1	3	4	3	3	3	3
	Disturbances (e.g noise, light)	4	2	4	1	4	3	4	4	4	3
Invasive Species	Introduction of Invasive Species	0	0	1	1	ND	2	2	1	2	0

Table 3. Impact drivers on nature for the 10 priority sectors for their direct activities adapted from the newly updated ENCORE database (June 2024)

The complete screening tool is available on the ENCORE website for a more detailed analysis. A comparable method can be applied to identify the primary impact drivers in other sectors. Additionally, alternative materiality screening tools like the SBTN Materiality Screening Tool can be used. ENCORE builds its tool on the potentially material impact drivers based on the frequency at which the impact might occur, the speed at which the impact might affect natural capital, and the potential severity of the impact.

Investors are encouraged to cover at least three impact drivers as good practice. To address the most impactful drivers, investors are advised to pick the ones with a level of materiality greater than or equal to 2 on the 0-5 scale as showcased in Tables 3 and 4.

Investors should be aware that because of limited company-level data availability and quality, it may be difficult to find relevant data points to address all the impact drivers. As a result, monitoring certain impacts across sectors at the portfolio level could be a challenge.

Prioritising 3 impact drivers for the 10 priority sectors

Table 4 shows how asset owners and managers can address at least one material impact driver with a level of 3 or more for each of the 10 priority sectors by targeting the following three impact drivers for which there is already data available:

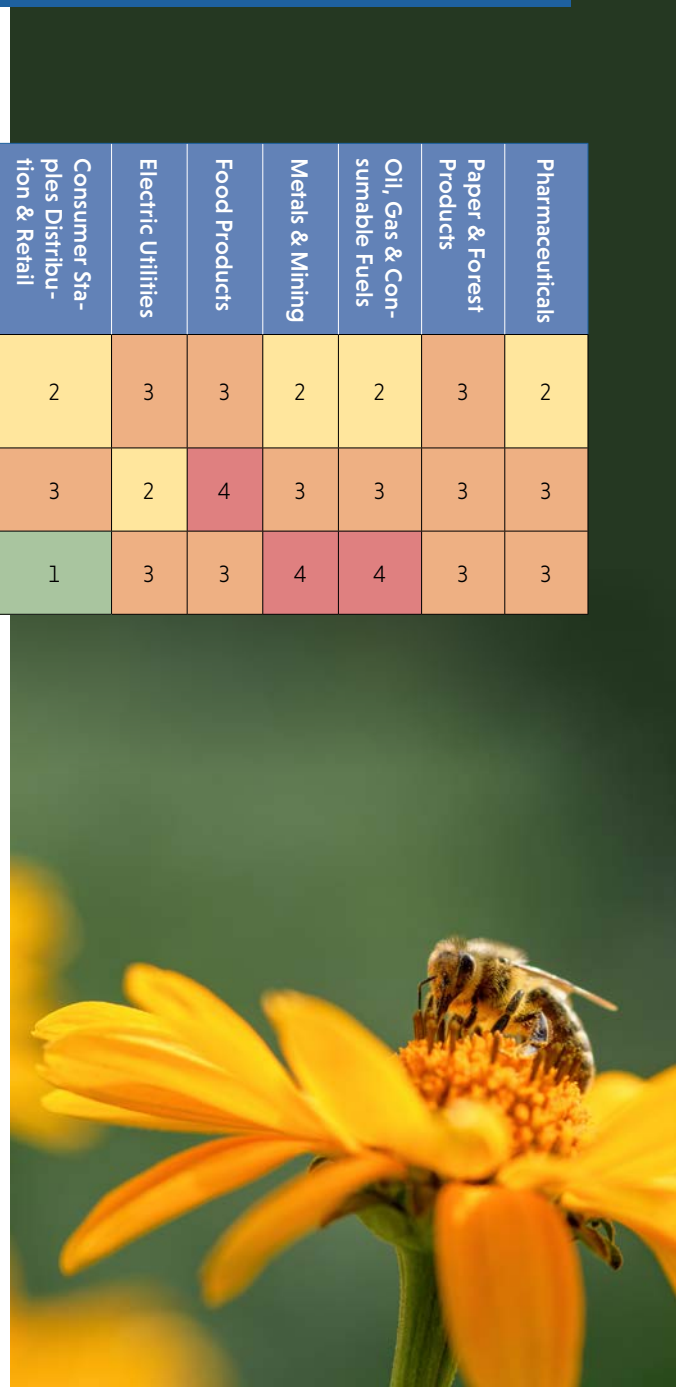
- Volume of water use,
- Area of land use, and
- Emissions of toxic soil and water pollutants.

Using the same format as Table 3, the impact drivers per sector are color-coded with the green showing the smallest level of impact and dark red a very high level of impact.

Drivers of nature change	Impact drivers	Automobiles	Beverages	Chemicals	Consumer Staples Distribution & Retail	Electric Utilities	Food Products	Metals & Mining	Oil, Gas & Consumable Fuels	Paper & Forest Products	Pharmaceuticals
Land, Freshwater, and Sea Use Change	Area of Land Use	2	2	2	2	3	3	2	2	3	2
Overexploitation of Resources	Volume of Water Use	2	3	3	3	2	4	3	3	3	3
Pollution	Emissions of Toxic Soil and Water Pollutants	3	2	5	1	3	3	4	4	3	3

5	Highest level of negative impact on nature
4	High to very high negative impact on nature
3	Moderate to high negative impact on nature
2	Low to moderate negative impact on nature
1	Very low to low negative impact on nature
0	No to very low negative impact on nature
ND	No data to assess the level of materiality

Table 4. Three priority impact drivers are common to the 10 priority sectors based on the newly updated ENCORE database (June 2024)



7. Sector-relevant KPIs

Once priority sectors and impact drivers are identified, Key Performance Indicators (KPIs) can be defined to assess company performance in each sector. This section lists the types of KPIs available and their specific uses.

7.1 Typologies of KPIs

KPIs may fall into four categories that could ultimately be included in the target structure of the financial institution over time.

1. **Disclosure KPIs**
   Disclosure KPIs allow investors to monitor the percentage of companies disclosing relevant data on the key impact drivers across each sector.

Example of a Disclosure KPI: *Percentage of companies which monitor and disclose water withdrawal at a site level for direct operations in water-stressed areas*

Water withdrawal is a material impact driver for the following priority sectors:

- Consumer Staples Distribution and Retail
- Automobiles
- Food Products
- Electric Utilities

This example KPI can be set to track companies covering the sectors mentioned above. The data point to set the KPI given as an example can be found in the CDP Water dataset.

2. **Management KPIs**
   Management KPIs aim to identify the percentage of companies actively setting up policies, strategies or setting targets to manage their potential negative impacts.

Example of a Management KPI: *Percentage of companies with an SBTN Land Use Target or Percentage of companies with a zero-deforestation target*

Land use change is a material impact driver for the following priority sectors:

- Electric Utilities
- Food Products
- Paper and Forest Products
- Metals and Mining
- Automobiles

This KPI can be set for companies for the priority sectors mentioned above. While the SBTN targets on Land Use are not yet disclosed by companies, the data point to set the KPI on deforestation policies given as an example can be found in Forest IQ, Forest 500 or MSCI for instance.

3. **Performance KPIs**
   Performance KPIs aim at screening the evolution of the potential impacts generated by companies on nature.

Example of a Management KPI: *Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average*

Generation and the release of waste is a material impact driver for the following priority sectors:

1. Beverages
2. Chemicals
3. Food Products
4. Electric Utilities
5. Metals and Mining
6. Oil, Gas and Consumable Fuels
7. Paper and Forest Products

This KPI can be set for companies for the priority sectors above. The data point to set the KPI on deforestation policies given as an example can be found in Sustainalytics and MSCI for instance.

4. **Phase out KPIs**
   Certain activities and company practices may be deemed so harmful to nature that an investor may choose to restrict their capital allocation in these areas. Consequently, these 'Phase Out' KPIs will be accompanied by strong stewardship actions to encourage companies to phase out from these activities. This may be associated with exclusions, as part of the associated escalation process where companies fail to phase out certain activities from their operations and supply chains.

We identified two types of criteria for phase out KPIs:

- **Activity-oriented criteria:**
  This type of Phase out KPI can be set by identifying companies generating revenue from specific harmful activities.

Example of an activity-oriented phase out KPI:
Revenue derived from Highly hazardous chemicals production and retail

This type of phase out KPIs can be applied to the chemicals sector.

- **Controversies-oriented criteria:**
  This type of Phase out KPI can be set by identifying companies that are subject to controversies, including litigation for practices that are harmful to nature.

No scientific body gathers this information in one overarching document. We have indicated a non-exhaustive and non-prescriptive list of activities for illustrative purposes in Appendix 3, that investors may want to use to set phase out KPIs.

It is left to the discretion of each investor to determine what is appropriate in line with their fiduciary duty to their clients.

Identifying the right type of KPI

When it comes to selecting the most appropriate KPI to address each pressure on nature, investors may follow the below logic:

- **Starting with the "Phase-out KPIs" as the first element of the mitigation hierarchy, is there any activity on which there is either a scientific or a market consensus as per saying that it has a highly harmful impact on nature?**
  - **If yes**: is there a datapoint to set that KPI? (see section 7.2) Especially, does it have a satisfying coverage[4]?
    - If yes: If it suits the investor's strategy a "Phase-out KPI" can be selected.
    - **If not**, investors can study the Performance KPIs

- **"Performance KPIs": is there an upcoming regulation or a scientific consensus on the measure/unit that should be used?**
  - **If yes**: is there a suitable data point to set that KPI? (See section 7.2) Especially, does it have a satisfying coverage3?
    - **If yes**: The "Performance KPI" can be selected.
    - **If not**: "Disclosure KPI" to encourage companies to disclose that specific metric and topic.
  - **If not**: is it possible to assess how a company is addressing the impact driver through a **"Management KPI"**? Is there a suitable data point to offset that KPI (see section 7.2) with sufficient coverage 3?
    - **If yes**: The "Management KPI" can be selected.
    - **If not**: **"Disclosure KPIs"** are the best option to select if very little information is available from companies on that specific impact driver as it is aimed at improving data availability.

This decision-making process flows is illustrated in a figure in Appendix 4.

As mentioned in this decision tree, data availability and quality are key in the selection of the KPIs to address each impact driver.

The next section is dedicated to helping investors identify appropriate data points to feed their KPIs.

[4] The notion of satisfying is let at the appreciation of investors; however, FfB Foundation recommends a coverage of at least 70% of the scope

7.2 Selection of appropriate data points as KPIs

Nature data encounters issues related to coverage, accessibility, timeliness, and comparability. Below are some guiding principles to help investors identify appropriate data points to be used as KPIs.

Data quality availability and relevance

- Selecting data points with a sufficient level of coverage across portfolio companies to enable comparison of company practices.
- Making reasonable and transparent use of modelled data and acknowledging the limits of each model is essential to drive meaningful change.
- Engaging with data providers on methodologies and information availability is essential to ensure a good KPIs selection.

Ensuring comparability

- Aim to use objective, quantitative data points, and avoid the use of proprietary scores which may lack methodological clarity and robustness.
- If using data points that rely on qualitative assessments, make sure that the methodology used is transparent to ensure credible and consistent assessment of companies.
- When using company reported data, ensure that data is calculated and reported using well-established measurement and assessment protocols to ensure comparability and consistency between the information disclosed by different companies. Regulatory frameworks, such as the European Sustainability Reporting Standards from the Corporate Sustainability Reporting Directive (CSRD) in Europe, should enhance the robustness of corporate disclosures over time.
- When measuring changes over time to establish the evolution of a company, we encourage investors to be mindful and transparent on the changes in methodology that occurred over that time period as they may affect the results displayed.

Processing the data to limit biases

- Normalising activity data by financial ratios like the revenue or the market capitalisation might limit the size biases and reflect the quality of the practices of companies.

While normalisation brings greater comparability, economic denominators can also introduce distortions and volatility. However, in some sectors normalizing by some specific metrics are still needed to bring discrimination within the sector.

- Using trend and time series data to reflect the global evolution of business models to more fairly reflect the efficacy of company policies and practices over time. This may not be reflected in one year's data because of ongoing projects not yet captured in the measurements.

Deep dive into public and private data sources

Identifying data points on nature can be challenging. Therefore, we have conducted a deep dive into different public and private data sources and mapped the availability of specific metrics per pressure and the coverage of the companies in the MSCI ACWI.

In Table 5 you can find some metrics from data providers such as Carbon Disclosure Project (CDP), MSCI, Sustainalytics, and Forest IQ, suitable as KPIs to monitor key impact drivers that are described in the previous chapter.

Table 5: Examples of data points and type of KPI per impact driver on nature, as per the end of December 2023

Impact drivers	Type of KPI	Data point	Illustrative KPI	Notes	Pharmaceuticals	Chemicals	Food Products	Consumer Distribution & Retail	Paper and Forest Products	Metals and Mining	Beverages	Oil, Gas & Consumable Fuels	Electric Utilities	Automobiles
Volume of Water Use	Performance	MSCI: Total water withdrawal (m3)	Water intensity on a three-year average in their direct activities	Recommend focus on companies with high operational exposure to water stress. FIs may choose to implement stewardship activities including on access to information.	Y	Y	Y		Y	Y	Y	Y	Y	Y
Emissions of Toxic Soil and Water Pollutants	Performance	Sustainalytics: Emissions to Water Tonnes-SFDR	Emissions of pollutants to water as defined in the SFDR regulation on a three-year average	FIs may choose to implement a strong stewardship policy with an escalation process		Y					Y			Y
Generation and Release of Solid Waste	Performance	Sustainalytics: Non-Recycled Waste Generation Tonnes-SFDR	Non-recycled waste generation on a three-year average	In the coming years we expect enhanced disclosures on recycled content and recycling rates which may enable complementary KPIs to be monitored				Y			Y			Y
	Performance	MSCI: Non-Recycled Waste (metric tons)			Y			Y			Y			
Area of Land Use	Management	MSCI: Deforestation Policy (Y/N)	Implementation of a deforestation policy on high risk commodities	The list of commodities covered may vary across the provider. FIs may choose to implement forward looking exclusions thresholds			Y	Y	Y	Y		Y	Y	
	Management	Forest IQ: 3.1a Deforestation commitment					Y	Y	Y					
Areas of freshwater use / Volume of Water Use	Disclosure	CDP Water: Disclosure (Y/N)	Disclosure to CDP Water questionnaire.	FIs may choose to join the collaborative action "Non Disclosure Campaign"	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Y: the KPI is applied to the companies from that sector

The issuer coverage for some data points is currently low. However, mandatory regulations like the European Sustainability Reporting Standards (ESRS) as part of CSRD and voluntary frameworks like TNFD are expected to improve it.

The following sources may give valuable insights into finding appropriate data points to monitor as KPIs:

- TNFD published disclosure metrics in annex 1 and 2 in their Recommendations of the Taskforce on Nature-related Financial Disclosures. You can find core global disclosure metrics and additional global disclosure metrics in this paper. Also, you can look at the Additional guidance for financial institutions for a list of reference sectors and examples of metrics.
- BfN, WEF, and the WBCSD published guidance for 12 sectors the so-called Sector Actions Towards a Nature-Positive Future.
- SBTN published guidance and a methodology for setting corporate science-based targets for nature, currently available for Land and Freshwater (more to follow).
- Disclosing standards like GRI 101: Biodiversity 2024 and ISSB-SASB can be a source of inspiration.
- Regulation disclosure frameworks like ESRS from CSRD are compulsory for many European companies and beyond as of 2025. However, this list is expected to grow as more regions start adopting nature-related mandatory corporate disclosures.

Data repository for FfB Foundation members

Members of the FfB Foundation will gain access to an evolving FfB data repository this year, guiding investors regarding available nature data points in the market. Additionally, FfB members have access to the Engagement Sector Briefs, crafted within the Engagement with Companies working group, which offer valuable insights into potentially relevant data sets within ten priority sectors.

7.3 Limitations of this KPI methodology

The scarcity of company-level nature-related data and the variety of data providers make it challenging to pinpoint a single KPI for each pressure on nature. Therefore, we propose several data points, as listed in Table 6. However, investors can review available data sources to determine the best KPIs for monitoring impact drivers in high-impact sectors.

Discrepancies in reporting regulations across jurisdictions can also create KPI coverage disparities. Therefore, a flexible approach is required.

This framework does not prescribe specific data points for asset managers and asset owners to use in setting their targets. Instead, it guides them toward selecting relevant KPIs and demonstrates various approaches to structuring their nature-related ambitions. The table outlining key impact drivers per sector aims to promote consistency in the selection of KPIs among financial institutions utilizing this framework.

We also acknowledge that using data at the company scale implies a loss in granularity regarding the location-specific nature of the companies' impacts; and aggregating this information at a portfolio level; essential for KPI piloting; accentuates this effect.

While the study at an industry level (GICS level 3) is a pragmatic approach to start with from an investor perspective; it comes with shortcomings in terms of the precision of the impact drivers attributed to each industry. We encourage investors to consult the ENCORE and SBTN work on impact drivers materiality at sub-industry and activity levels to have a more thorough understanding of the impacts of a company while conducting stewardship activities and analysis.

This version of the guidance centers on mitigating negative impacts on nature within the asset categories of listed equities and corporate bonds. In future iterations, we plan to include sovereign bonds and positive impact targets. Additionally, we aim to integrate location-specific elements as accurate, spatially specific data from companies becomes more widely available.

7.4 Reflecting the value of the KPIs in a portfolio

In the investment process, several measures might be used by investors to reflect the value of a KPI. Among them:

- Reflecting the underperformance of the company in its ESG scoring
- Reducing the exposure to the company
- Tilting portfolio towards peers with better practices
- Freezing new investments in the company
- Divestment

The last two measures are particularly relevant for "Phase-Out" KPIs and targets, while the first ones might be applied to all types of KPIs and targets. These, however, must be in line with fiduciary duty and client mandates.

8. Impact reduction through a systemic change

To achieve a meaningful systemic change and contribute to the goal of halting and reversing biodiversity loss by 2030, investors are encouraged to engage and challenge all the stakeholders involved as governments, clients, or data providers.

8.1 Drive change through stewardship actions

Stewardship is one of the most efficient levers of action to drive change. By leveraging their influence, investors can investee companies to adopt more sustainable practices on nature.

A robust stewardship strategy should be underpinned by well-defined milestones and be composed of the following elements.

1. A process to select the companies to engage

Issuers may generally be prioritised based on the assessment of their main impacts on nature, the size of the holding, along with their management of these issues and the exposure in the portfolio.

2. A set of investor expectations

Establish clear expectations on specific topics, clarifying the investor's position and the demands that will be communicated to the companies. To enhance clarity and coherence for the targeted companies, a joint statement with other market participants and/or NGOs can also be published.

Investors can draw insights from existing investor initiatives on nature, such as investor expectations of Nature Action 100, SPRING, Collective Impact Coalition and thematic stewardship initiatives, such as the Valuing Water Finance Initiative.

FfB Foundation members can also refer to the Engagement Sector Briefs created by the Engagement with Companies working group.

3. A clear escalation strategy if engagement objectives are not being met

We encourage that this strategy includes various potential escalation mechanisms, such as:

- Writing and/meeting with the board to express concerns to corporate representatives or non-executive directors.
- Engaging collaboratively with other investors to increase pressure on the company.
- Issuing a public statement to outline investor expectations and highlight where a company is falling short of these.
- Seeking legal remedies or arbitration.

For equity investors, potential escalation mechanisms include:

- Submitting shareholder resolutions related to the issues of concern.
- Voting against the re-election of directors who are responsible for the topic of engagement (i.e., risk and audit committee members).
- Voting against the board of directors or the annual financial report.
- Submitting one or more nominations for election to the board.
- Voting against executive compensation proposals if the variable pay portion is not linked to an appropriately ambitious nature-related KPI or nature-related performance.
- Implementing a systematic voting policy that supports nature-related resolutions, including the "Say-on-Nature"

For fixed-income investors, potential escalation mechanisms include:

- Partial divestment or non-participation approach, such as refusing to finance longer-dated bonds that have greater exposure to systemic risks like nature loss.
- Not participating in new issues, making participating in financing conditional on the company meeting specific expectations.

The above escalation pathway is best used to support constructive dialogue with investee companies, thereby avoiding potential future controversies or missed targets. Engagement can be conducted bilaterally with companies or through collaborative initiatives as those listed in the *Guide on Engagement with Companies* of FfB Foundation. During a dialogue with a company, it is acknowledged that several topics may be discussed, and these initiatives may constitute a channel to engage more companies on several topics related to the targets.

We also strongly encourage investors not to limit their stewardship actions on nature solely to those planned within the context of their target-setting process. Expanding stewardship efforts beyond these initial plans can further enhance their positive effect on nature.

8.2 Engagement with other stakeholders

Policymakers, governments and regulators

Corporates are not the only stakeholders an investor can engage with to drive systemic change. Policymakers, governments, and regulators also play crucial roles by implementing ambitious regulations to limit negative impacts on nature, improve disclosure, incentivize transparency, and transition toward more sustainable practices. The next version of this guidance will further develop the role of policy engagement and advocacy in establishing a supportive policy environment.

Data providers

For investors seeking to integrate nature into their portfolio monitoring and strategy implementation, high-quality data is essential. Despite regulations on disclosure, the availability of robust data at the company level depends on data providers developing the right indicators and datasets. Engaging with these providers to identify and fill data gaps is a powerful lever that can help investors access better data over time.

A practical example of this engagement process can be seen in the recent initiative by a coalition of global investors. These investors have actively called on data providers to enhance their coverage of ocean biodiversity. This initiative addresses data gaps in sectors such as aquaculture, offshore oil and gas, and marine renewable energy, which hinder accurate risk assessment and decision-making.
The investors outlined key data needs, including:

- Detailed supply chain information
- Performance indicators for maritime regulation compliance
- Local context data
- Precise asset locations
- Ownership details
- Sector estimates

They emphasised that data should be user-friendly, flexible, compatible with existing frameworks, and broadly applicable.

Improved data coverage is crucial for enabling investors to make informed decisions, manage risks, and support the Global Biodiversity Framework's goals. Engaging with data providers may allow investors to express their needs and thus to access better quality data to feed their strategies and ambitions.

Clients

Engaging with clients to embed biodiversity and nature considerations in their investment strategy specifications and raising awareness about the importance of these environmental factors, is a powerful lever. This engagement can enable investors to expand the scope of their actions, ensuring that their investments contribute to the preservation and enhancement of natural ecosystems.

9. Target-setting process

Monitoring and managing sector-relevant KPIs at the portfolio level complements stewardship actions; each informs and supports the other. The following section explores the different ways these two components are implemented in the Monitoring and Portfolio Targets.

9.1 Monitoring targets

The Monitoring Target is an optional, preparatory phase whereby investors deploy the resources to be able to:

1. **Monitor KPIs at a portfolio level** using the sectoral approach described in section 6 and the KPI selection described in section 7
2. Prepare their stewardship strategy through a set of **Stewardship actions** designed to address each of the key impact drivers being monitored across the relevant KPIs.

9.1.1 KPI monitoring & stewardship actions

Below is a 5-step process to set a Monitoring Target:

1. **Identify the scope** of assets for which you want to implement KPI monitoring, for example: all the open funds, ESG funds, impact funds; and disclose the portion of the total AUM this scope represents to include it in the reporting

2. Conduct the **sectoral exposure assessment** and identify the impact drivers you want to assess. *As mentioned in section 6 of this guidance, good practice is to address three impact drivers across the ten priority sectors identified in the "Sectoral Approach" chapter.*

3. After a thorough study of available data points, **select the KPIs to monitor for each impact driver** and apply them to the relevant sectors. Identify the reference value and initial coverage of these KPIs.

4. For each of these impact drivers, and to complement your existing stewardship activities, structure the **Stewardship Actions** to address relevant pressures on nature. Including a clear definition of what consists of the action undertaken.

5. **Publicly disclose** the following elements:
   - The **starting date** and **target date** of the target
   - The **portion of the portfolio covered by the targets** and the rationale for that choice.
   - **The impact drivers selected** and the **relevant sectors** for which actions on these impact drivers will be undertaken.
   - The **list of KPIs** selected for each impact driver including the following elements:
     1. The **KPIs descriptions** and the data sources
     2. The **coverage of the KPI at the initial date**: The % of the monitored scope; in number of companies; for which there is data available. (The monitored scope is composed of the companies from the sectors to which the KPI applies). The coverage is an indicator of the representativeness of the KPI.
     3. **The baseline date**: the date at which the reference value of each KPI is measured.
     4. **The reference value**: the starting point of each KPI at the baseline date.
   - **The associated stewardship actions** to complement KPI monitoring, addressing key impact drivers across priority sectors.

For examples, please refer to Figure 4 and Appendix 5

9.2 Portfolio and Stewardship Targets

Portfolio targets enable asset managers and asset owners to act to address key impact drivers and contribute to the achievement of the overarching goals, targets and mission of the Global Biodiversity Framework of halting and reversing biodiversity loss by 2030.

Asset Managers and Asset Owners may adopt a two-pronged approach:

1. Setting **Portfolio Sub-Targets**, by determining target thresholds for the KPIs being monitored across high impact sectors.

And, to support the achievement of these targeted thresholds:

2. Setting **Stewardship Sub-Targets** that are **actions that the investor intends to undertake** to support the transition of investee companies towards the achievement of the portfolio sub-targets.

The portfolio and stewardship sub-targets are complementary and indissociable as the latter is the lever through which the investor will influence companies to reduce their pressures on nature thereby achieving the required reduction to meet KPI thresholds.

9.2.1 Portfolio & Stewardship Sub-Targets

Building on the same first steps as setting a Monitoring Target (see also Section 9.1), investors

1. **Identify the scope** of assets for which you want to implement portfolio targets, for example, all open funds, ESG funds, impact funds; and disclose the portion of the total AUM this represents in reporting

2. Conduct the **sectoral exposure assessment** and identify the impact drivers you want to address *As mentioned in the section 6 of this guidance, the good practice is to address 3 impact drivers and cover in priority the 10 sectors identified in the "Sectoral Approach" chapter*.

3. **Portfolio Sub-Targets**: After a thorough study of your available datapoints, **select the KPIs to monitor for each impact driver** and apply them to the relevant sectors. Identify the reference value and initial coverage of these KPIs. Set a **target value** and a **target date** for each of the KPIs – *Ideally based either on an ambitious regulation (in place or upcoming); a scientific or a market consensus.*

4. For each of these impact drivers, and in accordance with your existing stewardship activities, structure the **Stewardship sub-targets** to address relevant pressures on nature.

5. **Publicly disclose** the following elements:
   - The **starting date** and **target date** of the target
   - The **portion of the portfolio covered by the targets** and the rationale for that choice.
   - **The impact drivers selected** and the **relevant sectors** for which actions on these impact drivers will be undertaken.
   - For the **Portfolio Sub-Targets**: the list of KPIs selected **for each impact driver** including:
     1. The **KPIs descriptions** and the data sources
     2. The **coverage of the KPIs at the initial date**: The % of the monitored scope; in number of companies; for which there is data available. (The monitored scope is composed of the companies from the sectors to which the KPI applies). The coverage is an indicator of the representativeness of the KPI.
     3. **The baseline date**: the date at which the reference value of each KPI is measured
     4. **The reference values**: the starting point of each KPI at the baseline date, against which the target is compared
     5. **The target date**: the date by which the target is expected to be achieved i.e. the target value reached
     6. **The target values**: the value that is aimed to be achieved for each KPI by the target date

   - **For the Stewardship Sub-Targets**: the actions to be undertaken to address each of the impact drivers and sectors targeted and for each of them:
     1. The **type of action**: bilateral engagement, collaborative engagement, resolutions filing or supporting etc.
     2. The **specific topic** that is addressed and/or the expected outcome of the stewardship actions.
     3. The **number of companies targeted** by these actions.
     4. A link to the established **stewardship strategy**.
     5. **The target date or frequency** by which the Stewardship Sub-Targets should be achieved.

For examples, please refer to Figure 4 and Appendix 6.

10. Communicate and report on the targets set

Financial institutions that are signatories of the FfB Pledge are expected to disclose their targets by the end of 2024 and start reporting progress against them in 2025.

An annual update on progress towards achieving the targets is expected to be shown in public documentation, for example, annual reports and associated disclosures, such as sustainability reports.

This process could be done as follows:

1. Develop a Comprehensive Disclosure Strategy

Creating a detailed plan for disclosing environmental targets is essential for maintaining transparency and accountability. Financial institutions should determine the channels and formats for disclosure, such as annual reports, sustainability reports, or corporate websites.

It is important to outline the frequency of updates, whether quarterly, annually, or at other intervals, and to specify the content of the targets (KPIs; actions to be achieved...) to track progress.

This structured approach ensures that all stakeholders, including investors, customers, and regulators, have consistent access to current and relevant information about the institution's environmental performance.

Key Components:

- **Channels and Formats**: Annual reports, sustainability reports, corporate websites
- **Frequency of Updates**: Define update intervals (e.g., quarterly, annually)
- **Content of the target**: Specify the typology of target and the underlying components that will be used to report on its achievement (KPIs, actions...)

2. Provide Context and Narrative

Offering detailed explanations and context for nature targets and progress is crucial for stakeholder understanding. Financial institutions should describe the scope of the targets set, the data sources employed, the methodologies used for calculations, and any assumptions or limitations that could potentially influence the results displayed. Additionally, it is important to explain the challenges faced and the strategies implemented to overcome them. A comprehensive narrative helps stakeholders understand the broader context and significance of the targets.

Context and Narrative Elements:

- **Scope of the targets**: Which portion of the global portfolio the targets will be set on and why
- **Data and Methodologies**: Metrics, calculation methods, assumptions or limitations
- **Challenges and Actions**: Challenges faced and strategies implemented
- **Evolution of the targets**: Supporting commentary, to provide direction on the expected evolution of the targets.

3. Detailed Reporting for Targets and KPIs

Providing structured and detailed reports on targets, actions to undertake and key performance indicators (KPIs) is essential for effective communication and transparency. For initiation, monitoring, and portfolio targets, reports should include the date of target setting, the initial level of the target, the target date, details of the target, the date of the update, and the updated value of the target.

For Initiation, Monitoring, and Portfolio Targets:

- Description of the Target
  Example of an Initiation target: We commit to assess our risks, impacts, dependencies and opportunities on nature on all our funds
- Date of Target Setting
  Example: 01/01/2024
- Reference Level of the Target
  Example: Only impact funds covered, representing 20% of the global AUM
- Target Date
  Example: 31/12/2025
- Date of the Update
  Example: 01/01/2025
- Updated Value of the Target
  Example: 80% of the funds, except for the mandates

For the Monitoring and Portfolio targets, including a table highlighting the impact drivers addressed by each monitored KPI and the sectors addressed is considered good practice.

Additionally, reports should list the underlying KPIs and their data sources, the baseline date of KPI monitoring, the reference value of the KPIs, the current date and value of the KPIs, and any stewardship actions or targets accomplished within the period.

Providing a history of the evolution of the targets and KPIs demonstrates the institution's progress and commitment to environmental goals. It is also important to disclose any methodological changes in KPI measurement or progress tracking to maintain transparency.

See tables 6 and 7 for examples of reporting tables on monitoring targets

Impact Driver	Sectors Covered	AUM covered (% of the total AUM)	KPI ID	KPIs	Data source	Stewardship actions
Area of land use	Agriculture Automobile Paper and products	XX%	ZDC	% of companies with zero deforestation and conversion policies	Provider X	
Volume of water use	Beverages Mining Oil and Gas Utilities Consumer staples	XX%	WSA SBTN	% of companies with water management policies for water stressed areas % of companies with a SBTn target on Freshwater	Provider X	
Generation and release of solid waste	Chemicals Pharmaceuticals Oil and Gas Mining	XX%	CDPW	% companies disclosing their plastic use in the CDP Water questionnaire	Provider X	
Emissions of toxic pollutants to water and soil	Chemicals Pharmaceuticals Oil and Gas Mining	XX%	TXC	% companies reducing their emissions of toxic substances on a 3Y average	Provider X	

Table 6: Examples of initial reporting for a monitoring target

KPI	AUM covered (% of the total AUM)	Baseline date	Reference value	Initial coverage	Current date	Current value	Current coverage	Evolution since baseline date	List of the stewardship actions undertaken in the past 12 months
ZDC	%	XX/XX/202X	%	%	XX/XX/202X	%	%	+/- %	
WSA	%	XX/XX/202X	%	%	XX/XX/202X	%	%	+/- %	
SBTN	%	XX/XX/202X	%	%	XX/XX/202X	%	%	+/- %	
CDPW	%	XX/XX/202X	%	%	XX/XX/202X	%	%	+/- %	
TXC	%	XX/XX/202X	%	%	XX/XX/202X	%	%	+/- %	

Table 7: Example of an annual reporting structure for the KPIs of a monitoring target

11. Looking ahead

Given the environmental challenges our world faces, setting ambitious and achievable targets for nature is urgent, as the time between now and 2030 is limited.

We can't wait for perfect data or the development of science-based pathways on nature to set targets. We need to start and act now. Therefore, we need to marry pragmatism and ambition.

Looking ahead, we would like to address the following essential elements: the importance of location, the importance of collaboration, a holistic and inclusive approach for the drivers of biodiversity loss and all economic sectors, measuring success, and monitoring and reporting on the targets.

The importance of location

This guidance is developed around a sectoral approach to setting meaningful actions and targets for investors. The real-world outcomes of this approach will be reinforced by incorporating **spatial and landscape level** data for measuring biodiversity impacts and dependencies. We encourage investors, where possible, to include such data in their sectoral and engagement targets, for instance, by focusing on protected areas, key biodiversity areas and protected species (e.g., red list of IUCN). As part of the corporate engagement process of financial institutions, we encourage investors to use location and landscape-driven data to engage with companies towards identifying the highest-risk locations and, thus, meet appropriate mitigation criteria for risk management. In some sectors and regions, such data will be more readily available than in others. We encourage investors to disclose their usage of locational data, so that future iterations of this guidance document can incorporate the lessons learned.

The importance of collaboration

A collective, global effort is needed to tackle the decline of nature. Collaboration can harness diverse perspectives, knowledge, and resources, driving innovation and inclusivity in our approach. We have worked closely with partners and asked multiple organisations to review this document. And, of course, we will continue to do so. We invite asset owners, asset managers, and other financial institutions to use the guidance, help improve it, and integrate their actions towards a net zero and nature-positive economy.

A holistic and inclusive approach

Target-setting on nature should encompass a holistic perspective, acknowledging the importance of addressing all the drivers of biodiversity loss and all-important economic sectors that are systematically important and impact nature. The direct drivers of biodiversity and ecosystem change are land and ocean-use change, climate change, pollution, natural resource use and exploitation, and invasive species.

In our sectoral approach, we choose to start with two to three key direct drivers of biodiversity loss in ten high-impact sectors so that financial institutions can start quickly. In the coming years, we aim to cover more direct drivers of biodiversity loss and sectors. We want to develop ideas to include indigenous peoples' and local communities' needs and perspectives.

Measuring success and adaptability

The success of nature targets hinges on their measurability and adaptability. Given the current challenges of data availability in setting and measuring target progress; it is crucial to rely on the best available data at any given moment.

Living in harmony with nature in 2050

Setting ambitious targets for the future of nature is not merely a choice but an imperative. The transformative and visionary targets we set today can determine if global goals and targets, as mentioned in the GBF, can be met. By uniting our efforts, adopting innovative approaches, and redefining success, we can **envision not to limiting the future irritations of this framework of halting and reversing biodiversity loss in 2030**, but in the end also to achieve the vision of the GBF: living in harmony with nature in 2050.

Additional content

In a later version of the framework, we will expand the scope of the asset classes covered by addressing the sovereign bonds and the specificities related to setting targets on that section of investors' portfolios. Also, in order to align with the mission of the Global Biodiversity Framework to halting and reversing biodiversity loss by 2030, we would like to create a guidance on how to set Positive Impact targets.

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April 2022, Finance for Biodiversity Foundation (FfB)

Definitions, Acronyms and Abbreviations

Definitions

Nature: The natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.
(Adapted from Díaz, S et al (2015) The IPBES Conceptual Framework – Connecting Nature and People).

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.
(Convention on Biological Diversity, Article 2, 1992).

Framework: The conceptual structure supports asset managers and owners in setting targets for nature.

Drivers of nature change: In this guidance we refer to the five drivers of biodiversity loss identified by IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services) as 'drivers of nature change' consistent with the TNFD recommendations.
Our focus in this version is solely on the negative drivers, acknowledging that TNFD framework encompasses both negative and positive impacts.

Acronyms and abbreviations

FfB: Finance for Biodiversity Foundation

FfB members: Signatories of the FfB Pledge that are members of the FfB Foundation and committed to sharing knowledge and best practices and collaborating on biodiversity via the FfB working groups

FfB Pledge: Financial institutions that have signed the Finance for Biodiversity Pledge and are committed to sharing knowledge and best practices, engaging with companies, assessing impact, setting targets, and disclosing publicly before 2025

BfN: Business for Nature

GBF: Kunming-Montreal Global Biodiversity Framework

GFANZ: Glasgow Financial Alliance for Net Zero

IPBES: Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

NZIF: Net Zero Investment Framework

NZAOA: UN-convened Net Zero Asset Owner Alliance

SBTi: Science-Based Targets initiative (SBTs for GHG emission reductions)

SBTN: Science-Based Targets Network (SBTs for nature)

TNFD: Task Force on Nature-related Financial Disclosures

UNEP FI: United Nations Environment Programme Finance Initiative

UN PRI: United Nations Principles of Responsible Investing

WBCSD: World Business Council for Sustainable Development

WEF: World Economic Forum

UNEP-WCMC: United Nations Environmental Programme World Conservation Monitoring Centre

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Appendix 1:

*Impact drivers by industry for the **secondary sectors** covering their direct activities according to the 2024 version of ENCORE*

Drivers of nature change	Impact drivers	Construction Materials	Gas Utilities	Health Care Providers & Services	Independent Power And Renewable Electricity Producers	Passenger Airlines	Personal Products Management & Development	Real Estate Management & Development	Semiconductors & Semiconductor Equipment	Textiles, Apparel & Luxury Goods	Water Utilities
Land, Freshwater, and Sea Use Change	Area of Land Use	2	3	2	3	3	2	2	2	2	2
	Area of Freshwater Use	4	3	ND	2	2	3	ND	ND	ND	3
	Area of Seabed Use	4	ND	ND	3	2	ND	ND	ND	ND	2
Overexploitation of Resources	Volume of Water Use	3	2	2	2	3	3	2	2	3	2
	Other Biotic Resource Extraction (e.g. fish, timber)	0	ND	ND	ND	ND	1	ND	ND	ND	ND
	Other Abiotic Resource Extraction	5	ND	ND	ND	ND	3	ND	ND	ND	ND
Climate Change	GHG Emissions	4	4	1	1	4	1	1	1	2	4
Pollution	Emissions of non-GHG Air Pollutants	4	3	2	2	3	1	1	2	3	3
	Emissions of Toxic Soil and Water Pollutants	3	5	2	2	2	3	2	4	3	3
	Emissions of Nutrient Soil and Water Pollutants	2	ND	0	ND	ND	3	ND	ND	3	5
	Generation and Release of Solid Waste	3	2	3	2	1	2	1	2	3	3
	Disturbances (e.g noise, light)	3	3	2	3	5	3	2	3	3	4
Invasive Species	Introduction of Invasive Species	1	ND	2	ND	5	3	ND	ND	ND	5

5	Highest level of negative impact on nature
4	High to very high negative impact on nature
3	Moderate to high negative impact on nature
2	Low to moderate negative impact on nature
1	Very low to low negative impact on nature
0	No to very low negative impact on nature
ND	No data to assess the level of materiality

Appendix 2:

Definitions of the drivers of nature change and the underlying impact drivers

Drivers of nature change	Impact drivers	Definition
Land/ freshwater/ Sea use change	Area of seabed use	Seabed area is used for the activity. Examples of metrics include area of aquaculture by type, area of seabed mining by type, etc. Impacts include hydrological changes, freshwater geomorphology and fluvial processes.
	Area of land use	Activity uses land area. Example metrics include area of agriculture by type, area of forest plantation by type, area of open cast mine by type, etc.
	Area of freshwater use	Freshwater area is used for the activity. Examples of metrics include area of wetland, ponds, lakes, streams, rivers or peatland necessary to provide ecosystem services such as water purification, fish spawning, areas of infrastructure necessary to use rivers and lakes such as bridges, dams, and flood barriers, etc. Impacts include hydrological changes, freshwater geomorphology and fluvial processes.
Resource exploitation	Other biotic resource extraction (e.g. fish, timber)	Activity extracts biotic resources including fish and timber. Examples of metrics include volume of wild-caught fish by species, number of wild-caught mammals by species, volume of timber by species, etc.
	Other abiotic resource extraction	Activity extracts abiotic resources. Examples include volume of mineral extracted.
	Volume of water use	Water is used for the activity. Example metrics include volume of groundwater consumed, volume of surface water consumed, etc.
Climate change	Emissions of GHG	Activity emits GHG. Examples include volume of carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), Sulphur hexafluoride (SF6), Hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs), etc.
Pollution	Disturbances (e.g noise, light)	Activity produces noise or light pollution that has potential to harm organisms. Examples of metrics include decibels and duration of noise, lumens and duration of light, at site of impact.
	Emissions of non-GHG air pollutants	Activity emits non GHG air pollutants. Examples include volume of fine particulate matter (PM2.5) and coarse particulate matter (PM10), Volatile Organic Compounds (VOCs), mono-nitrogen oxides (NO and NO2, commonly referred to as NOx), Sulphur dioxide (SO2), Carbon monoxide (CO), etc.
	Generation and release of solid waste	Activity generates and releases solid waste. Example metrics include volume of waste by classification (i.e., nonhazardous, hazardous, and radioactive), by specific material constituents (e.g., lead, plastic), or by disposal method (e.g., landfill, incineration, recycling, specialist processing).
	Emissions of toxic pollutants to water and soil	Activity emits toxic pollutants that can directly harm organisms and the environment. Examples include volume discharged to receiving water body of toxic substances (e.g., heavy metals and chemicals).
	Emissions of nutrient pollutants to water and soil	Activity emits nutrient pollutants that can lead to eutrophication. Example metrics include volume discharged to receiving water body of nutrients (e.g., nitrates and phosphates).
Invasive species	Introduction of invasive species	Activity directly introduces non-native invasive species into areas of operation.

Appendix 3:

Examples of activities to define Phase-out KPIs

Food and Agriculture; Paper and Forest Products

- Companies involved in deforestation or conversion of natural habitats

Source: UN Sustainable Development Goals Report, 2023

Oil and Gas

- Companies developing new projects or expanding existing projects for conventional oil and gas (upstream and midstream)
- Companies deriving revenue from upstream and midstream unconventional oil and gas production.

Source: "The geographical distribution of fossil fuels unused when limiting global warming to 2 °C", McGlade & Ekins, 2015

- Companies developing new projects in Key Biodiversity Areas, Protected Areas (IUCN I to IV and Ramsar Sites) and World Heritage Sites

Source: "Present and emerging biodiversity risk from oil and gas exploitation", Harfoot, Tittensor, et al., 2018

Chemicals

- Companies deriving revenue from the production or retail of pesticides

Source: "New scenarios for a shift towards agroecology in viticulture", Aouadi et al., 2021; "Consistent effects of pesticides on community structure and ecosystem function in freshwater systems" , Rumschlag et al., 2020; "Pesticides and tropical biodiversity", Wanger et al., 2010

- Companies involved in controversies around PFAS production

Source: "Research priorities for the environmental risk assessment of per- and polyfluorinated substances", Gkika, 2023

Mining

- Companies involved in deep sea mining

Source: "Challenging the Need for Deep Seabed Mining From the Perspective of Metal Demand, Biodiversity, Ecosystems Services, and Benefit Sharing", Miller et al., 2021

- Companies deriving revenue from coal mining

Source: "Achieving a swift reduction in global coal emissions is the central challenge for reaching international climate targets", IEA, 2022

4. Companies developing new projects in Key Biodiversity Areas, Protected Areas (IUCN I to IV and Ramsar Sites) and World Heritage Sites

Source: "Mining, Biodiversity and Protected Areas, Technical Brief", IUCN, 2023

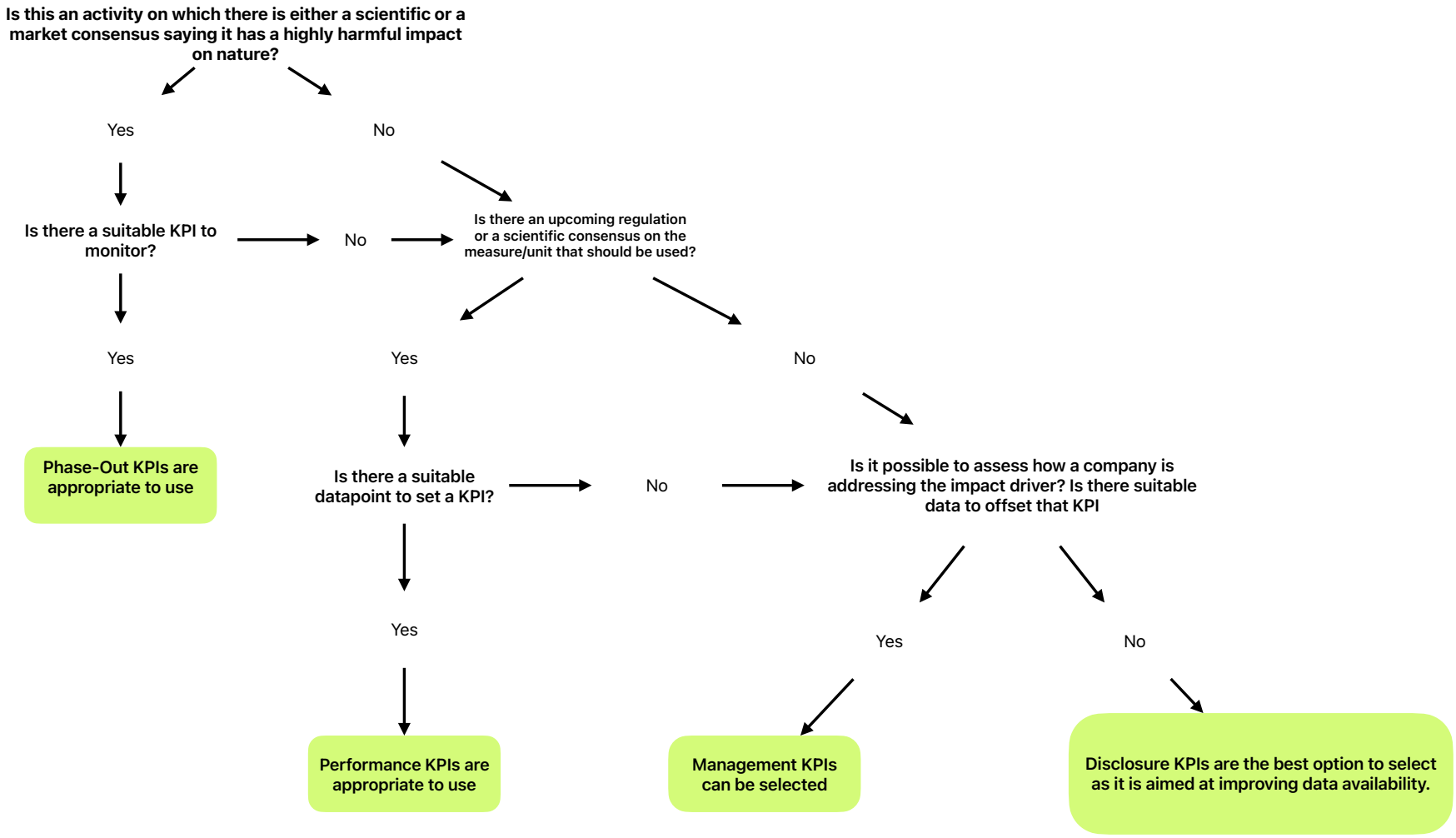
Electric Utilities

- Companies deriving revenue from power generation from coal.

Source: "Hotspots of Mining-Related Biodiversity Loss in Global Supply Chains and the Potential for Reduction through Renewable Electricity", Cabernard and Pfister, 2022

Appendix 4:

Identifying the right type of KPI to use to address the key impact drivers



Appendix 5:

Fictional example of Monitoring Target

EarthWise is a fictive asset manager setting a Monitoring Target.

1. EarthWise has defined that they wanted to take action on all their open funds, representing 15 billion € AUM
2. EarthWise has conducted an assessment of its open funds composition and identified that the following sectors are the most impactful on nature: Mining, Food Products, Energy, Beverages, Electric Utilities, Automobiles
3. By using the FfB Drivers of Loss matrix, EarthWise has been able to prioritise 2 drivers of loss that are common to these sectors: Land Use and Water Use.
4. After reviewing the data they can access to, and computing levels of coverage, EarthWise has picked 5 KPIs that they will monitor:

Land Use:

- % of companies for the sectors Mining, Food products, Automobiles who have a Deforestation and Conversion Free Policy
- % of companies for the sectors Mining, Food Products, Energy, Electric Utilities, Automobiles that have set a SBT target on Land Use
- % of companies for the sectors Mining, Food Products and Energy with activities in World Heritage Sites

Water Use:

- % of companies in the Mining, Food Products, Energy, Beverages, Electric Utilities sectors that disclose site-level information on their water use for their direct activities
- % of companies in the Mining, Food Products, Energy, Beverages, Electric Utilities sectors that have implemented a policy on water management for water stressed areas

5. To reflect the evolution of these KPIs in their investment activities, EarthWise will implement the following list of stewardship actions within the following 12 months:

1. Engagement with companies from the Mining sector on their deforestation practices and their presence in KBAs or World Heritage Sites; public disclosure of a set of investor's expectations and an escalation strategy
2. Engagement with Food products and Beverages companies on their water management and data disclosure; implementation of a set of investor's expectations and escalation strategy
3. Creation of a voting policy on nature-related resolutions with voting guidelines for proxy voting services
4. Publication of a statement on deforestation and conversion for the Automobile sector's supply chain

Appendix 6:

Fictional example of a Portfolio Target

NatInvest AM is a fictive Asset Manager that is setting a Portfolio Target.

1. NatInvest has defined that they wanted to take action on their ESG and impact funds, representing €10 billion AUM.

2. NatInvest Asset Management has conducted an assessment of its ESG and impact funds composition and identified that the following sectors are the most impactful on nature: Food Products, Paper and Forest Products, Textiles, Chemicals, and Pharmaceuticals.

3. By using the FfB Drivers of Loss matrix, NatInvest AM has been able to prioritize 2 drivers of loss that are common to these sectors: Emissions of Toxic Soil and Water Pollutants and Areas of Land Use.

4. After reviewing the data they can access to, and computing levels of coverage, NatInvest has picked 4 KPIs and set **Portfolio Sub-Targets** for each:

Portfolio Sub-Targets

Emissions of Toxic Soil and Water Pollutants:

6. % of companies in Food Products, Textiles, Chemicals, and Pharmaceuticals sectors that have implemented a comprehensive chemical management policy on Highly Hazardous Chemicals.
   - Data Source: Provider X, Indicator Y
   - Baseline Date: 01/06/2024
   - Reference Value: 15%
   - Initial Coverage: 75%
   - Target Date: 01/06/2030
   - Target Value: 70%

7. % of companies in the Food Products and Chemicals sectors that have committed to reducing their use of harmful pesticides by 50%.
   - Data Source: Provider X, Indicator Y
   - Baseline Date: 01/06/2024
   - Reference Value: 10%
   - Initial Coverage: 72%
   - Target Date: 01/06/2030
   - Target Value: 100%

Areas of Land Use:

8. % of companies in Paper and Forest Products and Food Products sectors that disclose to CDP Forests.
   - Data source: CDP, Indicator Y
   - Baseline Date: 01/01/2024
   - Reference Value: 60%
   - Initial coverage: 100%
   - Target Date: 01/06/2030
   - Target Value: 100%

9. % of companies in the Food Products, Paper and Forest Products, and Textiles sectors that have set a SBT targets on Land use.
   - Data source: Provider X, Indicator Y
   - Baseline Date: 01/01/2024
   - Reference Value: 0%
   - Initial coverage: 100%
   - Target Date: 01/06/2030
   - Target Value: 50%

5. To support the achievement of these targets, NatInvest has set the following **Stewardship Sub-Targets**:

- Join the collaborative "Investor Initiative on Hazardous Chemicals (IIHC)" from ChemSec and engage annually with 5 companies from the Chemicals sector through it.
- Join the collaborative engagement on Pesticides from ShareAction and engage annually with 5 companies from the Food Products sector through it
- Be part of the CDP Non-Disclosure Campaign every year and engage with at least 5 companies on the Forest Questionnaire annually.
- Engage bilaterally 5 companies from the Textiles sector on their impact on nature with a focus on encouraging companies to set SBTN validated targets on Land Use and enhancing their policies on chemicals management

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Invitation to join

This guide is one of the first steps in our journey towards completing a helpful and ambitious Nature Target Setting Framework. We encourage all asset owners and asset managers worldwide, regardless of whether you are a Finance for Biodiversity Pledge signatory, to start setting and disclosing targets concerning nature.

Get in touch

Responses and ideas? Please reach out to Finance for Biodiversity Foundation via info@financeforbiodiversity.org

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