

Financing the Nature-Positive Transition: Understanding the Role of Banks, Investors and Insurers

June 2024

Key messages

- 196 countries agreed to halt and reverse nature loss with the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) in 2022. It is time for banks, investors and insurers to seize the potential opportunities and mitigate the impending risks this economic transition is likely to create.
- The World Economic Forum estimates that \$10 trillion worth of annual business opportunities and 395 million potential jobs can be created by 2030 through 15 systemic transitions. These transitions would require up to \$2.7 trillion in annual investment, opening significant lending and investment opportunities for financial institutions.
- Private finance flows into innovative nature financing mechanisms, including biodiversity credits, impact investments, or blended finance mechanisms, grew elevenfold in four years. Natural capital is emerging as a viable asset class, given its financial and sustainability benefits. Over 40% of surveyed investors are investing in private debt or equity to protect or enhance nature.
- To monitor and mitigate nature-related risks, mandatory and voluntary guidance on nature is being developed by regulators, central bankers and market-led initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD).
- Climate change and nature loss need to be tackled together. Financial institutions can build on their efforts towards the net-zero transition to take action on nature now.
- The existence of a nature disclosure gap starts being addressed as leading financial institutions begin to request nature-related data from companies.
- Among all potential actions, this initiative has identified two priority areas:
 1. Development of a nature transition plan assessment framework for financial institutions to prioritize and locate relevant information and data to assess companies' nature performance and inform their decision-making.
 2. Collaboration with public finance and industry to create de-risking and financing mechanisms to reduce the impact on nature.

This briefing seeks to:

- Articulate key arguments for why financial institutions must take action on nature now.
- Make sense of the "nature finance" landscape and highlight crucial resources.
- Outline priorities for the World Economic Forum's *Financing the Nature-Positive Transition* initiative in 2024 and 2025.

Download here [↓](#)

A structured bibliography of key resources for financial institutions on "why" and "how" to take action on nature.

Developed by the World Economic Forum in collaboration with Oliver Wyman

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Context

The state of nature has been declining rapidly, with wildlife populations shrinking by an average of **69%** over the past 50 years. Additionally, **three-quarters** of the Earth's land surface has been severely altered by human activity. This represents not only an environmental crisis, but also a significant risk to economic stability, as **over half** of the world's gross domestic product (GDP) is highly or moderately dependent on nature.

In 2022, 196 countries adopted the Kunming-Montreal Global Biodiversity Framework (GBF). As such, the countries are required to translate the GBF into national policies and sectoral guidance, urging all parts of society to tackle nature loss **alongside the climate crisis**.

Nature loss can be attributed to the following five drivers: climate change, human alterations to land, freshwater and oceans; direct exploitation of natural resources; pollution; and invasive species. Rather than treating climate and nature as isolated efforts, financial institutions need to integrate their nature-related initiatives with existing net-zero strategies. Nature-based solutions¹ can lead to substantial economic savings, with an estimated **\$104 billion** saved by 2030 and **\$393 billion** by 2050.

Kunming-Montreal Global Biodiversity Framework (The "Biodiversity Plan")

In December 2022, 196 countries pledged to take urgent action to halt and reverse biodiversity loss by 2030 and achieve full recovery by 2050.² Countries are required to update their **national biodiversity conservation strategies and action plans (NBSAP)** and are **enhancing their Nationally Determined Contributions (NDCs) with nature-related commitments**. For example, China updated its NBSAP in January 2024, and **Chinese stock exchanges** are already proposing mandatory sustainability reporting requirements for all listed companies.

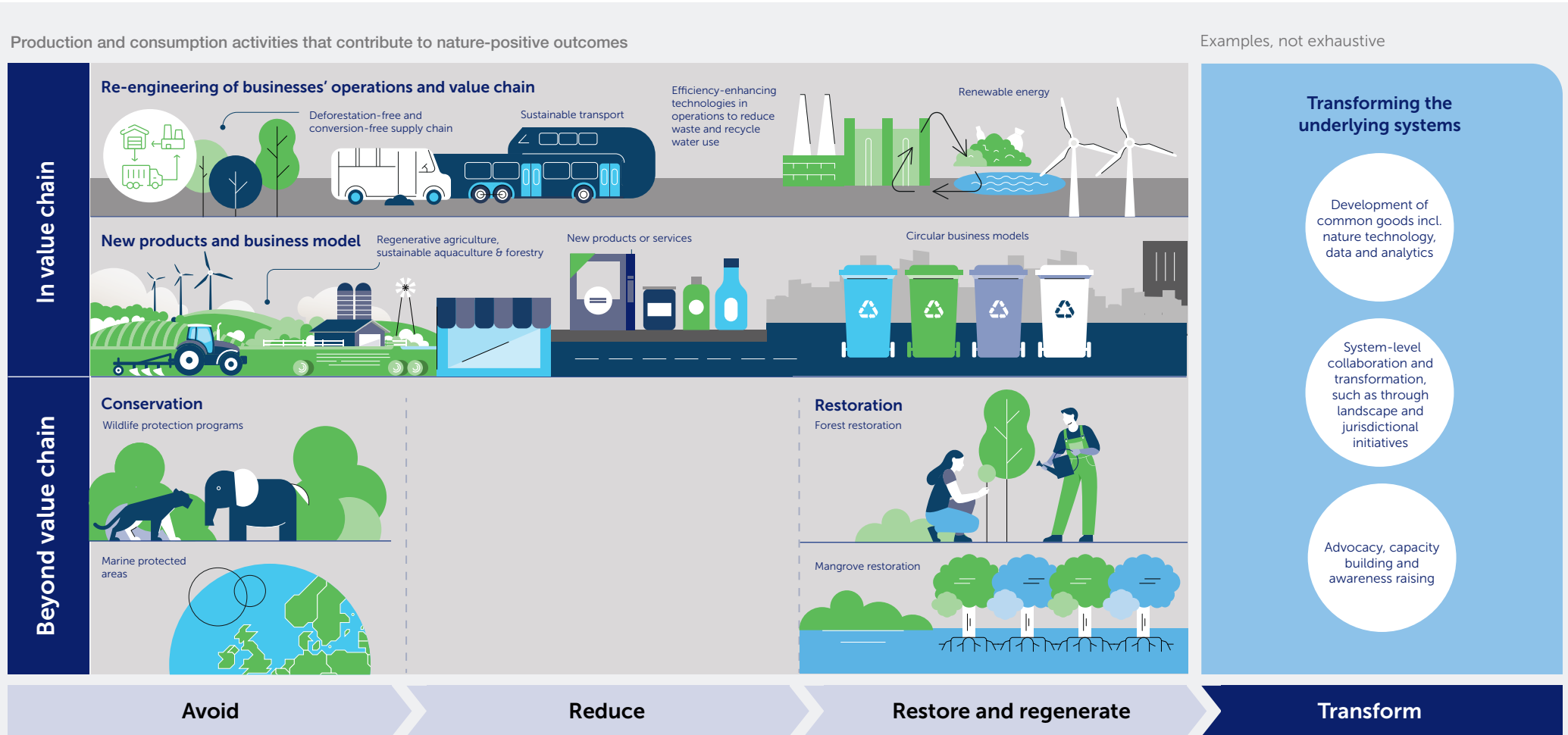
In October 2024, the 16th meeting of the Conference of the Parties (COP) to the Convention on Biological Diversity (**COP16**) will take place in Cali, Colombia. The upcoming conference can be seen as the first implementation COP on biodiversity, during which governments and businesses will come together to share progress to date and push for more action on targets. While all targets are relevant to financial institutions, targets 14 (mainstreaming biodiversity in decision-making), 15 (mandatory assessment and disclosure), 18 (repurpose and reform subsidies) and 19 (innovative financial solutions) require immediate attention from financial institutions.



Acting on nature-related opportunities

What can be financed?

FIGURE 1
Financing the nature-positive transition – examples of what to finance (financing solutions)



Applies to different drivers of biodiversity loss,* depending on the most material nature-related impacts and dependencies in sectors companies operate in

*Note: Drivers of biodiversity loss include climate change, land-, freshwater- and sea-use change, direct exploitation, invasive alien species, pollution; please note the chart depicts examples rather than a prescriptive definition.

Source: World Economic Forum and Oliver Wyman



Financing nature conservation and restoration is critical but not enough. Financial institutions must also allocate and scale capital towards the transformation of corporates' operations and value chains.

Financial institutions can support companies reduce their impact on nature by participating in three types of operations:

- 1 Financing “in-value chain” transformation of corporate business practices**, involving technologies (e.g. low-carbon products, recycling), business models (e.g. regenerative agriculture), and production and consumption practices that avoid and reduce a company’s negative impact on nature.
- 2 Financing “beyond value chain” conservation and restoration projects and activities**, which include, among others, protecting wildlife, cleaning up coastal and marine areas, or restoring mangroves.
- 3 Engaging to transform the underlying systems**, such as through landscape and jurisdictional initiatives, policy advocacy, supporting subsidy reform, capacity building and awareness raising.

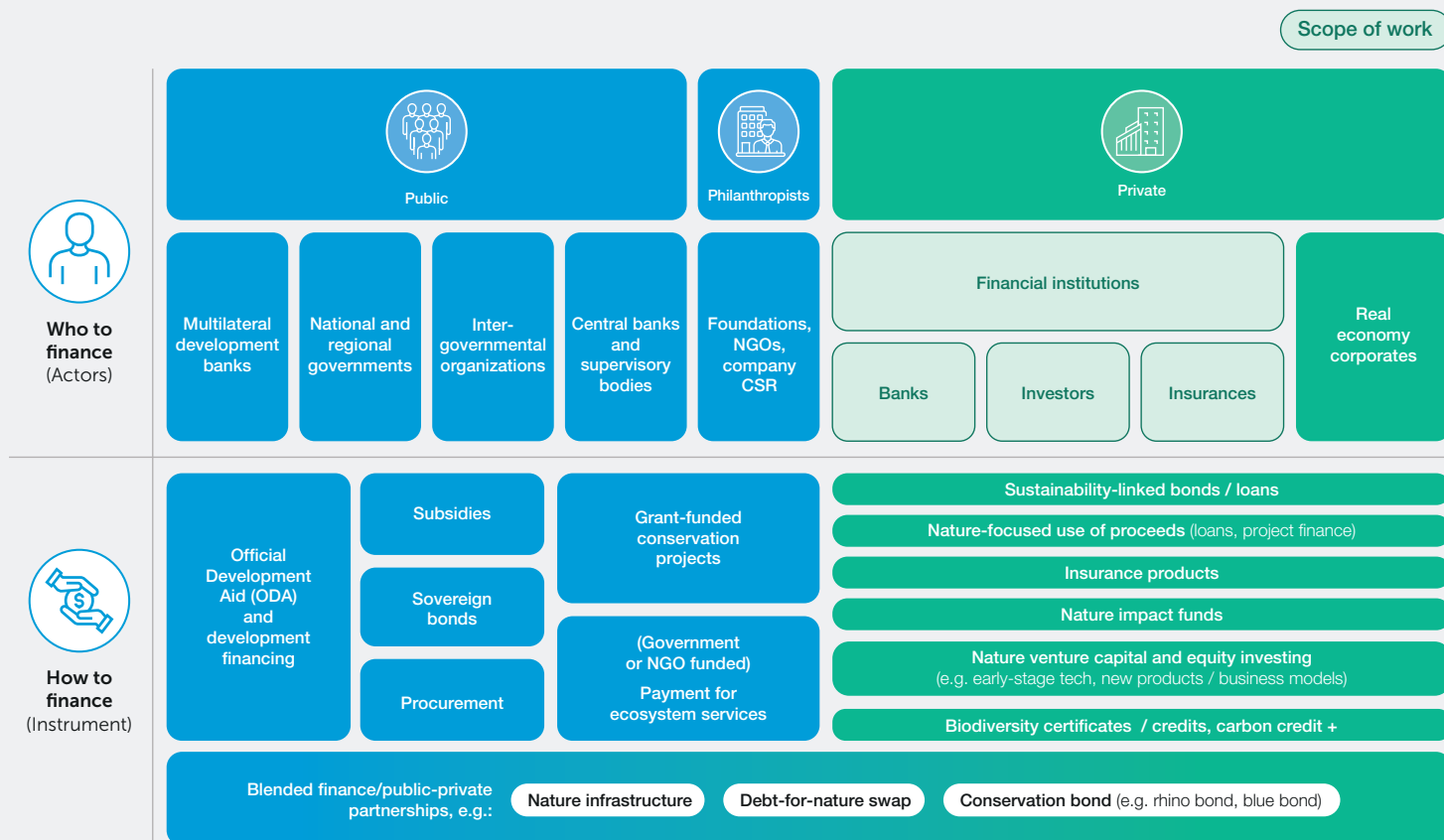
Across all of the above-mentioned spheres of influence, [sector-specific actions](#) have been identified for 12 global sectors – including chemicals, construction material, household products, fashion and agri-food – which companies can take to reduce impacts on nature. These sectoral transitions will create significant “in-value chain” lending and investment opportunities for financial institutions. For example, [CDP data](#) shows companies reporting a suite of opportunities arising from tackling the global water crisis could make them a combined \$436 billion, with an average gain of over \$250 million per company reported in 2022.



How can the transition be financed?

FIGURE 2

Financing the nature-positive transition – examples of who (financing actors) and how to finance (financing instruments)



Source: World Economic Forum and Oliver Wyman



While absolute volumes remain low, the relative growth of private finance flows has been significant, with an elevenfold increase during the past four years due to growth in alternative investments, traded debt, private equity, and more.

The number of innovative nature-related [financing mechanisms and products](#) is growing. While absolute volumes remain low, relative growth of private financing has been significant, increasing from \$9.4 billion to over \$102 billion in the past [four years](#). The largest asset classes contributing to growth are alternative investments (\$57 billion), traded debt (\$27 billion) and private equity (\$7 billion). Also, sustainability-linked loans and bonds with a nature component are increasing. [Sustainable Fitch](#) reports that the share of green and sustainability bonds featuring terrestrial and aquatic biodiversity represented up to 16% of bonds issued in 2023 from just 5% in 2020. Additional relevant asset classes include natural capital and de-risking measures, complemented by traditional instruments, as well as public and blended financing utilizing guarantees or first-loss structures.

Managing nature-related risks



The World Economic Forum's Global Risks Report 2024 reveals four out of the top five global economic risks over the next 10 years are related to nature and climate. Central bankers and supervisors in many regions see clear reason to be concerned about nature-related financial risks and have started issuing rules and guidance for actions needed by financial institutions.



Nature loss poses physical, transition and systemic risks for financial institutions, causing financial losses through, for example, disruption of value chains, raw material price volatility, or relocation of activities. [CDP data](#) highlight the potential financial impacts of nature-related risks – as much as \$300 million on average just from forest-related deforestation risks were reported per company in 2022.



Physical risks result from the degradation of nature and loss of ecosystem services. Examples of physical risks are the loss of freshwater for the beverage industry or the demise of pollinators in agriculture. The Dutch Central Bank (De Nederlandsche Bank), in collaboration with the Netherlands Environmental Assessment Agency (PBL), reports that **36%** of Dutch financial institutions' total assets, or €510 billion in investments, are highly or very highly dependent on nature.



Transition risks stem from corporate impacts on nature, manifesting as risks from changes in regulation and policy, legal precedent, technology or investor sentiment and consumer preferences, which can lead to significant financial costs.



Systemic risk, where impacts and dependencies on nature can spread through the entire economy, triggering widespread defaults and devaluations that would ripple through companies and financial institutions with systemic consequences for the broader ecosystem as well as overall financial stability. For example, deforestation related to animal agriculture in the Amazon can lead to [changes in regional rainfall](#) patterns affecting hydropower output and agricultural productivity across South America.

The risks described above have not escaped the attention of regulators, central banks, supervisors and market-led initiatives – all of which are developing regulations and guidance on voluntary disclosure to support financial institutions to manage these risks. Importantly, as the compounded effects of climate change and nature loss intensify the systemic risks to social and economic systems, it is imperative to address climate, nature and human societies as interdependent and interconnected systems.

Standard setters have begun to recognize the relationship between climate change and nature and are increasingly looking to align efforts, requiring companies to provide additional transparency on impacts and risks related to natural ecosystems and the just transition, in addition to climate-related disclosure. See Annex 1 for an overview of the emerging regulations and guidance on nature.

Priority actions financial institutions can take to address key challenges

While opportunities and risks are clear, there are multiple barriers currently blocking financial institutions from scaling up capital flows that contribute to reducing the impact on nature. The World Economic Forum's engagement with financial institutions identified three key barriers preventing financial institutions from taking actions on nature:

Challenges	Actions that financial institutions can take
<p>1 Data availability on corporate disclosures (Highlighted as a key challenge by most financial institutions)</p>	<p>Prioritize and locate relevant information and data to assess companies' nature performance and inform decision-making and get started with the data that is already available even if scarce</p>
<p>2 Lack of resources, skills and expertise (Highlighted as a key challenge by many financial institutions)</p>	<p>Build the skills and capabilities needed to support the nature transition internally</p>
<p>3 Unclear business case (Highlighted as a key challenge by some financial institutions)</p>	<p>Collaborate with public finance and industry to create de-risking and financing mechanisms that will help build strong business cases to reduce the impact on nature</p>

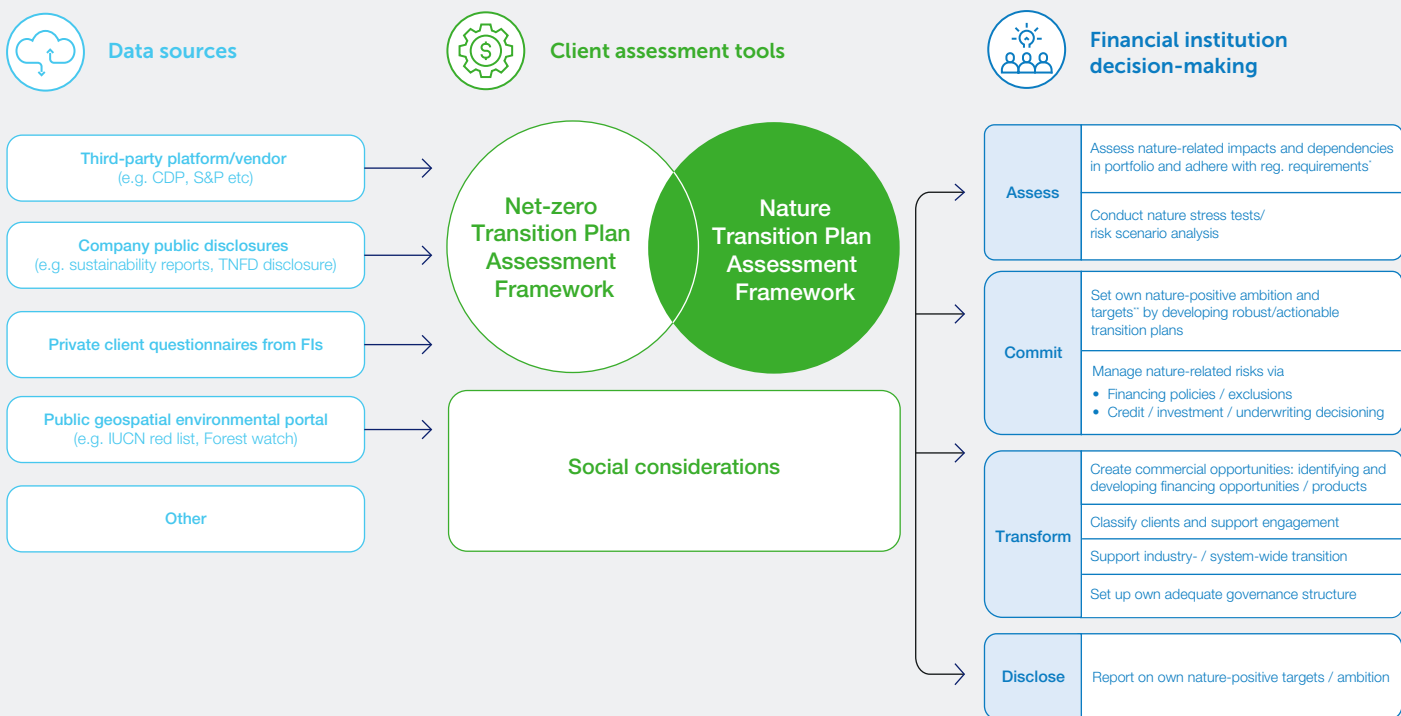
Recognizing that these challenges exist, financial institutions can nevertheless get started to think about how they can systematically start to take nature into account in their decision-making, direct capital towards nature-positive activities, and engage with clients and investee companies on the agenda. As part of the "Financing the Nature-Positive Transition" workstream for 2024-2025, the World Economic Forum proposes to support financial institutions to address these challenges by:

- 1 Developing a nature transition assessment framework for financial institutions to prioritize and locate relevant information and data to assess companies' nature performance and inform their own decision-making**

Financial institutions' progress in nature directly depends on the companies they engage with. As such, they must understand the nature-related impacts, dependencies, risks and opportunities of these companies. However, the shortage of standardized nature-related information from corporates poses a barrier for financial institutions to assess nature performance and take informed actions. [The World Benchmarking Alliance \(WBA\)](#) found that only **2% of the biggest 350** companies in the food and agriculture sector globally currently disclose their environmental impacts despite being among the most nature-dependent industries. Furthermore, [the CDP 2023 disclosure factsheet](#) highlights that only 38% of companies that disclose through the organization provided performance information on nature-related issues beyond climate, and 382 companies already committed to disclose in line with TNFD.

On the other hand, leading financial institutions are starting to request nature-related data from companies and/or source data from external providers and are starting to assess companies' nature performance using standardized data disclosed through CDP questionnaires, embedding nature-related questions into (climate) risk assessment procedures, and more. To aid financial institutions in this endeavour, the World Economic Forum, together with Oliver Wyman, is planning to develop a nature transition plan assessment framework.

FIGURE 3
Nature transition plan assessment framework



*Note: Also see TNFD'S LEAP approach or SBTN framework. ** Also see, e.g. target-setting guidance for investors by FfB.

Source: World Economic Forum and Oliver Wyman



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The nature transition plan assessment framework can support financial institutions in prioritizing and locating a common set of relevant information from various data sources to inform their own decision-making and in turn drive actions on nature across the dimensions of assess, commit, transform and disclose. At the same time, it can build on net-zero transition assessment frameworks already being utilized by leading financial institutions and assess companies' nature performance across three dimensions: their starting point; their ambitions and targets; and the credibility and achievability of their future plans:

FIGURE 4

Nature transition plan assessment framework – sample output (to be detailed)

Three dimensions of information needed	Net zero	Nature positive	
	Information currently used by FIs to assess net-zero transition plans	Sector-agnostic general information	Sector-specific information
1 Starting point (Assess)	<ul style="list-style-type: none"> Emissions baseline Emissions historical progress 	<ul style="list-style-type: none"> Location-specific assessment of most material nature impacts and dependencies, risk and opportunities (e.g. leveraging TNFD LEAP approach or the SBTN framework) Nature scenario analysis 	
2 Ambition and targets (Commit)	<ul style="list-style-type: none"> Interim targets Long-term targets Ambitions of targets (e.g. vs pathway) 	<ul style="list-style-type: none"> Nature ambition Nature targets in place + methodology Key nature-related metrics expected (leveraging TNFD core disclosure metrics) 	<ul style="list-style-type: none"> Key sector-specific metrics expected (leveraging TNFD sectoral metrics)
3 Transition credibility and achievability (Transform)	<ul style="list-style-type: none"> Governance Incentives Policies Capex Climate R&D spend Offsets Sector-specific actions 	<ul style="list-style-type: none"> Strategy and actions Governance Incentives Policies Nature aligned capex and opex Changes in products, services, and business models, market exposure Nature R&D spend Independent verification of actions Engagement plan 	<ul style="list-style-type: none"> Sector-specific strategies and actions (leveraging sector transition guidance developed by WEF/WBCSD/IFN) Sector-specific policies

Priority information

Mature information

Source: World Economic Forum and Oliver Wyman

Value added

This initiative will inform, draw on and align with the related efforts of other organizations on nature transition plans, such as:

- “Nature Transition Plan” guidance being developed by the TNFD (to be published in draft for consultation in October 2024 with final guidance published Q1 2025)
- “Nature in Net-Zero Transition Plans” supplemental, voluntary guidance being developed by GFANZ (to be released for consultation in October 2024 and published Q1 2025)
- “Nature Transition Planning” technical report being developed by WWF (to be published October 2024) and “Nature Transition Plan Framework” being developed by CDP



2 Collaborating with public finance and industry to create de-risking and financing mechanisms that will help build strong business cases to reduce the impact on nature

Engaging to transform the underlying systems is equally important to reduce the impact on nature and is an opportunity to develop de-risking measures, and tailored financing mechanisms, including early-stage investments and thematic funds. This can help address some of the challenges associated with respective impact-reducing financing solutions, such as high upfront costs, a lack of clarity on the baseline and the end goal (“what are we transitioning towards”), as well as a multitude of small, fragmented projects lacking clear revenue models.

Mechanisms that consider a landscape approach are critical to the transition because the broader landscapes within which companies operate encompass multiple social and environmental issues and often responsibility for impacts are shared and the solutions require collaborative action.

Financial institutions can **join forces with public finance and real economy corporates to develop financing blueprints** that represent investable market opportunities with an attractive economic return. Sharing success stories can simulate a larger pipeline and mobilize more private and public finance over time, creating the conditions for mainstream nature-based solutions worth pursuing at scale. Existing guidance and blueprints have been developed by the Coalition for Private Investment in Conservation ([CPIC](#)) and most recently, the EU-funded [Sustain Project](#).

At the same time, economic benefits from financing nature transition plans are dependent on a **harmonized taxonomy** to enable the development and classification of financial products in line with such a taxonomy as well as an **incentive scheme** that prices externalities making it costly to invest in harmful activities and rewarding those that act in line with nature and [target 18 of the Global Biodiversity Framework](#).

Hence, financial institutions should **engage with policy-makers** 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 financial policies to drive financial flows and resource mobilization towards meeting the vision, goals and targets of the GBF. Such engagement may materialize through participating in the [Finance for Biodiversity's Public Policy Advocacy working group](#), contributing to [Business for Nature's policy work](#), joining the World Economic Forum's [Champions for Nature](#), becoming a [TNFD adopter](#) and disclosing through [CDP](#), [among others](#).

Engaging with the World Economic Forum

Nature-positive transition assessments framework: In 2024-2025, the World Economic Forum – in collaboration with Oliver Wyman – aims to develop a nature transition assessment framework for financial institutions.

Financing blueprints: Further work (2025+) will be focused on identifying the largest nature opportunities and developing corresponding investor blueprints (financing and de-risking mechanisms) to showcase investable market opportunities with an attractive economic return and hopefully stimulate more action from private sector financial institutions going forward.

To engage further, contact Akanksha Khatri, Head, Nature and Biodiversity, World Economic Forum, by email at akanksha.khatri@weforum.org.

This document was produced with feedback and support from the co-authors in collaboration with Oliver Wyman.



Thanks also go to many organizations that provided invaluable feedback, including TNFD, Capitals Coalition, GFANZ, Business for Nature, The Climate Champions Team and the World Benchmarking Alliance.

The co-authors of this briefing will continue to collaborate to support corporates and financial institutions to take action on nature.

Annex 1: Overview of regulation and guidance on nature

Regulations

- In Europe, the [CSRD \(ESRS E4-1\)](#) requires corporates with high nature materiality to start disclosing transition plans on biodiversity and ecosystems, which is expected to influence financial reporting requirements (SFDR) in the near term and already incentivizing European financial institutions to conduct nature materiality assessments.
- By December 2024 the [EU Deforestation Regulation \(EUDR\)](#) will become applicable for companies placing commodities or products on the EU market. Companies can only sell their products if suppliers provide a due diligence statement confirming that products do not originate from deforested land or contribute to forest degradation after December 2020. This will require more financial institutions to put in place deforestation policies and rethink their lending/investment activities.
- In France, [Article 29 of the French law on Energy and Climate](#) already requires all French financial institutions – including banks, investors and insurers – to disclose biodiversity-related risks alongside their climate-related risks.

Voluntary disclosure standards

- Central banks such as the [Monetary Authority of Singapore](#) and intergovernmental organizations like the Organisation for Economic Co-operation and Development (OECD) are working on developing disclosure requirements for financial services firms' nature transition plans.
- The GRI recently published (2024) its [GRI 101: Biodiversity Standard](#), aimed at enabling companies and financial institutions to publicly disclose their most significant biodiversity impacts, and how they are managed.
- [The CDP corporate disclosure platform](#) is combining and operationalizing disclosure on climate and nature-related environmental issues, collecting data that follows the latest science, aligns with high-quality disclosure frameworks and standards, and encourages more holistic environmental management.

Framework methodologies and tools/guidance

- Central banks and supervisors, convened by the Network for Greening the Financial System (NGFS), are working on [understanding and assessing nature-related risks](#), developing recommendations on nature stress tests and [scenarios analyses](#) with the basic playbook expected to follow climate risk management recommendations.
- The [UNEP FI/PRB](#) and the [Finance for Biodiversity Foundation \(FfB\)](#) have developed Nature target setting guidance for banks and investors respectively.
- Business for Nature has launched in collaboration with its partners the Nature Strategy Handbook, that helps business as well as financial organizations with practical guidance for developing a nature strategy.
- The Capitals Coalition is providing guidance on how to measure and value impacts and dependencies on nature, through the Natural Capital Protocol and the Financial Sector Supplement.
- [PBAF](#) has developed standards on Biodiversity footprinting and the assessment of dependencies on ecosystem services, providing guidance on and contributing to the harmonization and mainstreaming of impact and dependency assessment approaches.
- The [SBTN](#) is planning to launch nature target-setting guidance for financial institutions this year.
- The [TNFD](#) is planning to launch its final additional guidance for financial institutions in June 2024.
- [NA100](#) and Finance for Biodiversity are developing investor engagement guidance to influence corporates to act on nature.



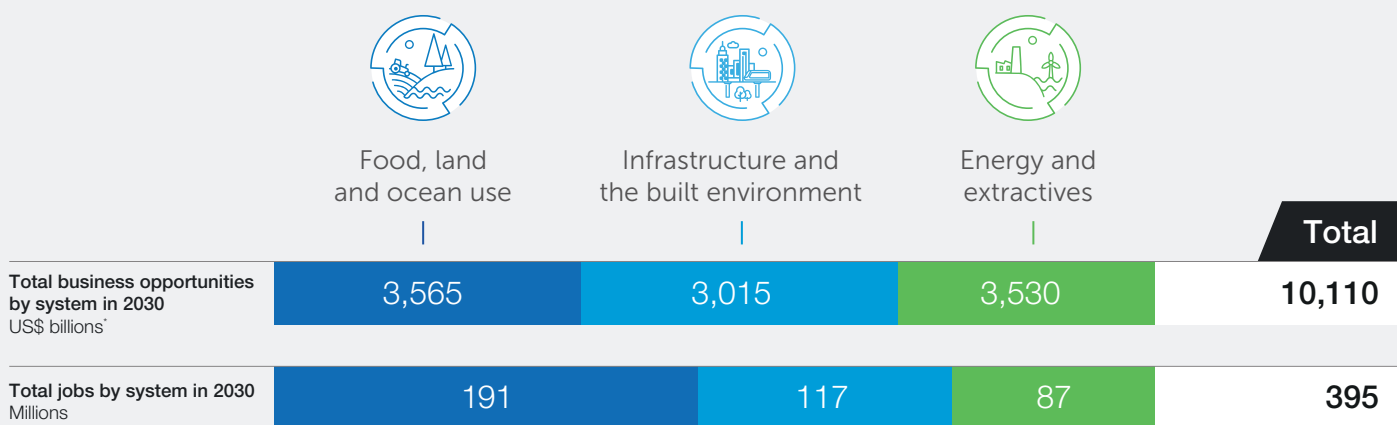
For more details, see [UNEP FI's & UNEP-WCMC's recent "Accountability for Nature" report](#), including an overview of the key methodological and conceptual trends among the private sector assessment and disclosure approaches on nature-related issues.

- The knowledgebase for the free online ENCORE tool (Exploring Natural Capital Opportunities, Risks and Exposure) will be further developed through the EU-funded SUSTAIN project. The ENCORE website will be updated accordingly in summer 2024.

Annex 2: 15 systemic transitions to a nature-positive economy

FIGURE 5
Overview of the 15 systemic transitions and their business and job potential

15 transitions in the three socioeconomic systems could deliver \$10.1 trillion of annual business opportunities and 395 million jobs by 2030

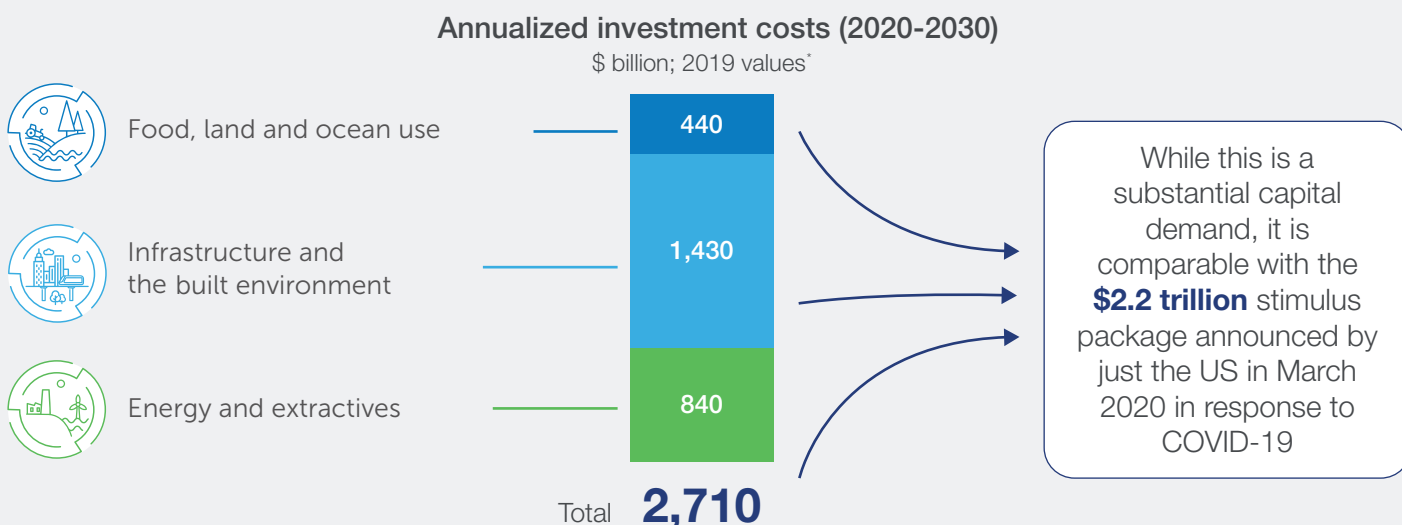


*Note: Based on estimated savings or project market sizing in each area. These represent revenue opportunities that are incremental to business-as-usual scenarios. Where available, the range is estimated based on analysis of multiple sources. Rounded to nearest \$5 billion.

Source: World Economic Forum and Oliver Wyman

FIGURE 6
Overview of the 15 systemic transitions and their annual investment requirements

Capital investment required to capture opportunities in the three systems is around \$2.7 trillion annually



*Note: Based on estimated investment requirements to capture the business opportunities linked to transitions in each system. Rounded to nearest \$5 billion.

Source: Literature review; Global Sustainable Investment Alliance; AlphaBeta.

Annex 3: Taking action and addressing challenges

Leading financial institutions starting to take action

The number of financial institutions starting to take action is increasing:

- In the past two years, 177 financial institutions with €22 trillion in combined assets under management signed the [Finance for Biodiversity](#) pledge to align investments and finance activities to nature goals.
- By March 2024, more than 200 institutional investors – representing over \$28 trillion in assets under management or advice – are convening through the [Nature Action 100](#) programme to engage with companies and policy-makers on nature.
- Similarly, 144 investors representing around \$10 trillion in assets are convening through Spring, a stewardship initiative through Principles for Responsible Investment (PRI), to halt and reverse forest loss and land degradation.
- 34 financial institutions with more than \$8 trillion in assets under management are convening through the [Finance Sector Deforestation Action \(FSDA\)](#) to work towards best efforts to eliminate agricultural commodity-driven deforestation risks (from cattle, soy, palm oil, pulp, and paper) in their investment and lending portfolios and increasing investments by 2025.
- Over 65 financial institutions with more than \$12 trillion in total financial assets have joined the Partnership for Biodiversity Accounting Financials ([PBAF](#)) to build their capacity on biodiversity impact and dependency assessment and work towards standardization of assessment approaches.
- [108 financial institutions](#) have signed up as TNFD early adopters who intend to start making disclosures aligned with the TNFD recommendations in their corporate reporting by the financial year 2024 (or earlier) or 2025.
- The financial sector has also signaled a commitment to transparency on nature, with over 270 banks and other financial institutions voluntarily reporting information about their levels of action on deforestation, freshwater security and biodiversity through the [CDP platform in 2022](#).
- The UN High-Level Climate Champions and CBD Action Agenda Champion for Nature and People launched a [Nature Positive for Climate Action](#) call to action that showcases leading businesses and financial firms are charting new paths to deliver nature and climate goals through science-based targets, reporting and analysis. More than 150 businesses and financial institutions are [mobilizing this call](#) to action as announced at COP28.

Endnotes

1. Nature-based solutions: Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits. ([UNEA Resolution](#))
2. However, work is still ongoing to translate this goal into [measurable and accountable business action](#), with guidance to help companies embed nature into business models under development. The [Nature Positive initiative](#) has been created to progress this and the World Economic Forum aims to reflect updates to these critical definitions within this document going forward. In line with the above, a particular company, business model, or activity should not be deemed nature-positive itself, but rather that companies, business models and activities can reduce the impact on nature and thus contribute.