

**Principles for
Responsible Banking:
Guidance for banks**

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Principles for
Responsible Banking

**PRB Nature
Target Setting**



Disclaimer

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Contents

Scope of financial activities covered in the Guidance	v
Executive summary	vi
1. Nature for banks	1
2. The Kunming-Montreal Global Biodiversity Framework.....	4
3. PRB Target-Setting Framework on Nature	7
3.1 Theory of change for banks on nature	7
3.2 PRB target setting in the context of the GBF	9
3.3 PRB Progressive approach to target setting	9
4. Foundations for target setting	11
4.1 Assessing nature-related impacts and dependencies, risks and opportunities (GBF target 15)	11
4.2 Mapping exposure to priority sectors	18
5. Step-by-step target-setting process	19
5.1 Alignment with GBF, NBSAPs/regional frameworks and policies	19
5.2 Integrating nature within practices and processes.....	22
6. Hypothetical targets.....	41
7. Reporting and disclosure	44
Reporting on nature-related impacts and dependencies, risks and opportunities.....	44
Key metrics for reporting and disclosure on nature-related impacts and dependencies, risks and opportunities.....	45
References	47
Annex.....	50

Supplements

1. [A Nature Key Sector List & Action Guidance](#)
2. [Nature Case Studies](#)



Scope of financial activities covered in the Guidance

All 1) Lending activities, 2) On- or off-balance sheet investing activities, and 3) Capital markets activities. Where entities within a bank or the group structure carry out other types of business such as insurance, pensions funds, or asset management, it may be appropriate for those entities to also consider alternative frameworks such as the one being developed for asset managers and asset owners by the Finance for Biodiversity Foundation.

Executive summary

This guidance assists banks to take action—through portfolio-wide targets and other efforts—in support of the policy goals established by Kunming-Montreal Global Biodiversity Framework (GBF). The GBF, signed by more than 190 countries, calls for a global commitment by governments and all actors of society to take urgent and meaningful action to halt and reverse biodiversity loss by 2030, foster a sustainable and equitable use of nature, and achieve a vision of living in harmony with nature by 2050. Akin to the Paris Climate Agreement, the GBF calls upon all actors, including financial institutions, to align their business strategies and financial flows with this 2030 mission and 2050 vision. This includes the ambition to shift global financial flows from nature-negative towards nature-positive outcomes.¹

As major financiers of economic activity, banks must be at the forefront of shifting financial flows to incentivise nature gain, rather than nature loss. Banks have a key role to play in achieving the 23 targets underpinning the goals specified within the GBF, in part due to their activities in high impact sectors, their high levels of financing in emerging markets, and their power to direct financial flows towards nature-positive activities. Over half of the global economic value generation, circa USD 58 trillion is moderately or highly dependent on nature (PwC, 2023)—leading the central banks and financial supervisors of many countries across the world to recognise that the degradation of nature, and actions aimed at preserving and restoring it, can have material macroeconomic, macroprudential, and microprudential consequences (NGFS, 2023)

Recognising the importance of the topic for banks, this guidance was co-developed with 34 signatories to the Principles for Responsible Banking (PRB) from across the globe. The PRB currently represents almost half of the world’s banking assets and are a community of banks who recognise the importance of assessing and managing nature-related risks, impacts and opportunities to support the sustainability and resilience of their business. PRB Signatories include a wide range of banking types (universal, retail, investment, credit unions, wealth management, development banks, etc)—and within each a range of banking activities within different sectors and geographies economic and political contexts. Setting targets on nature is complex, while at the same time action on nature is urgent.

¹ The term “nature positive” is not defined in the Global Biodiversity Framework. This term is therefore used in this guidance broadly to refer to actions that reduce nature-related risks and negative impacts, and foster positive impacts on nature. A “[Nature Positive Initiative](#)” was launched in September 2023 with the support of leading non-governmental organisations and business initiatives, to build alignment on the concept and promote the integrity and implementation of a Global Goal for Nature. The initiative supports the implementation of the GBF by aiming to drive alignment around the definition, integrity and use of the term ‘nature positive’ and supporting broader, longer-term efforts to deliver nature-positive outcomes.

This guidance outlines the key steps to setting practice targets for nature. To start with, banks need to assess their exposure to nature-related impacts and dependencies, risks and opportunities, for which the paper outlines the tools and approaches available for banks. This includes reference to other frameworks and guidance, as well as a step-by-step approach, in line with the Taskforce on Nature-related Financial Disclosure's (TNFD's) disclosure recommendations and LEAP approach. Guidance is then provided to map exposure to high-impact economic sectors—'priority sectors'. Following on from this, detailed guidance is provided so that members banks can:

- a. Understand the context, and align with the GBF and other regional frameworks and policies, such as the implementation plans of their countries' National Biodiversity Strategy and Action Plans (NBSAPs).
- b. Integrate nature within their practices and processes, including:
 - i. Mainstreaming nature within the organisation via policies, processes, capacity building, culture and governance
 - ii. Engaging with clients to help them also embed a consideration of nature within their business
 - iii. Mobilising financial resources to direct more finance to nature
 - iv. Engaging in advocacy work and developing partnerships that encourage a wider transition to nature-positive activities.

Within each action from I to IV, recommended actions and sample targets are provided, including headline targets where relevant. At the end of this section, hypothetical targets and case studies are provided to serve as inspiration for banks as they develop their own targets.

This paper guides banks to set nature targets by following the progressive approach to target-setting developed by the PRB. Nature is an emerging impact area in terms of available tools and methodologies. The lack of robust science-based sectoral pathways on nature, the limited availability of data at the issuer-level, and the lack of a universal metric to measure nature, amongst other challenges, require banks to adopt a phased and pragmatic approach to setting targets on nature. This guidance is therefore non-prescriptive and has adopted a flexible approach to target setting, prioritising countries' own targets and metrics as far as possible. It takes stock of the fact that certain banks have already made significant progress on the management of climate- and, for some, nature-related risks and impacts. It also recognises that other banks in developed and emerging markets are still at the start of this journey, and countries are all currently updating their National Biodiversity Strategy and Actions Plans (NBSAPs) following the endorsement of the GBF. The guidance provides a set of model targets designed to be fine-tuned and improved over time as more banks gain experience with this topic. The size and complexity of integrating nature into banking requires urgent and progressive action from banks. This should never justify the watering down of ambition. Rather, action needs to be effectively tailored across the range of circumstances encountered by banks around the world. For example, in lower-income countries banks allocate on average 55% of the loans to firms subject to potential financial losses due to deterioration of ecosystem services (World Bank, 2023) in which case a risk-based approach may be most appropriate. Banks should be modest about their current positive contributions towards nature—the reality being that “green” investment

only represent a fraction of financed activity today, leaving a significant margin for ambition, innovation, and a tangible shift towards nature-positive banking.

The current guidance was developed with support from leading organisations and initiatives in the nature finance space, to ensure alignment between emerging frameworks and other financial actors, in particular investors. As practice evolves, UNEP FI and the PRB remain committed to work with partners across this domain and in other financial industries to support joined-up approaches that enable finance to shift as quickly as possible. The urgency and importance of the issue demands strong collaboration.

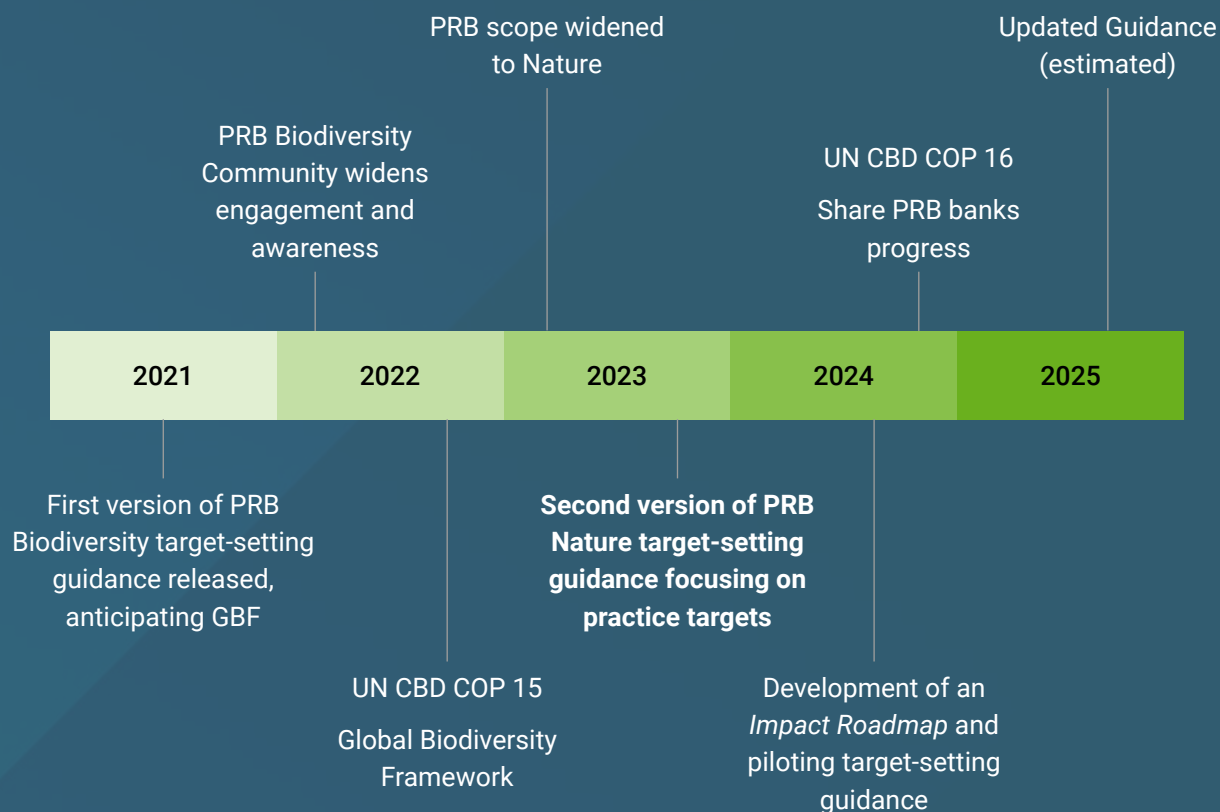
PRB work on nature

UNEP FI is committed to engaging the financial sector in the implementation of major UN sustainability agreements, which is the Kunming-Montreal Global Biodiversity Framework in the case of nature and biodiversity (equivalent to the Paris Climate Agreement on climate). This guidance is focused on portfolio-level target-setting for banks on nature broadly including freshwater, forests and oceans, and represents an expansion of scope from the previous [PRB guidance](#) that was limited to biodiversity. The concept of portfolio alignment for banks refers to the degree of alignment of the bank's financing activities, across all product and transaction types. Broadly, the concept of aligning finance for nature refers to the extent to which private and public financial flows are consistent, or inconsistent, with achieving the impact-related goals and targets of the GBF. The concept of aligning finance and impact has become increasingly popular via the call in the article 2.1c of Paris Agreement, which has resulted in more than 550 FIs headquartered in more than 50 countries making commitments to align their financial portfolios with a 1.5°C target.² Portfolio alignment tools are used to generate metrics to determine the overall level of alignment of a portfolio, by assessing the performance of its individual holdings. Building on experience and learnings in climate and finance, the approach of aligning portfolios with the GBF goals and targets is reflected particularly strongly in GBF Goal D:

“Adequate means of implementation, including financial resources, capacity-building, technical and scientific cooperation, and access to and transfer of technology to fully implement the Kunming-Montreal global biodiversity framework are secured and equitably accessible to all Parties, especially developing countries, in particular the least developed countries and small island developing states, as well as countries with economies in transition, progressively closing the biodiversity finance gap of the USD 700 billion per year, and aligning financial flows with the Kunming-Montreal Global Biodiversity Framework and the 2050 Vision for Biodiversity.”

2 [GFANZ. gfanzero.com/about/](https://gfanz.com/about/)

The UNEP FI Banking Board and the Secretariat of the PRB commit to supporting banks in implementing this guidance, and to a process of continuing improvement of the methods therein, working with partners and stakeholders to make a contribution to stay within safe and just Earth System Boundaries.³ The timeline below shows where the guidance fits within the rapid evolution of this space.



Member banks are encouraged to take action now, using the guidance in this paper to begin to set practice targets for nature in order to advance banking’s contribution to a nature-positive future.

Summary of recommended priority actions and headline targets for PRB signatories

The following summarises recommended actions and illustrative targets appropriate for banks. They have been developed for banks to design and set their own targets, commitments, strategies, and policies ensuring that they are representative of their own business and context. Although no suggested action or target is mandatory for PRB banks, it is expected that members, particularly larger banks that are more advanced, begin to take action and meet headline targets as part of their commitment to the Principles. The guidance will be further developed based on members’

³ Planetary boundaries are the safe operating space for humanity on Earth, where 6 of 9 boundaries are already transgressed (Richardson *et al.*, 2023). The Earth System Boundaries build on and expand our understanding of five of the nine Planetary Boundaries—freshwater, nutrient cycles, biodiversity, climate and air pollution—by also looking at where significant harm to humans occurs from Earth system change, and incorporating people’s needs for resources (Rockström *et al.* 2023).

implementation experience, ongoing developments in the sector, and feedback from the PRB Implementation Review process. An important point throughout is that banks should become familiar with and support the implementation of countries' National Biodiversity Strategy and Action Plans (NBSAPs) with the same regard as Nationally Determined Contributions (NDCs) and ideally also adaptation and resilience plans.

To assist banks in prioritising efforts, certain priority actions are identified in bold. These will help banks begin to take concerted action on nature across their business.

Potential headline targets are also identified in bold. These will help banks focus efforts on initial goals.

Portfolio analysis and disclosure (GBF Target 15)

- **Priority action:** Assess exposure of the bank's portfolio to nature-related impacts and dependencies, risks and opportunities, starting with identified priority sectors. Banks should determine a percentage of their respective portfolio to run the initial assessment for and complete the analysis within an achievable yet ambitious time-frame. The portfolio analysis for nature-related impacts and dependencies, risks and opportunities in identified priority sectors should help bring initial insights into potential "hotspots" in a bank's activities based on their sectoral and geographic exposures and areas for further deep dive analysis. This will then be important information to address in the target setting and risk management processes.
- **Priority action:** Analyse a meaningful percentage of clients in identified priority sectors for their nature-related impacts and dependencies, and thus resulting risks and opportunities for both the client/company and the bank. This should help bring clarity for: (i) individual counterparties or clients that may be operating in or near important biodiversity areas and critical habitats as well as their pressures/impact drivers, and (ii) stakeholders including Indigenous Peoples and Local Communities holding rights, inhabiting and/or depending on areas where counterparties or clients are operating. These entities will then be important to address in client engagement processes.
- **Priority action:** Progressively report in line with the TNFD recommendations, including on the TNFD core disclosure metrics. This includes all the core global risk and opportunity disclosure metrics provided in Annex 1 (table 7) of the TNFD recommendations. Banks are also encouraged, where feasible, to disclose the core global dependency and impact disclosure metrics for the financial institutions portfolios (for banks, lending portfolios, as and where possible, which are also provided in Annex 1 of the TNFD recommendations.⁴ In light of the current data limitations for financial institutions to report the TNFD core global metrics for their portfolios, the Taskforce proposes an adaptation of the TNFD disclosure metrics architecture

4 See the TNFD recommendations and disclosure metrics in detail at: <https://tnfd.global/recommendations-of-the-tnfd/> Organisations that pilot tested the TNFD draft guidance showed it was possible to assess dependencies and impacts of financed activities. Examples of what is possible are provided in Annex 2 of the TNFD guidance for financial institutions and the TNFD guidance on the LEAP approach.

for financial institutions. The financial institution specific impact and dependency metrics that are defined when data limitations apply, are as follows:⁵

1. Exposure to a defined set of sectors considered to have material nature-related dependencies and impacts (in absolute amount or percentage of lending volume)
 2. Exposure to companies with activities in sensitive locations (in absolute amount or percentage of lending volume)
- **Banks are** reminded that the highest-order source for impact KPIs and metrics are found in countries' NBSAPs.

Policies and processes (incl. due diligence) (All GBF Targets esp. 1 & 14)

- **Headline target:** Develop (or update, if already existing) and implement risk management and associated policies and due diligence systems for **all** identified sectors with a high impact on nature⁶ and for specific activities that are known to generate significant nature-related impact. Such policies can include bright lines where business (either at client or transaction level) will not occur or where further due diligence needs to be conducted following recognised guidelines.

Capacity building, culture and governance (GBF Targets 14 & 21)

- **Priority action:** Develop a nature strategy to explicitly incorporate nature within the bank's overall sustainability strategy.
- **Priority action:** Produce a public statement on the bank's approach to nature.
- **Additional target:** Train [XX]% of all staff on the causes and consequences of the global crisis of nature loss, how the financial sector contributes to nature loss through financed activities, and the types of action that may be taken to reduce risks and impacts and increase positive outcomes, in line with international policies and applicable regulations; additionally seek to further train [XX]% of front office, coverage, sustainability and risk staff in more detail on emerging frameworks, standards and regulations (e.g. TNFD, EU EFRAG, ISSB) as well as emerging nature related data, tools, metrics, and methodologies.
- **Additional target:** Hold [XX] times per year an Executive Management board or Board of Directors discussion on the business case, strategy, key actions, plans, progress and available approaches for proactively understanding and managing nature-related impacts and dependencies, risks and opportunities within the institution's scope of business.

5 See the TNFD additional guidance for financial institutions in detail at nfd.global/wp-content/uploads/2023/08/Guidance_for_Financial_Institutions_v1.pdf?v=1695215983

6 And potentially nature-dependent sectors as well, depending on the bank's nature strategy

- **Additional target:** Seek to incorporate nature into the remuneration policy for senior management in the organisation, including for their executive committees and board members.

Client engagement (GBF Targets 7, 8 & 14)

- **Headline target:** Engage formally with [XX] largest financing clients in identified priority sectors on their material nature-related impacts and dependencies and resulting risks and opportunities. This should aim to encourage them to improve their own management of nature related dependencies, impacts, risks and opportunities, reduce their pressures related to nature loss and disclose relevant nature-related metrics. This can be a follow-on activity from the Portfolio Analysis action noted above.
- **Additional target** on portfolio coverage: Engage with [XX] number or% of portfolio companies in identified priority sectors to set at least one Science Based Target for a nature-related topic and/or an action plan for nature in place based on what is most material for the company in question.

Portfolio composition and financial flows (GBF Goal D and Target 19)

- **Headline target:** Provide [XX] million/billion volume of lending/capital markets facilitation to contribute to closing the biodiversity funding gap (as defined by the GBF Goal D⁷), i.e. lending to sovereigns and/or companies for nature-positive solutions, the restoration or protection of terrestrial and/or marine ecosystems (as detailed in GBF targets 1–4, 9–13).
- **Headline target:** Provide [XX] million/billion volume of lending/capital markets facilitation for transition finance for clients in identified priority sectors (e.g., sustainability-linked bonds/loans with defined nature related KPIs to demonstrate and incentivise reduction of negative impacts).
- **Headline target:** A target to phase out financing the most harmful activities, as identified by knowledge consensus. As a final recourse, based on their individual materiality assessment, banks may need to earmark funding to be phased out for selected most harmful activities. This transition needs to be driven by a scientific perspective on the need to reduce harm. **While** phasing out the most harmful activities is needed from a scientific perspective, further exploration is required to understand the consequences for banks, especially when dealing with clients whose businesses usually encompass a range of activities. Rather than divesting entirely, client engagement is a more prudent tool, encouraging a transition away from the most harmful activities until clearer conceptual approaches for banks are developed.

7 The GBF sets a target of USD 700 billion annually (see Goal D), with a minimum of USD 200 billion expected to come from enhanced financial resources across all sectors (see Target 19), including private sources.

- **Additional target:** Allocate [XX] million/billion volume or% of climate finance (both mitigation and adaptation) toward nature-based activities.
- **Reminder:** NBSAPs (being reviewed now) and Biodiversity Finance Plans (under development in most countries) are a key source for financing opportunities linked to the GBF targets, especially 1–13.

Advocacy and partnerships/stakeholder ecosystem engagement (GBF Targets 14, 20 & 21)

- **Priority action:** Engage with policymakers to provide inputs as they develop/revise and implement their National Biodiversity Strategy and Action Plans (NBSAPs) and National Biodiversity Finance Plans (NBFPs) to support ambitious, transformative, and pragmatic plans of action and financial policies to drive financial flows and resource mobilisation towards meeting the vision, goals and targets of the GBF. Such engagement may typically materialise through financial place associations/finance sector coalitions.
- **Additional action:** Given the important role of women, Indigenous Peoples and Local Communities in successful biodiversity and ecosystems management, seek active engagement with these communities to determine how to reflect concerns and issues into bank nature strategies and to more effectively link to nature conservation and ecosystem management activities in the given context. PRB banks should seek to proactively promote community-led solutions.
- **Additional action:** Proactively collaborate with civil society, research groups, institutes, universities, international organisations and governments (national and sub-national) to support efforts to improve understanding of nature impacts and dependencies, risks and opportunities including scientific research and data provision.
- **Additional action:** Collaborate with peers and data providers to support development of robust and commonly acceptable nature-related data and metrics that enable identification and analysis of nature-related impacts and dependencies, risks and opportunities.



1. Nature for banks

Our planet has enabled humanity to evolve within safe climate boundaries and productive ecosystems, providing food to eat, water to drink and air to breathe (Rockström *et al.*, 2009). All of our economic activity is embedded in and relies on nature. While this seems increasingly self-evident, and argued in detail by the [Dasgupta Review](#) and others, for decades the economy has been conceived of as separate from nature. In the context of the spiralling consequences of climate change and unprecedented rates of nature loss, staying within safe and just Earth System Boundaries is not only a matter for scientists and governments, but requires a shift of our economies towards circular, regenerative and sustainable models, significantly reducing activities that create negative impacts and risks to nature, and urgently investing in support of activities that restore, protect, and foster a sustainable use of nature.

Banks are at the forefront of shifting financial incentives relating to nature loss, as major players in financing economic activity. Across the Global South, banks allocate around half of their total credit portfolio to firms whose business processes are highly or very highly dependent on one or more ecosystem services (World Bank, 2023). In lower-middle-income economies, banks allocate on average 55% of loans to firms subject to potential financial losses due to a deterioration of ecosystem services. High-income countries also have remarkable levels of direct exposure to nature loss, with circa 45% of banks' credit portfolios directed to firms highly or very highly dependent on one or more ecosystem services subject to collapse. A preliminary [assessment](#) by the European Central Bank showed that nearly 75% of all bank loans in the Euro zone are to companies that are highly dependent on at least one ecosystem service. At the same time, tightening credit conditions for activities or in places with the greatest risk of biodiversity loss could have a significant impact on emerging markets (Irvine-Broque and Dempsey, 2023)—highlighting the need for ambitious policymaking, financial supervisory action, and development support, mobilising overseas development assistance where relevant, in support of a transition to a green economy.

Importantly, the drivers of biodiversity loss link strongly to economic activities that are financed or invested in by banks, namely:

Table 1: Relevance of the Drivers of Biodiversity Loss⁸ for Banks

Driver of biodiversity loss	Relevance for banks and examples
Changes in land and sea use	Finance provided to agriculture, aquaculture, forestry, real estate, infrastructure, mining, textiles, directly and indirectly (e.g. consumer goods companies linked to food, construction companies linked to wood).
Resource extraction of living and non-living materials, including freshwater, organisms and natural ecosystems	Finance provided to fisheries, hardwood harvesting, certain pharmaceuticals, directly and indirectly.
Climate change	All financed and facilitated greenhouse gas emissions, directly and indirectly.
Pollution	Finance provided to sectors with significant production of effluents and wastes such as mining and metals, agriculture, oil and gas, power, chemicals, manufacturing, textiles, etc. directly and indirectly
Invasive species	Finance provided to transportation and tourism in particular shipping and mining, both directly and indirectly.

The exposure of banks to nature-related risks is increasing rapidly: as nature degradation continues, portfolio companies will suffer increasing losses and banks' credit portfolios will become increasingly exposed to physical risks including crop failures, natural disasters and water scarcity. Aside from physical risks, transition risks are increasing too: changes in regulation and policy to halt and reverse nature loss are likely to cause harmful businesses to become unprofitable and introduce new regulatory risks (CISL, 2022). When sectors are considered highly exposed to nature-related risks and impacts, banks may set limits to their financial exposure to those sectors. Yet, many of these sectors are linked to essential activities such as food, textile and energy production, hence care must be shown to work with clients on transition pathways rather than exclude large geographic areas or key sectors.

This nexus of nature loss and economic risk, affecting a very significant part of the world's economic value generation (WEF, 2022), was further emphasised by recent analysis from central banks showing that a significant share of securities held by financial institutions in countries such as France (Banque de France, 2021) and the Netherlands (DNB, 2020) came from issuers highly dependent on ecosystem services—illustrating that nature-related risks are not only affecting the value and resilience of individual businesses, but creating a threat to financial stability across the entire economy. This has led the Network for Greening the Financial System (NGFS), a global coalition of central banks and financial regulatory entities, to recently publish its Conceptual Framework for Nature-related Risks (NGFS, 2023), to help financial regulators understand these risks and operationalise a response within their jurisdictions.

The business models and sector focus of banks around the world vary widely as do the types of financing activities which contribute to nature loss or present new opportunities for nature-positive financing. It must be acknowledged that the link between nature and

⁸ As defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES).

banking, though concrete and persuasive, is still emerging in terms of how to respond, how to measure and monitor, and through a lack of established best practices. Banks in different jurisdictions have varying levels of both appetite and capacity to respond. PRB Signatories who have identified nature as a key impact area are signalling that they recognise the importance of nature to their portfolios, but this means something different depending on their clients, key sectors and other factors. The case for banks to act on nature is maturing rapidly yet unevenly: In many jurisdictions, specifically in the EU, it is no longer only a matter of voluntary leadership but increasingly also one of regulatory compliance, while in others nature risks may be high but regulatory responses lag or misfire. With nearly all countries responding to the systemic risks posed by climate change, a similar trajectory should be expected for biodiversity loss, and banks who are proactive in this regard are most likely to reap business benefits, including better relationships with regulators, clients and other key stakeholders.

While the entry point for most banks on nature will continue to be via this risk lens, the case is emerging from impact and opportunity dimensions as well:

- Banks are increasingly asked to identify, manage, and mitigate negative impacts from their financing and contribute to positive impacts; signatories to the PRB, representing half of the world's banking assets, have committed to set targets that address at least two of their bank's most significant positive and negative impacts in this regard.
- New products, new clients: Nature-positive solutions are projected to create USD 10.1 trillion in business opportunity and millions of new jobs (WEF, 2020). Banks are expected to incorporate climate-related and environmental risks as drivers of established risk categories into their existing risk management framework, including assessment of physical and transition risks. As most nature-positive efforts contribute to the attainment of a just 1.5°C transition pathway, banks should view these as complementary strategies. In other words, nature-based solutions can also directly support a bank in attaining its existing climate commitments. Indeed, it's unlikely that climate goals can be met without action to restore, protect, and foster sustainable and equitable use of, nature. Net-zero and nature-positive objectives are mutually enhancing and interdependent (IPBES-IPCC, 2021).

Please refer to the Annex on additional resources to learn more about the topic.

Appropriate communications/messaging for banks on nature

Not appropriate at this point: Our bank is (becoming) nature-positive!

Appropriate: Our bank supports a transition to a nature-positive world.

In more detail: Our bank recognises that much of the world's economic activity is currently degrading nature and that the safe and just Earth System Boundaries that keep our planet habitable are exceeded or in danger. We are on a journey with our clients and stakeholders, seeking to provide incentives for nature-positive activities and to transition away from harmful activities to neutral or positive activities, and sharing lessons learned with our peers.

2. The Kunming-Montreal Global Biodiversity Framework

The Convention on Biological Diversity is one of three global instruments dedicated to promoting sustainable development that resulted from the landmark 1992 Earth Summit. From the beginning, the Convention has recognised that biological diversity is about more than species and ecosystems—it is also about sustaining the Earth for people and meeting our needs for food security, medicines, air and water, shelter, and a clean and healthy environment in which to live. The Convention has 3 main objectives:

- a. The conservation of biological diversity
- b. The sustainable use of the components of biological diversity
- c. The fair and equitable sharing of the benefits arising out of the utilisation of genetic resources

Until COP15 and the Kunming-Montreal Global Biodiversity Framework in 2022, many Parties to the Convention struggled to build concrete and mainstreamed action to address the causes of biodiversity loss and its implementation was often conceived of narrowly as a matter of environmental conservation. Successive rounds of lessons learning, research and practice have evolved the Convention into a more holistic instrument. The theory of change for the GBF⁹ goes much further to tackle both the drivers of biodiversity loss and more fully recognises the contribution and rights of nature’s stewards, and the consequent need to reward them for their essential role.

The Kunming-Montreal Global Biodiversity Framework (GBF) is a landmark agreement on par with the Paris Climate Agreement. It calls for a considerable response from financial institutions including banks. The overarching vision of the GBF is “a world of living in harmony with nature, where by 2050, biodiversity is valued, conserved, restored and wisely used, maintaining ecosystem services, sustaining a healthy planet and delivering benefits essential for all people”.

9 see e.g. link.springer.com/article/10.1007/s10531-020-02009-2

This vision hinges on four overarching goals to be achieved by 2050, and a mission to, by 2030,

“take urgent action to halt and reverse biodiversity loss to put nature on a path to recovery for the benefit of people and planet by conserving and sustainably using biodiversity and by ensuring the fair and equitable sharing of benefits from the use of genetic resources, while providing the necessary means of implementation.”

This 2030 mission is supported by 23 action-oriented targets to be achieved 2030. These targets will be translated into national-level policy through National Biodiversity Strategy and Action Plan (NBSAP) updates taking place before the end of 2024.

To meet its goals and targets, the GBF emphasises a “whole of society approach”, encouraging action not only from governments but also from all other actors within society, including commercial financial institutions.

All of the 23 GBF targets for 2030 have relevance to the activities of banks. They provide a framework for aligning financial flows with the goals of the GBF. Some are directed primarily at economic activities that negatively affect biodiversity and nature, and others are intended to create the enabling environment to align financial flows with biodiversity protection.

The GBF “package” agreed at COP15 also includes decisions on the mobilisation of financial resources in support of GBF implementation, as well as a decision on monitoring of implementation and the monitoring of financial flows. These are likely to bear, respectively, on the global financial architecture, targeting multilateral development banks and public financing, and reporting of private financial flows related to biodiversity.

In general terms, banks have a key role in implementing the GBF because of:

- their lending and investing activities in high impact and high dependency sectors.
- banking generally being the most common form of financing in emerging markets/ Global South countries and off-balance sheet such as project finance.
- their market power in directing capital flows towards nature-positive activities.

As shown in the table below, effectively each and every target of the GBF is relevant to banks in some respect.

Table 2: Relevance of GBF targets to banks

GBF targets	Relevance to banks
Target 14	This target calls for policies, regulations and an enabling environment for the alignment of private and public financial flows to ensure that financial institutions and businesses start aligning their activities across all sectors with the goals and targets of the GBF.

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

Significantly, the GBF highlights the importance of women, Indigenous Peoples (IPs) and Local Communities (LCs) as well as other groups such as women and youth. The CBD and specifically the GBF emphasise full recognition and respect for the rights to land, resources and territories of IPs and LCs, their culture and traditional knowledge, and suggest guarantees for the protection of environmental and human rights defenders. This is highlighted specifically by Target 22 but also throughout the text of the GBF and in earlier agreements. As compared to some previous CBD agreements, the GBF more prominently foregrounds a human rights-based, gender-responsive and socially equitable approach to nature which intersects with social issues and facilitates a "just nature transition" (Muller & Robins, 2022), more appropriate methods of implementation and truer accountability. Supporting the views of the UN Rapporteur on Human Rights and the Environment,¹⁰ the GBF reinforces that human rights and livelihoods must be at the center of biodiversity action to save the planet, ensuring effective, efficient and equitable conservation.

Please refer to the [Annex](#) on additional resources to learn more about the topic.

¹⁰ ohchr.org/sites/default/files/Documents/Issues/Environment/SREnvironment/policy-briefing-1.pdf



3. PRB Target-Setting Framework on Nature

The following represents the PRB’s suggested approach to nature-related target-setting for banks. It includes a Theory of Change for banks on Nature, a PRB approach to align with the GBF, details of the progressive approach to impact target-setting, and foundations for target-setting, as well as other materials that aim to directly guide banks in this task. As noted elsewhere, this guidance follows UNEP FI and PRB’s overall approach to impact management as outlined in the Impact Protocol for Banks and will continue to be updated based on members’ experience, ongoing developments and feedback from the PRB Implementation Review process.

3.1 Theory of change for banks on nature

The Theory of Change shows the pathway to impact and considers the relationship between inputs, actions, outputs, and outcomes (all of these are also referred to as practice) to achieve impact.

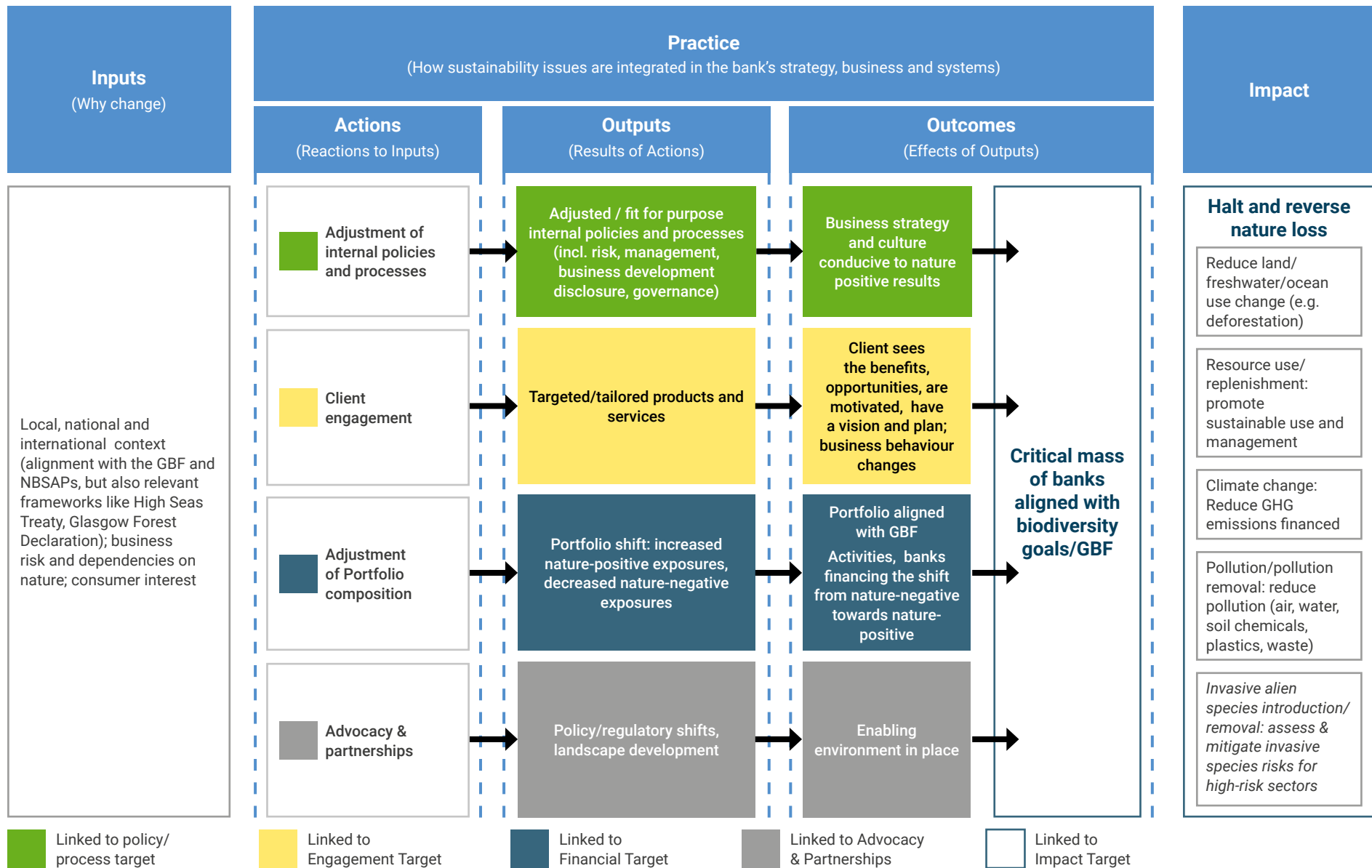


Figure 1: Theory of Change for Nature

By taking actions on adjusting internal policies and processes, engaging clients, adjusting the portfolio composition and advocating, banks' business strategies will become conducive to nature-positive results, clients' business behavior will change, banks will ultimately align their portfolios with the GBF and work towards an enabling policy environment—all of these practices triggering impact of halting and reversing nature loss.

3.2 PRB target setting in the context of the GBF

The diagram below presents a high-level approach to PRB Target Setting in the context of the GBF, in line with the overall impact management framework outlined in the [UNEP FI Impact Protocol for banks](#).

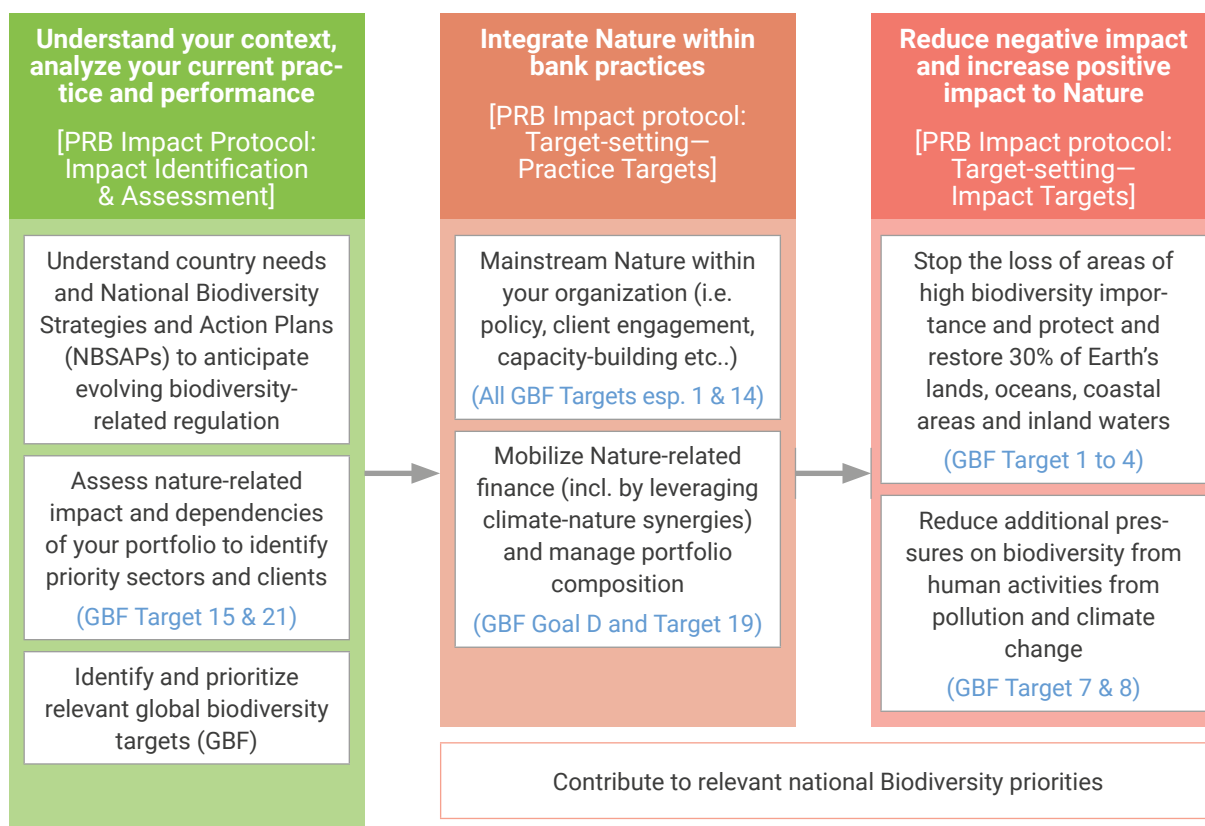


Figure 2: High-level approach to PRB Target Setting in the context of the GBF

3.3 PRB Progressive approach to target setting

As detailed in the [UNEP FI Impact Protocol](#), practice is defined as how sustainability issues are integrated into the bank's strategy, business and systems, while impact are the positive impacts achieved and the negative impacts avoided, mitigated/compensated as a result of the bank's practice. As detailed in the [PRB Target Setting FAQ](#) (page 10, question seven), banks may take a progressive approach to set targets for nature—beginning with the practice targets which are the basis to impact targets—as nature is one of the to date more nascent impact areas with regards to available tools and

established methodologies to manage nature impact. This guidance focuses on practice target setting for nature.

In order to manage impacts, both practice and impact targets are relevant; impact targets enable understanding whether outcomes are changing as desired, practice targets are what make it possible to achieve the impact targets. For banks, whose impacts are indirect, impact targets often present a particular challenge, however this does not pre-empt having impact objectives. Practice targets covering the bank's policies on nature and the total sum shifted in the portfolio away from harmful and towards neutral or positive activity do practically improve the bank's impacts in material and important ways, although they do not yet constitute a full impact target. Moving towards impact targets, PRB banks should be using impact KPIs where relevant on individual financial products and transactions, as well as identifying impacts of the lending and investment and activities on particular realms such as forests and water.

PRB Signatories will monitor and contribute to the development of available tools, methods and data required to move towards full impact targets in Nature. In the meantime, practice target setting should be fully pursued. Following the publication of this guidance, the PRB Nature Target-Setting Working Group together with the UNEP FI Secretariat will continue to develop an Impact Roadmap, to be published in 2024, setting out more specifically the steps it will take to work on impact targets, in collaboration with partners in the wider community and in line with the PRB umbrella framework.

4. Foundations for target setting

4.1 Assessing nature-related impacts and dependencies, risks and opportunities (GBF target 15)

To be able to set nature-related targets, banks should understand the extent to which their portfolio and business strategy are exposed to nature-related impacts and dependencies, risks and opportunities.

This initial assessment should provide the bank with clarity on its exposure, therefore allowing to define priority areas for action to reduce or mitigate impacts on nature, strengthen the consideration of nature within its investment policy and processes, and set targets that, considering the bank's specific portfolio, are "SMART", i.e. specific, measurable, achievable, relevant and time-bound.

Availability of approaches for assessment of nature-related impacts and dependencies, risks and opportunities

As of mid-2023, approaches to support the understanding of financial institution exposure to nature-related impacts, dependency, risks and opportunities as well as analytical methods, data, and tools are still emerging and continue to evolve. Despite the needs to define and refine biodiversity foot-printing¹¹ metrics, and establishing scientific pathways for key sectors,¹² banks may already work towards understanding nature-related impacts and dependencies, risks and opportunities within their existing portfolios and financing strategies—on the understanding that, as measurement approaches, tools and guidance become progressively more mature, the level of granularity and accuracy of the assessment will improve.

11 There is no single metric for nature equivalent to financed emissions / tons of CO₂ that is widely acknowledged as meaningful to set targets for companies and correspondingly financial portfolios. While biodiversity footprint metrics offer some promise, such metrics are still at an early stage and have strengths and weaknesses for different applications.

12 While approaches are emerging through efforts such as the [Science Based Targets Network](#) (SBTN) initial nature methods, tools and guidance for corporates which align with the [Earth Commission's](#) recently released work on quantifying safe and just Earth System Boundaries, this still needs further effort to translate into pathways that can be used by financial institutions.

In broad terms, this assessment is no different to any other sustainability impact/dependency risk/opportunity analysis. It involves identifying the bank portfolio segments most exposed to nature-related impacts and dependencies, based on the underlying clients, sectors and sub-sectors, geographies and biomes, and assessing the extent of those impacts and dependencies, noting that:

- Exposure to nature-related dependencies mean that, in the context of nature loss, the portfolio may be at risk due to its reliance on nature and its services (for instance, clean water, pollination of crops, coastal stability, etc.)
- Exposure to “impacts” means that the portfolio contributes to the loss of nature, thereby worsening risks related to dependencies, as well as creating nature-related transition risk potential (e.g. legal compliance risk, reduced investor or consumer attractiveness, and civil society action).
- In the context of the Principles for Responsible Banking, the objective pursued is alignment with, and attainment of global sustainability related policy goals, for which the core concern is impact management; risk management can contribute to impact management but not replace it.

This approach is aligned with the PRB’s impact analysis guidance, the recommendations and additional guidance of the Taskforce on Nature-related Financial Disclosure (TNFD) and relates to Steps 1 and 2 of SBTN’s first corporate science-based targets for nature methods. This also resonates with the NGFS [Conceptual Framework for Assessing Nature-related Risks](#), which may apply to a single financial institution.

As banks begin to understand the level of exposure of their portfolios to nature-related risks and impacts, and start to implement responses to identified impacts, dependencies, and risks they should begin to disclose those and provide transparency to stakeholders. This may use regulatory frameworks such as the European Union’s [Corporate Sustainability Reporting Directive](#) (CSRD), as well as voluntary assessment, risk management and disclosure frameworks such as the [Taskforce for Nature-related Financial Disclosures](#) (TNFD) and, for impacts, the [Global Reporting Initiative](#) (GRI). The portfolio analysis for nature-related risk, impact and dependencies in identified priority sectors should help bring initial insights into potential “hotspots” in a bank’s activities based on their sectoral and geographic exposures and areas for further deep dive analysis of the bank’s practice and performance.

Iterative approach to assessment

For banks, the assessment should cover each significant business line, such as corporate, business and/or investment banking portfolios. The institution should provide a justification for the selection of portfolios included in the assessment, including a rationale for excluding certain portfolios, for instance based on the limited portfolio size or lack of relevance.

Each bank should identify, based on the composition of its portfolio and the specifics of its business strategy within its operating context, relevant priority sectors, sub-sectors, clients and locations for nature-related action as well as the priority drivers to address in each of these locations. UNEP FI’s Impact Analysis Tool for Banks provides

a hands-on methodology and resource to collect and analyse relevant data; the Context Module enables the collection of geographic data and needs, while the Identification Module enables the collection of portfolio data and crossing-over of this data with the geographic data.

Detailed guidance for the assessment of nature-related impacts and dependencies, risks and opportunities are proposed in the TNFD's LEAP¹³ approach. The European Sustainability Reporting Standard (ESRS) also provides guidance on nature-related assessment and reporting for companies that are subject to the Corporate Sustainability Reporting Directive (CSRD) and signpost to the TNFD LEAP approach.

The assessment should consider the following dimensions:

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

- **Sectors:** In first approach, the institution may opt to prioritise “key” sectors and geographies that are known to be highly exposed to nature-related risks (see chapter 4.2), such as those reliant on agricultural or forestry value chains, activities with large footprints (e.g. mining, infrastructure, renewable power, certain real estate developments), activities with significant water consumption (e.g. agriculture, food and beverage), and those that are known to generate significant pollution or to be significant greenhouse gas emitters (e.g. upstream and downstream oil and gas, thermal power, chemistry, metals).
- **Geography:** the location of underlying assets and economic activities that interact with nature. (Refer to Table 4 in the TNFD LEAP guidance for specific guidance on prioritising locations.)
- **Biomes and/ecosystems:** the types of biomes that assets in the portfolio depend on/impact. This should be informed by the sector and geography analysis—and can be undertaken with a varying level of granularity depending on the accuracy and reliability of available sector/geography exposure data.

One typical challenge in geography exposure is that the granularity and accuracy of information that a bank has on assets in the portfolio may vary greatly. Corporate lending and commodity financing portfolios tend to indicate sectors, subsectors, and geographical location of the client's financed entity—which may differ from the location of the underlying physical activities, assets, and associated value chains. Banks should put in reasonable efforts to gather location-specific data recognising that in many sectors there is a high dependence on value chain information which may not be readily available. Where accurate geographical information is not available (after a search of regional offices, departments and potentially country-specific data suppliers), as an interim solution prior to collecting such information through client engagement, the institution may consider assessing geographical exposure using proxies or modelled data. However it is recognised that if value chains are not transparent and clients do not have such data then it will not be possible for banks to understand location at a granular level. For other asset classes or sub-classes,

13 LEAP FI stands for Locate, Evaluate, Assess, Prepare (for reporting) for Financial Institutions. This is the guidance proposed by the TNFD for assessing nature-related risks, impacts and dependencies in support of disclosures. See framework.tnfd.global/leap-the-risk-and-opportunity-assessment-approach/ for further information.

such as project finance or real estate, location-specific information may be more readily available with a finer level of granularity and accuracy.

■ Evaluating impacts

The extent to which assets in the portfolio generate **impacts** on nature can be determined by using e.g., the [UNEP FI Impact Analysis Tool for Banks](#) (Context and Identification Modules), the ENCORE tool (including the ENCORE Biodiversity [module](#)) or the SBTN materiality screening [tool](#). Other resources are becoming available on the market, typically based on footprint modelling (assessment of the impact of an activity on the integrity of habitats) and threat on species (assessment of the contribution of an activity to the risk of extinction of sensitive species). Note that these approaches rely on certain methodological assumptions (e.g. related to the geographical distribution of impacts associated with a given sector and to the level of integrity of habitats and species populations), meaning that the results should be considered as proxies for the real-life impacts associated with a specific portfolio.

Methodologies for assessing nature-related impacts within financial portfolios are still maturing and progressively becoming available to the market. The [Guide on Biodiversity Measurement Approaches](#), published by Finance for Biodiversity Foundation, provides an overview of the key approaches available on the market. If a bank opts for a given resource, it is recommended that it clarifies the rationale for selecting this approach and the assumptions and limitations that are associated with the approach.

Note that the aforementioned approaches/resources bank serve to understand both negative and positive impacts on nature generated by the bank, for example nature conservation and restoration benefits through the financing of “green” projects, as well as through reducing pressures on nature from its financed clients.

■ Evaluating dependencies

The extent to which assets in the portfolio depends on nature can be determined using the ENCORE [tool](#) developed by the ENCORE Partnership (UNEP-WCMC, UNEP FI and Global Canopy). In addition, UNEP-WCMC (2023) released guidance for “robust measurement of business dependencies on nature” outlining how businesses and investors should comprehensively measure business dependencies on nature. This outlines how financial institutions need to understand not only what ecosystem services the businesses in their portfolio are dependent on, but also their level of reliance on these and nature’s capacity to provide these services in the future—taking into account the state of nature, how the business’s own impacts and the impacts of other businesses affect nature’s ability to cater for the business dependency, the impacts of the local community, and natural processes. This should allow organisations to analyse the likelihood and extent of changes in ecosystem service provision, and subsequently enable an assessment of dependency-related risks to the business.

■ Assessing risks and opportunities

Ultimately impact and dependency analysis will enable the bank to manage financial risk and leverage business opportunities. While these are not an *intrinsic* requirement under the PRB the content below provides some pointers for practitioners.

- **Risk**—defined as potential threats (effects of uncertainty) posed to an financial institution that arise from its and wider society’s dependencies and impacts on nature¹⁴ (TNFD, 2023). This may consist of:
 - **Physical risks**, resulting from the degradation of nature (such as changes in ecosystem equilibria, including soil quality and species composition) and consequential loss of ecosystem services that economic activity depends upon. These risks can be chronic (e.g. a gradual decline of species diversity of pollinators resulting in reduced crop yields, or water scarcity) or acute (e.g. natural disasters or forest spills). Nature-related physical risks arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning ecosystems. These risks are usually location-specific.
 - **Transition risks**, that stem from a misalignment of economic actors with actions aimed at protecting, restoring, and/or reducing negative impacts on nature.
 - **Systemic risks**, arising from the breakdown of the entire system, rather than the failure of individual parts. Nature-related systemic risks are characterised by modest tipping points combining indirectly to produce large failures and cascading interactions of physical and transition risks. One loss triggers a chain of others and stops systems from recovering their equilibrium after a shock

As a first step, the institution may opt to assess physical and transition risks in priority sectors, progressively incorporating the consideration of systemic risks as part of a broader scenario analysis approach. This is also consistent with the approach outlined in the NGFS Conceptual Framework for Nature related risks. See figure 3 which shows how physical and transition risks arising from dependence and impact on nature can lead to economic risks which can lead to a contagion within the financial system.

14 See TNFD Glossary tfnfd.global/wp-content/uploads/2023/09/Glossary_of_key_terms_v1.pdf?v=1695138274

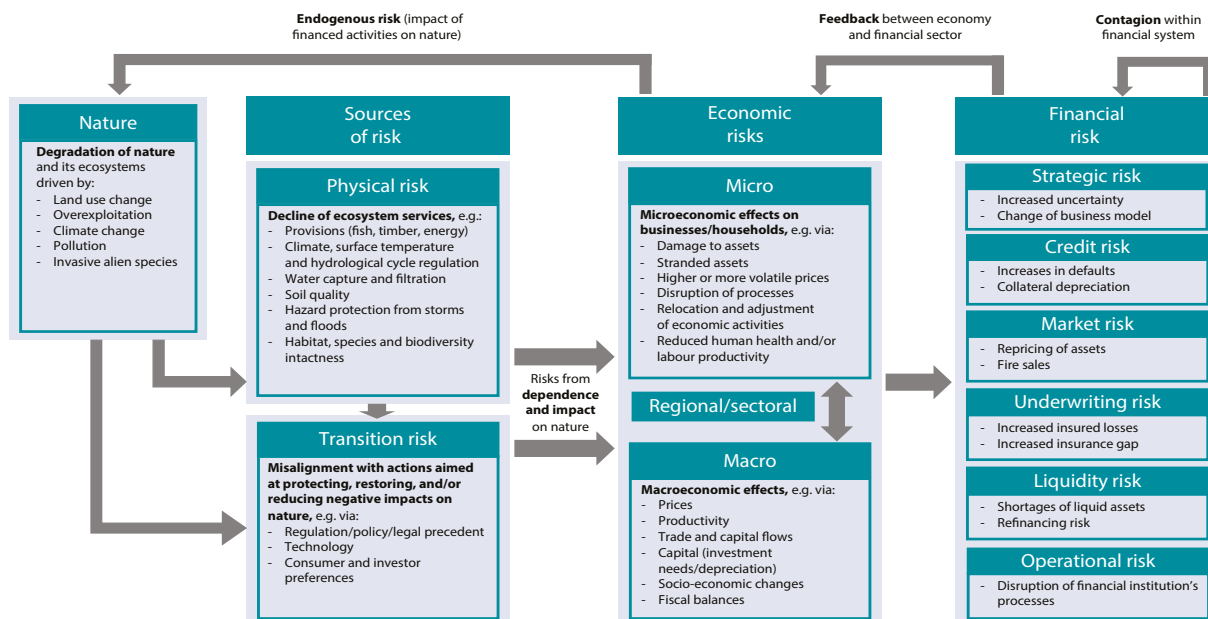


Figure 3: Nature-related risks transmission channels | Source: Nature-related Financial Risks: A Conceptual Framework to guide Action by Central Banks and Supervisors (NGFS 2023)

Further, as recommended by the TNFD in its LEAP approach guidance, the risk assessment should use relevant metrics to inform decision-makers with consistent and decision-useful data. For banks, the TNFD’s [Additional guidance for financial institutions](#) released in Sept 2023 provides an overview of useful metrics that should be considered. Note that the guidance emphasises financial metrics such as % of portfolio exposed to a high or moderate level of risk, assets under management, as well as number of companies in portfolio highly exposed to nature-related impacts or dependencies. Additionally, Banks may use the WWF Biodiversity and Water Risk filter [tools](#) for more location-specific analysis.

- **Opportunities**—using a different “lens” in the portfolio analysis to identify sectors/geographies where the financial institutions may have opportunities to finance activities that create positive outcomes for organisations and nature by creating positive impacts as well as support clients towards mitigating negative on nature from their activities.

To review existing practice on portfolio analysis and assessment, please refer to the [supplement of case studies for a case study from Rabobank on Assessing Dependencies and Impacts on Nature for Private Loan Portfolio](#).

In this guidance, it is recommended that banks:

- **Priority action: Analyse the bank’s portfolio for nature-related impacts and dependencies, risks and opportunities, starting with identified priority sectors. Banks should determine a meaningful segment and percentage of their portfolio to run the initial analysis for and complete the analysis within an achievable yet ambitious timeframe.** The portfolio analysis for nature-related impacts and dependencies, risks and opportunities in identified priority sectors should help bring initial insights into potential “hotspots” in a bank’s activities based on their sectoral and geographic exposures and areas for further deep dive analysis. This will then be important information to address in the target setting and risk management processes.
- **Priority action: Analyse a meaningful segment and percentage of clients in identified priority sectors for their nature-related impacts and dependencies, and thus resulting risks and opportunities for both the client/company and the bank.** This should help bring clarity about (i) individual counterparties or clients that may be operating in or near important biodiversity areas and critical habitats as well as their pressures/impact drivers, and (ii) Stakeholders including Indigenous Peoples and Local Communities holding rights, inhabiting and/or depending on areas where counterparties or clients are operating. These entities will then be important to address in client engagement processes.
- **Priority action: Progressively report in line with the TNFD recommendations, including on the TNFD core disclosure metrics.** This includes all the core global risk and opportunity disclosure metrics provided in Annex 1 (table 7) of the TNFD recommendations. Banks are also encouraged, where feasible, to disclose the core global dependency and impact disclosure metrics for the financial institutions portfolios (for banks, lending portfolios, as and where possible, which are also provided in Annex 1 of the TNFD recommendations.¹⁵ In light of the current data limitations for financial institutions to report the TNFD core global metrics for their portfolios, the Taskforce proposes an adaptation of the TNFD disclosure metrics architecture for financial institutions. The financial institution specific impact and dependency metrics that are defined when data limitations apply, are as follow:¹⁶
 1. Exposure to a defined set of sectors considered to have material nature-related dependencies and impacts (in absolute amount or percentage of lending volume)
 2. Exposure to companies with activities in sensitive locations (in absolute amount or percentage of lending volume)

15 See the TNFD recommendations and disclosure metrics in detail at: tfnf.global/recommendations-of-the-tnfd/ Organisations that pilot tested the TNFD draft guidance showed it was possible to assess dependencies and impacts of financed activities. Examples of what is possible are provided in Annex 2 of the TNFD guidance for financial institutions and the TNFD guidance on the LEAP approach.

16 See the TNFD additional guidance for financial institutions in detail at tfnf.global/wp-content/uploads/2023/08/Guidance_for_Financial_Institutions_v1.pdf?v=1695215983

4.2 Mapping exposure to priority sectors

As pointed out in the previous section, banks setting nature-related targets should adopt a prioritised approach by identifying high-impact economic sectors in their lending and investment portfolios for which they will set practice targets.¹⁷ In addition to UNEP FI's Sector Impact and Key Sector [mapping](#), a number of organisations have worked on mappings the priority sectors for nature, including the UNEP-WCMC (through the ENCORE tool), the Science-Based Target Network (SBTN), the Taskforce on Nature-related Financial Disclosures (TNFD) and the Finance for Biodiversity Foundation.

As part of the development of this guidance, and to support the PRB membership, UNEP FI has developed a dedicated resource on Key Sectors, which includes:

1. **A Nature Key Sector List**, based on and supported by mapping between existing sector mappings and which provides PRB banks with a consolidated list of Key Sectors for Nature. PRB should use the key sectors list to inform their portfolio analysis and identify sectors to prioritise for action.
2. **Action Guidance** which provides recommendations and guidance to assist with next steps for priority sectors. The tool also provides additional links to industry standards and suggested portfolio and product-level KPIs for a range of examples. Banks must be mindful that it remains their responsibility to be aware of and follow relevant regulations, laws, policies, standards, etc. in their own jurisdictions and to monitor for relevant developments.

The resource is available online in Excel format—[download here](#)

Table 3: Nature key sectors

<ul style="list-style-type: none">■ Agriculture, logging and fishing■ Silviculture■ Mining■ Manufacture of metal & non-metallic mineral products■ Manufacture of coke & petroleum products■ Manufacture of chemical products & pharmaceuticals■ Manufacture of rubber, plastics & paper products■ Manufacture of textiles & apparel■ Electric power generation■ Construction■ Transport■ Waste management & sewerage

17 Banks may also wish to consider coupling this step with mapping exposure to dependency-related risks. Sectors that have both a high impact and dependency would be a high priority where there is the greatest opportunity to both mitigate pressures and support nature conservation and restoration. This is a strategic decision for the banks, but in general a recommended approach.

5. Step-by-step target-setting process

This section of the guidance presents a step-by-step approach for PRB Signatories in setting nature-related targets.

5.1 Alignment with GBF, NBSAPs/regional frameworks and policies

To be able to set nature-related targets in line with the PRB requirements, banks should understand the context in which they are operating, i.e., the main nature-related challenges and priorities in the main countries in which it is operating and identify the relevant international, regional or national frameworks to align with.

NBSAPs and National Biodiversity Finance Plans

Banks should be aware that they should align with the GBF (as the overarching framework), and the respective national biodiversity priorities of any country that they are headquartered in and/or providing finance to as relevant. This is critical as understanding the main policy goals to align with in a given context—i.e. the specific nature objectives that impact and practice targets can then be derived from—is much more locally embedded for nature than banks may be accustomed from in addressing climate.

Since COP15, all Parties to the CBD (196 countries) have committed to revising and updating their National Biodiversity Strategies and Action Plans (NBSAPs) following [guidance](#) provided to align with the GBF goals and targets, including those related to means of implementation, and to submit them before the 16th COP in late 2024. Any Parties who cannot fulfill this requirement are asked to, at a minimum, communicate their national targets reflecting all the goals and targets, in advance of the full submission of the updated NBSAP. Nearly all countries have NBSAPs that can be accessed centrally via the [CBD Clearing-House Mechanism](#). While countries are in course of updating NBSAPs, banks may want to engage with relevant [CBD national focal points](#) to understand major priorities for the update and to support the development of accompanying Biodiversity Finance Plans. Banks should not be discouraged or deterred from acting on nature if an NBSAP is still in development—this represents an opportunity for closer stakeholder engagement.

All Parties are urged to use the headline indicators, supplemented by component and complementary [indicators](#) and other national indicators in relevant national planning processes, including national biodiversity strategies and action plans, according to their national circumstances. Furthermore, all Parties are encouraged to adopt the revised or updated NBSAPs as policy and/or legal instruments and to mainstream them (or elements thereof) with broader strategies and plans, such as national sustainable development plans, national development plans, poverty reduction strategies and other relevant national sectoral and cross-sectoral plans, in line with national circumstances and priorities. In January 2023, Spain was the first country to submit a revised NBSAP followed by Japan.

These documents should provide a guide for banks to finance nature-positive activities, similar to the Nationally Determined Contributions (NDCs) in the climate space. In the case that there is no updated NBSAP, banks should generally align with the GBF goals and targets and refer to the previous version of the NBSAP for broad guidance. It is also recommended to engage with the national CBD focal point for major financial activities, to avoid regulatory risk. Specific policies may also relate to biodiversity in the highest impact sectors such as policies for biodiversity offsets in extractive activities or related to biodiversity set asides in agriculture.

All NBSAPs will eventually be accompanied by a Biodiversity Financing Plan (BFP) that includes opportunities for private finance mobilisation. The BFP is the guiding document for implementing the most optimal finance solutions to reach national biodiversity targets. The leading methodology for BFPs is via BIOFIN¹⁸ and addresses harmful financial flows.

National responsibilities, mitigation hierarchy, offsets and credits

National sovereignty over natural resources is a fundamental principle in international law and policy, and countries have the right to enact policies and set in place frameworks to meet the GBF goals and targets. The mitigation hierarchy is a foundational concept in meaningfully addressing nature loss and has been developed and strengthened over two decades of practice. An influential recent paper by established practitioners (Maron *et al.*, 2023) asserts that “only high-integrity accounting will genuinely support the goal of nature-positive” and provides examples of how this concept can be credibly applied at the project- and value chain-levels. A key message of the paper is not to over-promise on “nature-positive” while the stark reality remains that, “the scale and pace of commitments necessary to manage even direct and attributable impacts on nature have not yet been adequate. Failure to achieve the less-ambitious goal of the mitigation hierarchy—no net loss of biodiversity—is common and widespread: no net loss at the project level is often not achieved, evidence of avoidance is scarce, and biodiversity offsets are beset with design, implementation and integrity problems” citing a number of evidence sources. Throughout the guidance, we focus attention on avoiding harm to nature as a first-order priority for banks.

18 [undp.org/georgia/projects/biofin#:~:text=The%20Biodiversity%20Finance%20Plan%20\(BFP,feasible%20and%20impactful%20finance%20solutions](https://undp.org/georgia/projects/biofin#:~:text=The%20Biodiversity%20Finance%20Plan%20(BFP,feasible%20and%20impactful%20finance%20solutions)

Following the mitigation hierarchy logic, banks should not sell or use offsets or credits to meet their nature-related targets except as a last resort option, after other options have been exhausted (as outlined in the mitigation hierarchy). Organisations setting science-based targets for nature will be required to follow the mitigation hierarchy, which will therefore cover off this requirement to some extent.

In more detail on the role of offsets and credits in the nature space, unlike the “common but differentiated responsibilities” (CBDR) provision that is clearly stated in the UNFCCC, the CBD’s application of this principle is more nuanced. In broad terms it is not reflected in the Convention text, though in language that affirms the importance of Official Development Assistance.¹⁹ In contrast to the climate space where indeed high-income countries have the most historical responsibility for emissions, in biodiversity the greatest successes in conservation particularly but also sustainable use and access & benefit sharing, have been demonstrated in Global South countries and particularly by Indigenous peoples. Within the CBD, there is also no equivalent to the Paris Agreement Article 6 i.e. that “some Parties choose to pursue voluntary cooperation in the implementation of their Nationally Determined Contributions to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity”, in other words, allowing tradeable offsets.

Therefore, without a means to swap commitments between countries, each country is effectively committed to applying all the goals and targets.²⁰ This implies also that the terms “biodiversity offset” and “biodiversity credit” have very different meanings within the context of nature as compared to climate. While currently many processes are underway including bilaterally between countries and via platforms such as the [Biodiversity Credit Alliance](#), it is advisable for banks to wait for integrity principles and assessment frameworks to engage in any project intending to eventually allow trade of biodiversity values to meet compliance requirements. Banks may wish to support projects that create “net gain” of biodiversity on a voluntary basis and in the context of research and development of such tools, such as the Swedbank investment into biocredits within Sweden.²¹

Urgency of response, and national and regional frameworks for nature

Banks should be aware that many countries are updating policy and/or legal instruments related to nature as relevant to different sectors and activities. Increasingly sustainable finance taxonomies will refer to nature and related topics such as water and forestry.

19 Article 20.4 of the CBD: “The extent to which developing country Parties will effectively implement their commitments under this Convention will depend on the effective implementation by developed country Parties of their commitments under this Convention related to financial resources and transfer of technology and will take fully into account the fact that economic and social development and eradication of poverty are the first and overriding priorities of the developing country Parties”.

20 The GBF does include provision for supporting countries in achieving this commitment, in particular under the provisions related to official development assistance from “developed countries and from countries that voluntarily assume obligations of developed country Parties, to developing countries, in particular the least developed countries and small island developing States” as per Target 19, paragraph (a) of the GBF ([cbd.int/gbf/targets/](#)) and COP15 decision 15/7 on resources mobilisation ([cbd.int/doc/decisions/cop-15/cop-15-dec-07-en.pdf](#)).

21 [carbon-pulse.com/205424/](#)

Furthermore, frameworks linked to nature may call on financial institutions and particularly banks to play a role in financing nature recovery. The EU's nature restoration law will place recovery measures on 20% of the EU's land and sea by 2030, rising to cover all degraded ecosystems by 2050. It does not specifically mention the role of FIs, but it may be that the individual implementation plans of EU countries, expected within two years of the Regulation coming into force and showing how they will deliver on the targets, will necessarily address financing nature and the role of private finance. Banks should expect similar efforts worldwide as delivery on the GBF goals and targets takes shape.

Earth System Boundaries and science-based targets for nature

The GBF is built on a theory of change that we are currently operating outside of the safe limits of our planet, and need to bring our economies and societies back into harmony with natural limits urgently. The UN endorses Earth System Boundaries as a framework to describe limits to the impacts of human activities on the Earth. In fact, the Sustainable Development Goals already explicitly included four of the nine Earth System Boundaries: freshwater (SDG 6), climate (SDG 13), oceans (SDG 14) and biodiversity (SDG 15), and implicitly through SDG 2 on sustainable food systems (the land and nutrients boundaries). Beyond these limits, the planet may not be able to self-regulate anymore and we would collectively leave the period of stability in which human economies and societies have developed. The Earth System Boundaries framework is useful to convey the non-linear nature of the biosphere and ecosystems that support life on Earth: “transgressing one or more Earth System Boundaries may be deleterious or even catastrophic due to the risk of crossing thresholds that will trigger non-linear, abrupt environmental change within continental-scale to planetary-scale systems” (Rockström *et al.*, 2009). The Science Based Targets Network (SBTN) was established to address the challenge of how businesses function in a way that does not transgress these life support parameters as well as social justice ones (through the Earth System Boundaries approach). In May 2023 SBTN released guidance for corporates on Steps 1 and 2 (see the figure in SBTN's recommendations for client engagement) and the first science-based target setting methodologies on Freshwater quality (specific to nitrogen and phosphorus) and quantity, and on Land (SBTN 2023). This PRB guidance focusing on guidance for banks was developed with active contribution from the SBTN, aiming for compatibility in cross-sector target-setting, and aiming to stay within safe and just Earth System Boundaries.

5.2 Integrating nature within practices and processes

Acting on nature by banks will require a range of actions including setting targets. The following section provides guidance on key practices and processes that banks should consider and sample targets where potentially relevant. As noted elsewhere in the guidance, the avoidance of harm to nature should be an overriding concern of banks, and this will be expressed largely in the development and application of policies, whether they be sectoral or by ecosystem.

5.2.1 Mainstreaming nature within the organisation

As for climate change and other ESG-related issues, financial institutions should strengthen their internal knowledge and processes to take into account nature in a more systematic way. This requires understanding how their financing activities interact with nature, through their clients, counterparties and financial portfolios, whether investment, lending, or insurance.

As described in the previous section of this document, this needs a first step of identifying and assessing impacts and dependencies, risks and opportunities. This also requires building capacity at all levels of the organisation, including up to the level of senior management and the Board of Directors (see also [Banking on Nature](#) for an overview of relevance of nature by part of the bank.)

As the understanding of a financial institution increases, it can move to risk and impact management activities that may include setting restrictions or exclusions for certain sectors or activities, either on an entity or transactional level, as well as requirements for enhanced due diligence in response to specific identified issues of potential concern. All of these need to be supported by robust client engagement, aiming to support the implementation of the policies and supporting the clients' ecological transition and ultimate alignment of investments with the GBF.

Finally, financial institutions should also increase their own transparency through external commitments and disclosures of their own following recognised best practices.

Policy and processes (including due diligence) (All GBF Targets esp. 1 & 14)

Over recent years, in response to rising expectations from regulators, investors and society, many banks have adopted sustainability-related policies and commitments as safeguards against sustainability-related risks and impacts in certain sectors or locations.

Some of these policies and commitments already include consideration of impacts on nature (or, using a more restrictive terminology, biodiversity). Typically, these include investment policies related to sectors or commodities that drive deforestation, such as agriculture, meat and dairy, palm oil, soy, as well as sectors with important environmental footprints, such as mining, and specific policies on protected areas, mostly [UNESCO World Heritage sites](#) and wetlands designated under the [Ramsar Convention](#).

For finance strongly related to physical assets, such as project finance, 140 financial institutions in 39 countries are now members of the [Equator Principles](#), thereby committing to applying the [International Finance Corporation's environmental and social performance standards \(PS\)](#) to their project financing, including PS6 on biodiversity, a demanding set of requirements for avoiding, mitigating and offsetting impacts to biodiversity.

It results that many banks already operate with investment policies and commitments that, to varying extents, address nature as a topic within the broader context of environmental and social aspects.

Through a more systematic analysis of their portfolio exposure to nature-related risks, dependencies, impacts and opportunities, banks have an opportunity to gain an accurate understanding of the sectors, subsectors, and locations that are most relevant to the impacts on nature of their financed activities (see Section 4.2 on priority sectors for action). This should provide banks with an opportunity to strengthen or develop a specific nature-related policy that specifically considers how their business drives exposure to nature-related impacts and dependencies, risks and opportunities.

Based on a review of the typical content of ESG-related policies of international banks, key building blocks of a nature policy for banks are presented hereunder. These elements may be adapted by each bank in accordance with its own policy commitments, processes and scope of financing. The structure of the policy itself can be adapted as deemed relevant by each bank. A nature policy is based on the bank’s high-level position on nature and refers to a set of internal guidelines, processes and rules that the bank establishes and follows to govern its operations, decision-making processes and client relationships.

Table 4: Suggested structure and content of a bank’s strategy document on nature

Dimension	Suggested content
Vision	<ul style="list-style-type: none"> ▪ Banks make a contribution to economies and societies that operate within Earth System Boundaries.
Context/rationale for policy	<ul style="list-style-type: none"> ▪ Contextual information on the rationale for adopting a position on nature ▪ Statement on how the bank recognises linkages between nature loss, impacts on nature, physical/transition and systemic risk ▪ Include reference to recognised agreements including Kunming-Montreal GBF, as well as (as relevant to the bank) sector initiatives incl. Principles for Responsible Banking, sector commitments incl. Equator Principles, Finance for Biodiversity Pledge, COP27 deforestation commitment, plastic commitment
Scope of application and effective date	<ul style="list-style-type: none"> ▪ Financial services ▪ Sectors ▪ Clients—including clear expectations for clients in high-risk sectors. ▪ Effective date

Dimension	Suggested content
Policy commitments	<ul style="list-style-type: none"> ■ Analysis of exposure to nature-related impacts and dependencies, risks and opportunities (see above guidance in Section E of this document and description of how the assessment was done and the process in place for ongoing management) ■ Client engagement; client requirements/standards ■ Safeguards application/enhanced due diligence using, for instance, International Finance Corporation (IFC)'s Performance Standard (PS) 6 on biodiversity conservation and living natural resources;²² verification that products and activities do not take place on land subject to deforestation or forest degradation after the cut-off date of 31 December 2020 as per European Union's regulation on deforestation-free products,²³ etc. ■ Excluded activities (e.g. activities in UNESCO World Heritage Site,²⁴ Ramsar Convention wetlands of international importance,²⁵ critical habitats as per IFC PS 6; activities involving the trade of CITES species;²⁶ activities with particularly high impacts on biodiversity such as fishing drift nets, etc.)
Portfolio alignment commitments/targets	<ul style="list-style-type: none"> ■ Portfolio targets (e.g., Volume or percentage of portfolio or absolute USD sum provided to nature-positive solutions and/or transition finance)
Reporting commitments	<ul style="list-style-type: none"> ■ Applicable regulatory requirements (e.g. CSRD in the EU, Article 29 of Law on Energy of Climate in France) ■ Commitment to engagement with regulators/supervisory entities in support of nature-related disclosures ■ Adoption of the Taskforce on Nature-related Financial Disclosures (TNFD) as framework for external reporting
Culture and governance	<ul style="list-style-type: none"> ■ Governance arrangements/level of oversight and board responsibility for effective mainstreaming of nature in overall sustainability strategy ■ Raising awareness on nature loss and its implications for financial institutions and their clients ■ Commitment to personnel training on nature-related risks, dependencies and impacts, and how to address them within the scope of the bank's activities ■ Mechanism for including consideration of performance in managing nature-related risks and impacts within Senior Personnel & Board performance assessment, and link to job descriptions/incentives/remuneration.
Resources and timelines	<ul style="list-style-type: none"> ■ High-level statement on financial and other resources to be committed in support of nature ■ Time horizon for implementation of commitments and achievement of practice and/or impact targets

22 ifc.org/en/insights-reports/2012/ifc-performance-standard-6

23 environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

24 whc.unesco.org/en/list/

25 ramsar.org/our-work/wetlands-international-importance/ramsar-list

26 [Convention on International Trade in Endangered Species of Wild Fauna and Flora—checklist.cites.org/#/en](https://convention.cites.org/#/en)

Dimension	Suggested content
Risk management and due diligence	<ul style="list-style-type: none"> Target to develop (or update if already existing) and implement risk management and associated due diligence systems for all identified sector of high nature impact sectors and for specific activities that are known to generate significant nature-related impact. Overview of existing risk management and due diligence policies and processes including ecosystem-based (forests, coral reef, marine, alpine), product-specific (e.g. application of the Equator Principles for project-related) and sectoral standards (shipping/Poseidon Principles, food and agriculture, mining).
Review & update mechanisms	<ul style="list-style-type: none"> Indicate process & time horizon for reviewing and, where need be, updating the position or developing a nature strategy in light of the bank's performance in nature-related risks and impact management, portfolio exposure analysis, client engagement results, regulatory shifts, market expectations.
Targets	<ul style="list-style-type: none"> PRB targets that are publicly communicated (can be added to the policy, depending on sequencing of steps)

Due diligence and risk management

Avoiding financing activities and clients that harm nature should be a priority. This topic should be specific and detailed in the bank's overall nature policy (noted above) and cross-referenced with approaches that are ecosystem-based (forests, coral reef, marine, alpine), product-specific (e.g. application of the Equator Principles for project-related) and sectoral standards (e.g. for shipping, food and agriculture, mining).

The first major entry point for biodiversity in banking focused on risks to critical habitat or other sites from assets and the application of project-level safeguards or geographically-linked exclusions. Most banks have some experience with location-based nature policies and exclusions in environmental and social (E&S) risk teams particularly if they offer project-related finance.²⁷ Still today, the work of avoiding harm even to specific designated sites remains incomplete, and civil society actors are more likely to be campaigning for banks to exclude finance for specific very high impact business activities and adopt policies which prohibit any direct or indirect financing related to unsustainable, extractive, industrial, environmentally, and/or socially harmful activities in or which may potentially impact highly biodiverse areas, than for banks to make nature-positive commitments or sustainable finance targets.

The link of nature risk with policies and due diligence processes within the bank is considerable and complex (see e.g., Jobson *et al.*, 2021). Our understanding of nature-related risks posed has considerably broadened and been given more prominence through the TNFD. The number and complexity of nature-risks is accelerating as well as growing understanding of the interconnectedness with climate risk. Integrating nature into risk management and due diligence procedures is essential to achieving targets.

²⁷ The IFC Performance Standard 6 and its application also via banks adopting the Equator Principles is widely considered one of the first major successes in integrating nature risk into banking. Commercial banks applying such safeguards do so largely from a financial materiality perspective.

In this guidance, it is recommended that banks adopt:

- **Headline target: Develop (or update, if already existing) and implement policies and processes (e.g., risk management, due diligence systems, kyc etc..) for all identified sectors with a high impact on nature and for specific activities that are known to generate significant nature-related impact.** Such policies can include bright lines where business (either at client or transaction level) will not occur or where further due diligence needs to be conducted following recognized guidelines.

Harmful activities requiring policies and due diligence should be identified as part of the banks identification and assessment of exposure to nature-related impacts and dependencies, risks and opportunities as described in Section 4.1 of this guidance—these may typically include commodities that drive ecosystem conversion and deforestation such as certain agricultural commodities, extractive activities, activities in or near important biodiversity areas,²⁸ including those of high conservation value, water stress, or at risk of deforestation. These may be indirect such as agricultural run-off of clients that causes damage to particularly sensitive ecosystems such as coral reefs, or for example sport-related businesses moving into higher alpine altitudes which threaten glaciers.

To learn about existing actions on nature-related policy and processes, please refer to supplement of case studies for case studies from ANZ on Embedding Nature in Social and Environment Risk Policy, BNP Paribas on Deforestation free supply chains for beef and soy in Brazil, Barclays' Forestry & Agricultural Commodities Statement, ING's engagement with Agricultural commodities clients through their deforestation policy, Rabobank's Biodiversity Monitor for Sustainable Dairy and Crop Farming.

Capacity Building, Culture & Governance (GBF Targets 14 & 21)

Nature and biodiversity may be perceived as topics without direct relevance to the job description and daily activities by some personnel within the organisation. This is why banks should work to build awareness and capabilities of personnel, fostering the development of a “nature-positive” culture where the rationale for taking action on nature, and the means by which the organisation acts, is understood by all personnel. This is essential to ensure broad support and effective implementation of the nature policy within the organisation, and building collective effort to achieve nature-related targets. Again, this should be ideally laid out in the overall nature policy (see Table 4).

Capacity building is an important component of GBF (specifically GBF targets 14 on mainstreaming and 21 on knowledge sharing and capacity development). PRB Principle 5 on culture and governance is also a crucial foundation for banks to integrate nature within their organisation, mitigate their negative impact and increase their positive impact.

28 Such as, for instance, IUCN [category](#) 1–6 of protected areas

In this guidance, it is recommended that banks:

- **Priority action:** Develop a nature strategy to explicitly incorporate nature within the bank's overall sustainability strategy.
- **Priority action:** Produce a public statement on the bank's approach to nature.²⁹
- **Additional target:** Train [XX]% of all staff on the causes and consequences of the global crisis of nature loss, how the financial sector contributes to nature loss through financed activities, and the types of action that may be taken to reduce risks and impacts and increase positive outcomes, in line with international policies and applicable regulations; additionally seek to further train [YY]% of front office, coverage, sustainability and risk staff in more detail on emerging frameworks, standards and regulations (e.g. TNFD, EU EFRAG, ISSB) as well as emerging nature related data, tools, metrics, and methodologies.
- **Additional target:** Hold [ZZ] times per year an Executive Management board or Board of Directors discussion on the business case, strategy, key actions, plans, progress and available approaches for proactively understanding and managing nature-related impacts and dependencies, risks and opportunities within the institution's scope of business.
- **Additional target:** Seek to incorporate nature into in the remuneration policy for senior management in the organization, including for their executive committees and board members.

To review an existing nature-related statement, please refer to [supplement of case studies for Crédit Agricole's statement on biodiversity and natural capital](#).

5.2.2 Client engagement (GBF Targets 7, 8 & 14)

Client engagement on nature entails establishing dialogue and collaboration with the bank's clients, to help them mainstream nature related considerations within their business, in particular those active in key sectors. This, in aggregate, will support alignment between the bank's business with its clients and the goals and targets of the GBF. This engagement should also be done in harmony with efforts on climate (and other linked topics such as circular economy and human rights) as far as possible: accordingly the Cambridge Institute for Sustainability Leadership (CISL) and partners have recently published an engagement guide entitled [Let's Discuss Nature with Climate](#), providing useful guidance on integrating nature within a bank's client relationship management.

The success of the bank in this regard will largely depend on the quality of its identification process, as well as on the relationship and constructiveness of dialogue with its clients. The bank should seek to support clients in transitioning their practices and/or business models by strategically accompanying them through a variety of client relation-

²⁹ The TNFD states that nature-related disclosures should be published alongside financial statements as part of the same reporting package.

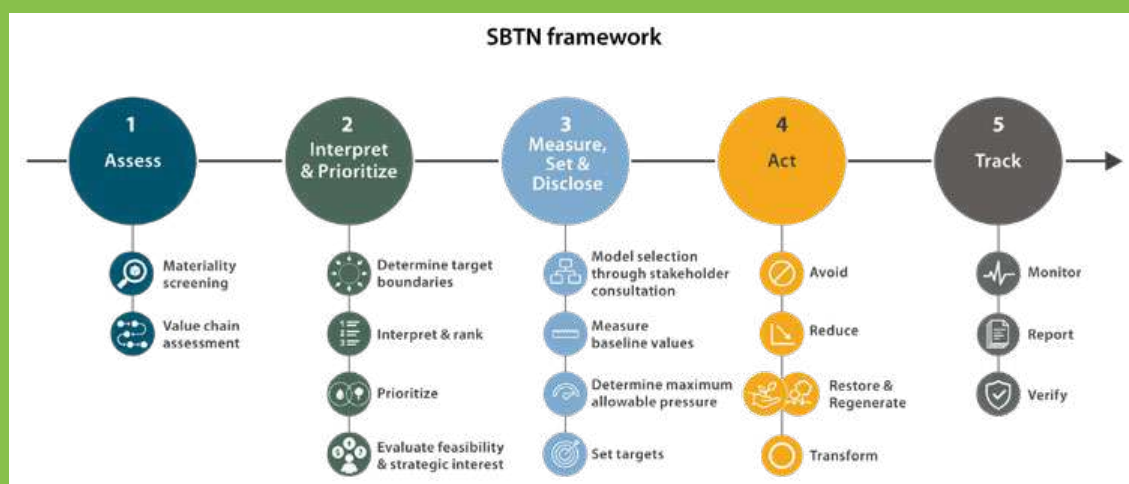
ship channels, ranging from awareness raising campaigns, to engaging specific clients on their impact profile and transition plans, and to structuring tailored financing solutions for the clients' green transition. Another aspect to highlight here is setting requirements for clients to disclose certain aspects that better enable the bank to assess nature-related impact and risk. For nature the 'location' across value chains, clients can be encouraged to disclose traceability, so even if the client does not yet disclose impacts, these data can allow the bank to have a more accurate picture of risk. Banks are also reminded of guidance in the Equator Principles to request their clients to disclose biodiversity-related data into appropriate outlets.

SBTN's recommendations on client engagement in line with Earth's limits and societal goals

In May 2023, SBTN released the first methods on how companies can assess their impacts on nature, and then set science-based targets for nature beginning with freshwater and land (Steps 1–3 in the framework below). For example, the [freshwater method](#) advises on freshwater quantity and quality targets, in line with the maximum water withdrawal or nutrient load for priority water basins. In 2023, 17 multinationals are piloting the first SBTs for nature. Future releases will include ocean targets and measurement, reporting and verification guidance.

As part of the client engagement described by UNEP FI in this section, SBTN encourages all banks to work with key clients on setting SBTs for nature. SBTN advises prioritising clients in high-risk sectors and based on the sphere of influence of your bank (Step 2 in the figure below). SBTN encourages banks to not just request clients to set SBTs, but also follow and support them in doing so (for instance with a sustainability linked loan). This provides an incentive, while allowing for mutually beneficial learning that can feed into future updates of the SBTN methods, tools and guidance.

5-step framework of science-based targets for nature



A number of PRB banks are already actively engaging clients in key nature priority sectors.

To explore real-world actions on client engagement, we encourage you to review the [supplement of case studies for case studies from ANZ on engaging clients in the meat and energy sector](#), [Barclays' Sustainability Linked Loans in the real estate sector](#), [BBVA on engaging clients in the energy and water utility sector to develop water footprint linked loans](#), [BNP Paribas' engagement with beef, soy and palm oil clients](#) and [Rabobank's engagement with dairy and agriculture sector](#).

5.2.3 Mobilising financial resources (GBF Goal D & Target 19)

A key function of a bank with regards to impact is where and how it can direct capital, and whether this shift in financial flows and portfolio composition supports a net change in positive or negative impact. Therefore, when building towards impact targets, it's concretely relevant to categorise and track the financial flows and proportions of financial activity dedicated to nature-related activities. With a bank, not all use of proceeds by clients is known, for example in corporate general-purpose lending, so banks face circumstances similar to those for investors where they must look at the performance of the client overall rather than individual activities. PRB Signatories should specifically heed the call in the GBF goal D and target 19 to direct more finance to nature.

Portfolio categorisation

In practice, to attain portfolio composition targets, PRB Signatories should be able to broadly categorise the proposed financing transactions into whether they are 'positive' or contribute to the GBF, whether they are opportunities for transition finance, or indeed whether they should be of concern or trigger safeguards.

The sectoral analysis conducted under the foundational assessment designates "key positive" and "key negative" sectors. Building on the initial identification process, the following three categories are proposed for PRB banks, from the most nature-positive (seek out, clients in "Key positive" sectors) to nature-negative (avoid, clients belonging to a part of "key negative" sectors). The vast majority of finance for a typical bank will be in the transition category (clients belonging to the other part of "key negative" sectors). The definitions and approaches related to nature finance are inspired by and designed to eventually be interoperable with relevant efforts on climate transition finance for banks.

1. Nature-positive clients and projects (seek out):

Financing or enabling entities and activities that develop and scale conservation, restoration or sustainable use, delivering particularly on GBF targets 1–3 and 11: banks should transparently and clearly define what they define as "nature-positive", cross-referencing to the GBF impact targets—see the text box for an illustrative definition of "nature-positive" finance for banks and clients/companies. Banks with higher levels of ambition may consider also Target 14 of the GBF the proportion of finance within positive solutions that reaches nature's stewards including IPs & LCs, and women. These solutions are expected to be a small proportion of each bank's portfolio given the challenge in developing relevant financial products. For debt conversions, only the proportion of

finance allocated towards conservation and ecosystem management activities should be counted towards the nature-positive target. These are activities most likely present in the ‘Substantial Contribution’ pillar of a sustainable finance taxonomy such as the EU’s.

2. Clients in transitionable “key negative” sectors/activities (engage)

- a. Transition finance:** Financing or enabling entities and activities that direct finance towards transition activities with nature KPIs. This could include activities within agriculture to improve biodiversity outcomes.
- b. Under engagement:** Where relationships with clients are still underway to encourage the development of transition plans, science-based targets or other—but would ultimately lead to new financing opportunities as above (i.e. transition finance).

3. Clients in non transitionable “key negative” sectors/activities (phase out/avoid)

Activities which are earmarked to avoid financing according to credible sources (see Section 5.2). These are activities to which no transition planning is possible or the client is unwilling to consider after a period of engagement. This may include historical finance which has been identified to contradict a policy related to nature, which would not be approved in present circumstances but has been earmarked to wind-down. This category may be less useful for nature than for climate, as most lending and investing will be to companies with a mix of activities with different gradations of impacts. For asset-based transactions it may be useful.

Table 5: Key strategies for shifting finance away from negative and towards positive outcomes

“Nature-positive” clients & projects	Clients in Transitionable “key negative” sectors/activities		Clients in non transitionable “key negative” sectors/activities
	Transition finance	Under engagement	
Activities delivering GBF positive impact targets	Products that support clients in shifting from harmful to neutral or positive activities	Identified but not yet operationalised opportunities for client engagement (e.g., setting nature-related targets, developing mitigation plan)	Harmful activities where no transition is possible: earmark to wind-down

A significant difference between the above approach and climate transition finance is that very few companies currently have **transition plans** relating to nature—or for climate that employ nature-based solutions. Furthermore, the nature space is currently lacking **scenarios** that can assist in determining if finance is aligned or not aligned with the GBF goals and targets. Some valuable initial efforts in developing nature scenarios include the [IPR Forecast Policy Scenario + Nature](#) and the recent work conducted by Business for Nature, WBCSD, and WEF on [Nature-Positive Industry Sector Transitions](#). The ENCORE biodiversity module provides some support here broadly at a portfolio level but falls short on individual transactions. Furthermore, **sustainable finance taxonomies** that define nature-positive activities are in their infancy as compared to climate and as available currently cover just a minority of the kinds of activities that are financed by banks. Finally, companies are not currently collecting and disclosing the relevant **data** that would inform classification of ‘nature-positive’ at a company level, whereas such systems are more advanced for climate data. It is expected though to see rapid improvements in this regard and the above difficulties should not stop banks from starting the target setting process as outlined in this guidance.

It is important to acknowledge that use of proceeds from bank lending can drive additional impacts on nature; ideally these are also taken into account as far as possible. Banks do not always have a known use of proceeds specified within a transaction though: in such cases categorisation will be based on the client’s overall sector/main activities, and where appropriate impacts or key mitigation activities could be covered via covenants. Conversely it is important to note that when use of proceeds is known, the impacts associated with the client’s overall sector still need to be taken into account.

Illustrative definition of “nature-positive”³⁰ finance for banks and clients/companies

While the term “nature-positive” is not defined in the Global Biodiversity Framework, efforts are being made to establish consensus and criteria for the credibility and auditability of the “nature-positive” concept, promoting its integrity and implementation, notably through the [Nature Positive Initiative](#). Broadly speaking, the term is used to describe a world where nature—especially biodiversity comprising species, genes, and ecosystems—is being restored and is regenerating rather than declining. The aim is to transition towards a world where nature regenerates rather than declines, similar to the concept of ‘net zero’ in the climate space. In this guidance the term is used to refer to actions that reduce nature-related risks and negative impacts, and foster positive impacts on nature.

30 It was hoped by some that the GBF would define this term but it has not, and the term “nature-positive” does not appear in the GBF text. UNEP FI will be tracking the work of the Nature Positive Initiative.

Similar to ‘net zero’ in the climate space, to be able to deliver a nature-positive future the world needs to be able to measure progress, yet unlike for climate, we currently lack the tools to do so.³¹ A key feature of any credible measurement includes a baseline, and a threshold over which nature is restored. Therefore “nature-positive” at the level of a bank is much more challenging to measure, whereas at the level of an individual financial transaction, we can consider a transaction “nature-positive” where it makes a defined positive contribution to nature and ecosystem services, particularly to groups who are being rewarded for their role in stewarding nature.

In the context of target-setting in nature-positive finance, banks may wish to earmark a **proportion of their overall sustainable finance target to nature** (cross-referencing to the above categorisation). An illustrative definition for this is:

“Nature-positive finance includes transactions that make a net-positive contribution to nature and nature’s stewards via lending or investing to, or insuring/credit de-risking, activities that make a positive contribution to conservation, restoration, sustainable use and/or access and benefit sharing as defined urgent priorities outlined in the Global Biodiversity Framework goals and targets”

At the **client/company level**, a “nature positive” approach for business may be understood as a combination of organisation-wide mainstreaming of nature, combined with process changes that both reduce risks and impacts, and generate benefits in terms of nature conservation, restoration, sustainable and equitable use.

Existing criteria to define activities in line with nature goals

Sustainable finance taxonomies such as the EU taxonomy give clear guidance on what can be broadly considered nature-positive. The ‘Substantial Contribution’ pillar for [EU taxo4](#) listed below can be roughly considered the equivalent of “nature-positive” activities that can be instructive at a transaction level.

Taxo4 categories:

Most relevant

- The sustainable use and protection of water and marine resources
- The protection and restoration of biodiversity and ecosystems

May be relevant

- The transition to a circular economy
- Pollution prevention and control

In the absence of clear applicable criteria for nature-positive activities for a particular jurisdiction, banks can review this and other sustainable finance taxonomies. A small selection of frameworks has been developed by market actors in recent years to define

31 iucn.org/resources/file/summary-towards-iucn-nature-positive-approach-working-paper

activities in line with nature goals. This section provides a brief overview of key points for each framework that.

Table 6: Existing frameworks and credible sources to define activities in line with nature goals

Resource	Applicable to	Notes
Sustainable finance taxonomies e.g. the EU esp taxo4	taxo4 objectives, namely: water and marine, the transition to a circular economy, pollution prevention, and the protection and restoration of biodiversity and ecosystems.	The EU taxonomy ‘substantial contributions’ pillar has been criticised for not being sufficiently supportive of the need for transition finance
IFC Biodiversity Finance Reference Guide	All clients operating in business sectors referenced in the guide, including agriculture, forestry, fisheries, water treatment, infrastructure etc.	Similar to the ‘substantial contributions’ pillar of the EU taxonomy, banks will find more ‘nature-positive’ opportunities but fewer activities similar to the majority of their portfolio
Blue Bonds Guidelines	Sovereign and corporate issuers’ guide for bonds supporting SDG 14—Life Below Water	The new global guidance helps define blue economy typology and eligibility criteria and suggest key performance indicators
Sustainable Blue Economy Finance Initiative—blue finance guidelines and other resources	Finance linked to the ocean/marine ecosystems with a sector focus	Guidelines for: <ul style="list-style-type: none"> ▪ Seafood, shipping, port development, offshore renewables, coastal tourism ▪ Coastal infrastructure, (solid) waste management. ▪ Recommended exclusions ▪ Deep Sea Mining ▪ Offshore oil & gas ▪ Dredging and marine aggregates extraction
Nature-Positive Industry Sector Transitions (WEF, Business for Nature and WBCSD)	All clients operating in business sectors referenced in the guide, including chemical, agri-food, energy, cement and concrete	
Ongoing works of the Coalition of Private Investment in Conservation (CPIC)	A coalition of public and private sector organisations focused on enabling conditions that support a material increase in private, return-seeking investment in conservation	Amongst other actions, CPIC aims to facilitate the scaling of conservation investment by creating models (see “ blue-prints ”) see for investable conservation projects.
LAC Common Framework for Sustainable Finance taxonomies	In development in each country	

Nature-related financial products

The development of financial products that support positive benefits and also help to transition in sectors where risks have been identified are an important part of the bank's contributions to aligning its finance to the GBF and closing the nature finance gap. Tailored financial products are ideally the outcome of successful client engagement (see previous section). The following section reviews developments and available resources and examples, for a) nature-positive finance, and b) transition finance, though in practice these categories can sometimes overlap. Other organisations such as the [Coalition for Private Finance in Conservation \(CPIC\)](#) provide detailed resources on this topic as well (Denke *et al.*, 2023). The Assessment Module of the UNEP FI Impact Analysis Tool for Banks³² can be used to collect data and monitor current practice as a way to support target setting in relation to the provision of financial products and services.

Nature-positive finance is needed to close the nature finance gap; this is defined above to emphasise delivering on GBF impact targets and net gain. Banks have an essential role to play as financial innovators and engineers, who can apply their unique talents to develop new market-based solutions for nature. A growing number of financial instruments are dedicated to financing nature conservation and restoration. Some examples already on the market today for nature³³ include:

Table 7: Examples of “nature-positive” finance on the market

Finance activity	Description
Pooled investment vehicles	Aggregate capital across multiple investors. A portfolio approach of aggregating small nature-related projects can bundle nature projects and meet the risk-return profile requirements of commercially oriented investors.
Bonds	When structured properly, bonds can be an effective mechanism to raise financing for large scale nature-related projects or transition activities, or underpin debt-for-nature conversion. Sustainability-linked bonds with nature KPIs are few but increasing.
Loans	Sustainability-linked loans with nature KPIs are few but increasing, while this is a more established approach for climate finance.
Risk mitigation instruments, such as credit guarantees	Guarantees reduce the risk associated with the borrower while insurance (not normally provided by banks) can provide compensation if a specified risk materialises.
High-quality, high-integrity, carbon credits	Carbon credits have the potential to compensate for emissions in a way that would also halt and possibly reverse nature loss.
Biodiversity credits	Intended to result in measurable positive outcomes for species, ecosystems and natural habitats. The market for these is nascent and their design needs to mature further.

32 [Portfolio Impact Analysis Tool for Banks—UN Environment Programme Finance Initiative \(unepfi.org\)](#)

33 Following analysis conducted by Adhiti Gupta for UNEP, in press.

There are specific guidelines and guidance products that banks should be aware of and follow to preserve market integrity. A number of resources are described in Table 6. For example, for ocean-related or blue bonds the global practitioner’s guide for bonds to finance the sustainable blue economy provides market participants with clear criteria, practices, and examples for “blue bond” lending and issuances. Given that there are **very few opportunities in the pipeline at the level of readiness for banks in conservation and restoration finance currently**,³⁴ purely “nature-positive” finance opportunities will likely be far-fewer in the short-term as compared to transition finance.

Transition finance is a very important part of shifting more bank finance from negative-impact to positive or neutral outcomes. Following the approach of climate transition finance, nature-related impact KPIs (see the [Nature Key Sector List and Action Guidance Resource](#) and Table 8) could in theory be applied to any form of bank transaction, whether debt or equity or mixed. Demonstration projects can be developed by banks to highlight the feasibility of transition finance in priority sectors which have high impacts/dependencies on nature in collaboration with governments, multilateral development banks and other international financial institutions to reduce funding costs and risks for these transactions and help attract private sector investment. The WEF has [suggested](#) a range of transition activities that could deliver USD10.1 trillion of annual business opportunities and 395 million jobs by 2030. Business for Nature, WEF and WBCSD have developed new [guidance](#) for 12 sectors. The sector-specific actions build on the high-level actions businesses should take to credibly help halt and reverse nature loss and contribute to an equitable, nature-positive economy. For food-related sectors, UNEP’s Climate Finance Unit works to proactively unlock and scale up private finance for sustainable land use by supporting blended finance vehicles in food-related commodities. UNEP brings together publicly funded junior subordinate debt, credit guarantees and subsidies to be blended with senior debt from commercial banks to mitigate the costs and risks of transitioning towards sustainable land use that avoids deforestation, rehabilitates degraded land and involves smallholder farmers in global agricultural value chains.³⁵

To explore tangible actions on nature-related finance, we encourage you to explore the [supplement of case studies](#) for case studies from ANZ on climate and nature linked financing/sustainability linked financing in the meat and energy sector, Bank of Ireland’s Woodland Nature Credits, Barclays’ Sustainability Linked Loans in the Real estate sector, BBVA’s Blue Bond for water conservation, water infrastructure and water use efficiency and Water footprint linked loans in the energy and water utilities sector and Crédit Agricole’s new sustainable agri-food fund.

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

35 See [wedocs.unep.org/bitstream/handle/20.500.11822/31216/FSLU.pdf?sequence=1](#)

Table 8: Internationally-recognised sources for defining nature-related KPIs on financial products

<p>Highest order source for KPIs:</p> <ul style="list-style-type: none"> ▪ NBSAPs of country/ies that the financing relates to, ideally updated but draft or previous NBSAP may be used in discussion with stakeholders ▪ KPIs present in other existing policies and/or regulations in-country for topics or sectors e.g. for water, deforestation, genetic diversity. <p>Internationally recognised sources</p> <p>In guidance and frameworks:</p> <ul style="list-style-type: none"> ▪ TNFD metrics including ‘core global metrics’ that apply to all sectors and ‘core sector metrics’ for each sector and assessment metrics³⁶ ▪ Science-Based Targets Network first release of science-based targets for freshwater and land (plus technical guidance for corporates) ▪ GEF programme metrics for global environmental benefits ▪ IRIS+ Catalogue of generally accepted Core Metrics Sets by Theme or Sustainable Development Goal (SDG) for investors from GIIN³⁷ ▪ IIED KPIs for nature outcomes for debt management ▪ KPI registry from ICMA for Sustainability-Linked Bond (SLB) ▪ UNEP Sustainable Land Use Finance Positive Impact directory. The directory suggests 25 indicators for positive impacts over 5 impact categories related to land use finance: forest, climate, biodiversity, livelihoods, sustainable production. <p>Technical approaches/metrics:³⁸</p> <ul style="list-style-type: none"> ▪ STAR metric ▪ Mean Species Abundance ▪ In development: Ecological Integrity Index ▪ Biodiversity Metric 4.0 by Natural England ▪ Others in piloting for net gain

Technical advisory

In addition to providing nature-positive and transition finance, banks can also offer technical assistance to support for example state protected areas agencies or small impact-led organisations to structure or bundle transactions, pro bono or at considerably reduced rates.

Portfolio targets

Banks should aim to categorise their portfolio using the categories mentioned in Chapter 5. Though uneven, the landscape around banks is changing rapidly and banks should be prepared that such tracking and even disclosure will eventually become mandatory,

36 See Annex 1 of the TNFD guidance on the LEAP approach: [tnfd.global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/](https://www.tnfd.org/global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/)

37 In the land use investment space, UNEP and IRIS+ have closely collaborated on metrics alignment. For example, the UNEP land use Hub (developed by UNEP-WCMC) picked IRIS+ most relevant indicators to build its positive impacts directory for sustainable land use finance. Additionally, the recently launched IRIS+ agriculture benchmark used most of the UNEP positive impact indicators to build its framework. Both organisations believe targets and metrics alignment and harmonisation is in the investors’ best interest.

38 Banks may also refer to Annex 2 of the TNFD LEAP approach which has guidance on measuring changes in state of nature for additional technical approaches and metrics. The TNFD will also publish a discussion paper on biodiversity footprint metrics in Q4 2023.

similar to the EU Green Asset Ratio (GAR). The GAR is a mandatory KPI for EU banks, intended to provide a standard and comparable measure of the percentage of a lender's assets invested in environmentally sustainable projects and activities. Banks may develop process targets around the proportion of finance in different categories, though this is likely to be less meaningful than for climate at this stage when proportionally very few bank activities will fall into the 'seek out' or 'avoid'—rather the large majority are likely to be in the middle bracket of transition opportunities.

In this guidance, it is recommended that banks:

- **Headline target: Provide [XX] million/billion volume of lending/capital markets facilitation to contribute to closing the biodiversity funding gap (as defined by the GBF Goal D), i.e. lending to sovereigns and/or companies for nature-positive solutions, the restoration or protection of terrestrial and/or marine ecosystems (as detailed in GBF targets 1–4, 9–13).**
- **Headline target: Provide [XX] million/billion volume of lending/capital markets facilitation for transition finance for clients in identified priority sectors (e.g., sustainability-linked bonds/loans with defined nature related KPIs to demonstrate and incentivize reduction of negative impacts).**
- **Headline target: A target to phase out financing the most harmful activities, as identified by knowledge consensus.** As a final recourse, based on their materiality assessments, banks may need to earmark funding to be phased out for selected most harmful activities. This transition needs to be driven by a scientific perspective on the need to reduce harm. While phasing out the most harmful activities is needed from a scientific perspective, further exploration is required to understand the consequences for banks, especially when dealing with clients whose businesses usually encompass a range of activities. Rather than divesting entirely, client engagement is a more prudent tool, encouraging a transition away from the most harmful activities until clearer conceptual approaches for banks are developed.
- **Additional target: Allocate [XX] million/billion volume or% of climate finance (both mitigation and adaptation) toward nature-based activities.**

By phasing out financing to harmful activities, while increasing lending to nature-positive activities and providing transition finance to clients in highest priority sectors, banks will progressively align their portfolio with the objectives of the Global Biodiversity Framework.

The UNEP FI Impact Analysis Tool for Banks can be used to collect data on portfolio composition, track the status of client engagement and delivery of specialised products and services, and to set practice targets accordingly.

Stakeholder engagement/advocacy and partnerships

As part of a broader set of activities and overall strategy, a bank may consider engaging in advocacy work with policy makers and develop partnerships with others, particularly those that can provide scientific expertise and knowledge that the bank itself may not have.

The purpose for these activities may be to support public policy changes to direct or encourage companies in real economy sectors to transition to nature-positive activities. It also may be to support further research and other activities to improve understanding of nature impacts and dependencies, risks and opportunities.

In this guidance, it is recommended that banks:

- **Priority Action: Engage with policymakers to provide inputs as they develop/revise and implement their National Biodiversity Strategy and Action Plans (NBSAPs) and National Biodiversity Finance Plans (NBFPs)** to support ambitious, transformative, and pragmatic plans of action and financial policies to drive financial flows and resource mobilization towards meeting the vision, goals and targets of the GBF. Such engagement may typically materialize through financial place associations/finance sector coalitions. They include and assume no contradicting engagement and lobbying activities contrary to the pursuit of positive outcomes for nature.
- **Additional action:** Given the important role of women, Indigenous Peoples and Local Communities in successful biodiversity and ecosystems management, seek active engagement with these communities to determine how to reflect concerns and issues into bank nature strategies and to more effectively link to nature conservation and ecosystem management activities in the given context.³⁹ PRB banks should seek to proactively promote community-led solutions.
- **Additional action:** Proactively collaborate with civil society, research groups, institutes, universities, international organisations and governments (national and sub-national) to support efforts to improve understanding of nature impacts and dependencies, risks and opportunities including scientific research and data provision.
- **Additional action:** Collaborate with peers and data providers to support development of robust and commonly acceptable nature-related data and metrics that enable identification and analysis of nature-related impacts and dependencies, risks and opportunities.

³⁹ Banks may refer to the TNFD guidance on engagement with indigenous peoples local communities and affected stakeholders: tnfd.global/publication/guidance-on-engagement-with-indigenous-peoples-local-communities-and-affected-stakeholders/

Recognising the importance of aligning internal actions with the imperative of nature conservation, banks need to commit to foster internal coherence and collaboration across all departments and verticals to work collectively in ensuring that its policies, practices and initiatives consistently support the interests of nature. Through a unified internal approach, banks can engage with policy makers in a more cohesive and effective manner thus serving both the best interest of all stakeholders and integrating nature related considerations throughout the organisation.

Many PRB banks are actively engaging key stakeholders—many are members of TNFD, Finance for Biodiversity Pledge and taking part in TNFD pilots. To learn about additional existing actions on stakeholder engagement, please refer to the supplement of case studies for case studies from Bank of Ireland in engaging the Irish Government to develop Woodland Nature Credits, Rabobank in engaging with WNF—the Dutch chapter of the WWF, farmers’ organisations, food supply chain partners, land users, consumers, academia and (local) governments, Crédit Agricole S.A’s collaborations with national and international initiatives to better understand the impacts and risks of nature loss, as well as potential opportunities to contribute to the preservation, conservation and restoration of biodiversity.

6. Hypothetical targets

It can be challenging for banks to conceive of appropriate targets with so few examples in the marketplace to follow. This box provides some hypothetical examples as inspiration, relating the bank circumstances to how the bank can prioritise appropriately.

Hypothetical bank, key risks/dependencies/impacts in portfolio	Sample targets to tackle the identified risks/dependencies/impacts and related opportunities
<p>Medium-sized bank focused on agriculture and supply chains in Amazon and Cerrado biomes of Brazil. Regulatory risks around deforestation. Impacts related to land, climate, biodiversity and water especially linked to cattle intensification.</p>	<p>Policy: 100% of new loans and investments linked to cattle are applying the IFACC Environmental Framework.⁴⁰</p> <p>Client Engagement: 80% of existing clients in high impact sectors are engaged to be aware of the framework. 60% have adopted the framework by 2025.</p> <p>80% of direct suppliers to clients are traced, and 80% of cattle across the portfolio are traced, including 100% from high deforestation areas.</p> <p>Impact targets: Quantity of avoided carbon emissions by clients applying the Environmental Framework in TCO₂.</p> <p>Estimated area of natural ecosystem conversion avoided across the portfolio:% annual reduction to 2030.</p>

40 See nature.org/content/dam/tnc/nature/en/documents/brasil/tnc-environmentalframeworkcattle.pdf.

Hypothetical bank, key risks/dependencies/impacts in portfolio	Sample targets to tackle the identified risks/dependencies/impacts and related opportunities
<p>Large domestic agricultural bank supporting emerging/black economic empowerment sugar and fruit farmers in grassland biomes in South Africa. Several water stress and groundwater depletion issues. Many agricultural areas adjacent to national and provincial protected areas, and other Key Biodiversity Areas including sensitive wetland habitats. In this case, looking at dependencies may be particularly important as client activities considerably influence key strategic watersheds in a water-stressed area with high economic and livelihood dependencies on the resource.</p>	<p>Risk management: Human rights policy and appropriate social safeguards applied.</p> <p>Client engagement: 100% of new clients have undertaken baseline environmental assessments following WWF-SA, Bonsucro, or other recognised guidance. 100% of existing clients in <80km from a KBA have undertaken assessments.</p> <p>All willing clients have a subsidised/free mapping undertaken to identify improved agricultural layout and to allow set-aside for valuable biodiversity migration or habitat.</p> <p>80% of clients across the portfolio are monitoring groundwater use by 2025. 100% of clients in high water stress areas (defined by WWF-SA water stress map, updated quarterly) are applying water reduction measures.</p> <p>Impact targets: Total hectares set aside for biodiversity:% annual increase across the portfolio. Where feasible, biodiversity ‘set-asides’ without fencing on freehold land adjacent to Protected and Conserved Areas (PCAs) can contribute to the NBSAP 30x30 target. (This kind of target could have unintended impacts on IPs & LCs, so it is worth considering bringing a social dimension into these targets.)</p> <p>Quantity of freshwater, avoided use:% annual decrease across the portfolio.</p> <p>Highlighting the dependencies in these examples can help formulate ambitious targets—for example clients engaged in watershed protection, wetland restoration etc. (not just dealing with the driver of water consumption). Impact targets could also include this—protection and restoration of FW and terrestrial ecosystems to protect watersheds for example.</p>

Hypothetical bank, key risks/dependencies/impacts in portfolio	Sample targets to tackle the identified risks/dependencies/impacts and related opportunities
<p>Large bank in South-East Asia. Lending to palm oil producers and distributors on Borneo and Sumatra islands. Ecosystems are majority degraded peatland. Niche products aimed at cooperatives of small-scale farmers who manage roughly 40% of Indonesian oil palm plantations, and could improve their yields through improved farming techniques and better-quality seeds. Bank receives de-risking support from IFC and a donor government to reach the most remote smallholder coops, to promote financial inclusion and market development.</p> <p>The historic displacement of local communities including smallholder farmers, in favour of the introduction of palm oil, has prompted the loss of traditional agricultural and ecosystem management practices.</p>	<p>Risk management: Human rights policy and appropriate social safeguards applied. Landscape-wide view on deforestation and ecosystem management.</p> <p>Client Engagement: 100% of new clients receive free training in yield-boosting and sustainable farming techniques. 100% of existing clients are offered the training, and 60% of existing clients have undertaken it by 2025.</p> <p>100% of new and existing clients are provided with information on seed quality, via sms.</p> <p>Impact targets: <i>Social considerations should be paramount: target-setting is informed by a human rights approach. Suggest to use practice targets with clients only to limit monitoring and reporting burden on smallholder coops.</i></p> <p>Deforestation rates in the region, monitored using remotely sensed data, are halted or reversed at 100% of client sites.</p>
<p>Large European bank involved in project finance syndicates for the development of cobalt, lithium, zinc and manganese mining projects in west and central Africa. Compliance requirements with national and EU laws. Operating in regulatory uncertainty about conservation laws in the countries where the metals and minerals are present and characterised by poor land governance, known violations of human rights, no clear definition of FPIC, and high terrestrial biodiversity particularly in forests.</p>	<p>Risk management: E&S safeguards and standards outlined by ICMM are rigorously applied. Host country and stakeholder agreement on FPIC.</p> <p>Client Engagement: 100% of new and existing clients informed about safeguards and expectations, including application of Equator Principles and related safeguards. Biodiversity monitoring and action plan at client sites.</p> <p>100% of new client agreements and renewals contain covenants about applicable environmental and social standards.</p> <p>60% of clients in the most environmentally sensitive areas commit to set SBTNs and/or a biodiversity net gain target, as appropriate, or a financial contribution towards adjacent PCAs, negotiated with stakeholders.</p> <p>Impact targets: Deforestation rates in the region, monitored using remotely sensed data, are halted or reversed at 100% of client sites.</p> <p>Rights and livelihoods of IPs and LCs respected and supported according to policies and agreed actions plans at 100% of client sites.</p>

7. Reporting and disclosure

As banks begin to understand the level of exposure of their portfolios to nature-related risks and impacts, and start to implement responses to identified impacts through actions and targets, they should aim to disclose those to provide transparency to stakeholders. Disclosure is vital to track progress against targets. This section presents recommendations for reporting on nature-related issues and targets, building upon the TNFD recommendations and the PRB self-assessment template, and includes key metrics to disclose.

Reporting on nature-related impacts and dependencies, risks and opportunities⁴¹

The organisation should use an appropriate reporting approach to support the integration of the assessment into the definition of a mitigation response. Mitigation responses should include a combination of:

- Strengthened leadership and organisational culture to ensure that nature-related risks, dependencies, impacts and opportunities are understood and addressed within the bank's business;
- Improved safeguards;
- Sector and/or geography-specific policies and/or exclusions that may allow the organisation to reduce its exposure to risky sectors and sensitive geographies or biomes;
- Proposals for integrating the consideration of nature-related risks within the client risks assessment process;
- Proposed engagement including internal awareness and capacity building, external client engagement, as well as engagement with regulators and financial supervisors;
- Development of a pipeline of investments that are positive to nature.

41 Corresponding to the "prepare" phase of the TNFD LEAP approach

Key metrics for reporting and disclosure on nature-related impacts and dependencies, risks and opportunities

Metrics for reporting on the analysis of nature-related impacts and dependencies, risks and opportunities for financial institutions are [proposed](#) by the TNFD and, for banks established in the European Union, in the EU ESRS E4 on Biodiversity and ecosystems but also more broadly ESRS E2–E5.⁴² Note that the ESRS are mainly for own-operations and not value chain, thus may not be well-adapted to banking.

In general, a bank may consider using:

- The TNFD core global metrics for dependency, impact, risk and opportunity as adapted for financial institutions in [TNFD additional guidance for financial institutions \(v1.0, published September 2023\) finance sector supplement](#).
- Financial metrics, such as amount of financing provided to activities with high dependencies/impacts/sector exposure/geographic and biome exposure, as well as amounts allocated to financing of activities with positive impacts on nature;
- Portfolio composition metrics such as percentage of financing allocated to activities with high impacts and dependencies on nature and number of clients operating in high-impact/high-dependency sectors, within sensitive geographies/biomes, etc;
- “Response” metrics related to the organisation’s responses to identified nature-related dependencies, impacts, risks and opportunities, at various levels of the organisation, such as:
 - Governance, including metrics reflecting the Board’s oversight of the institution’s exposure to nature and definition of accountability and responsibilities within the organisation;
 - Strategy, including metrics for client engagement on nature and green transition support, adoption of policies and safeguards, etc.;
 - Risk management, including such as sector-specific risks, dependencies and impacts assessment, requirements and exclusions, safeguards implementation, etc.

With increased TNFD disclosure by clients, it will become more possible to disclose impact-related metrics.

The TNFD recommends that an organisation discloses and prioritises for assessment locations where there are assets and/or activities in the organisation’s direct operations, and upstream and/or downstream and/or in financed activities, in:

- High integrity ecosystems; and/or
- Areas of rapid decline in integrity; and/or
- Areas of high biodiversity importance; and/or
- Areas of water stress; and/or
- Areas where the organisation is likely to have significant potential dependencies and/or impacts.

⁴² See e.g. finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/corporate-sustainability-reporting-directive_en

The recommended criteria for these categories are outlined in [TNFD guidance](#). If any one of the criteria is met, the location should be considered a priority for assessment and disclosure.

Banks should also consider scaling their approaches for small and medium-sized clients or clients in emerging markets, to avoid creating barriers to financing, where the potential for harm is more limited.

PRB Reporting on nature-related target

PRB banks setting nature-related targets should report on their targets through Section 2.2 of the PRB Reporting and Self-Assessment [Template](#).

Specifically, PRB banks should disclose:

- a.** Alignment: international, regional or national policy frameworks your bank is aligning with.
- b.** Baseline: baseline for selected indicators and current level of alignment.
- c.** SMART targets (incl. key performance indicators (KPIs): detailed target and KPI to monitor progress towards reaching the target.
- d.** Action plan: actions including milestones your bank has defined to meet the set targets.

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Annex

Additional resources	
Beyond 'Business as Usual': Biodiversity targets and finance. Managing biodiversity risks across business sectors (UNEP, UNEP FI and Global Canopy 2020)	<p>This report shines a spotlight on the urgent need for financial sector action on biodiversity. It enables financial institutions to gain an understanding of where the highest risks lie within their current activities to inform their target setting.</p>
Banking on nature: What the Kunming-Montreal Global Biodiversity Framework means for responsible banks (UNEP FI 2023)	<p>This briefing provides banks a first overview of how the Global Biodiversity Framework applies to their industry, through the axes of risk, opportunities, dependencies and impacts. It presents a cross-walk of activity by bank department that are illustratively necessary to fully respond to the GBF call to action</p>
Stepping Up on Biodiversity: What the Kunming-Montreal Global Biodiversity Framework means for responsible investors (UNEP FI, PRI and Finance for Biodiversity Foundation 2023)	<p>This report provides an overview of the goals of the GBF and recommendations on how investors should implement them. It supports investors in managing associated risks and preparing for anticipated policy developments.</p>
High-level roadmap for Aligning financial flows with the Kunming-Montreal Global Biodiversity Framework (UNEP FI, CBD, UNDP, World Bank, Finance for Biodiversity Foundation and Finance Montréal 2023)	<p>The briefing provides an overview of the key implications of the GBF for finance and the role that policymakers, financial supervisors, as well as public and private financial organisations can and should play in contributing to the successful implementation of the GBF</p>
Principles for Responsible Banking Nature Community⁴³	<p>This learning platform supports the PRB membership in building knowledge and capacity through interactive online sessions and easy-to-digest material.</p>

43 If your bank is interested in joining, please contact the UNEP FI Secretariat.

UN 
**environment
programme**

**finance
initiative**

UNEP Finance Initiative brings together a large network of banks, insurers and investors that collectively catalyses action across the financial system to deliver more sustainable global economies. For more than 30 years the initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda. We've established the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance (ESG) challenges.

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