

WWF Biodiversity Conference

Global Loss of Biodiversity - Why is it a risk and opportunity for Austrian Financial Institutions

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Agenda

Overview

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|---|---|
| 1 | UNEP Finance Initiative and Nature Team |
| 2 | Nature has hit Mainstream |
| 3 | Loss of Nature emerging as a Financial Risk |
| 4 | Global Biodiversity Framework (GBF) in a Financial Context |
| 5 | Misalignment of Global Financial Flows |
| 6 | Opportunities – Trends in Nature Finance |
| 7 | Global Landscape – Policy, Regulation and Emerging Frameworks |
| 8 | Credible Nature Actions for Financial Institutions |



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UNEP FI and Nature Team

What is UNEP FI?



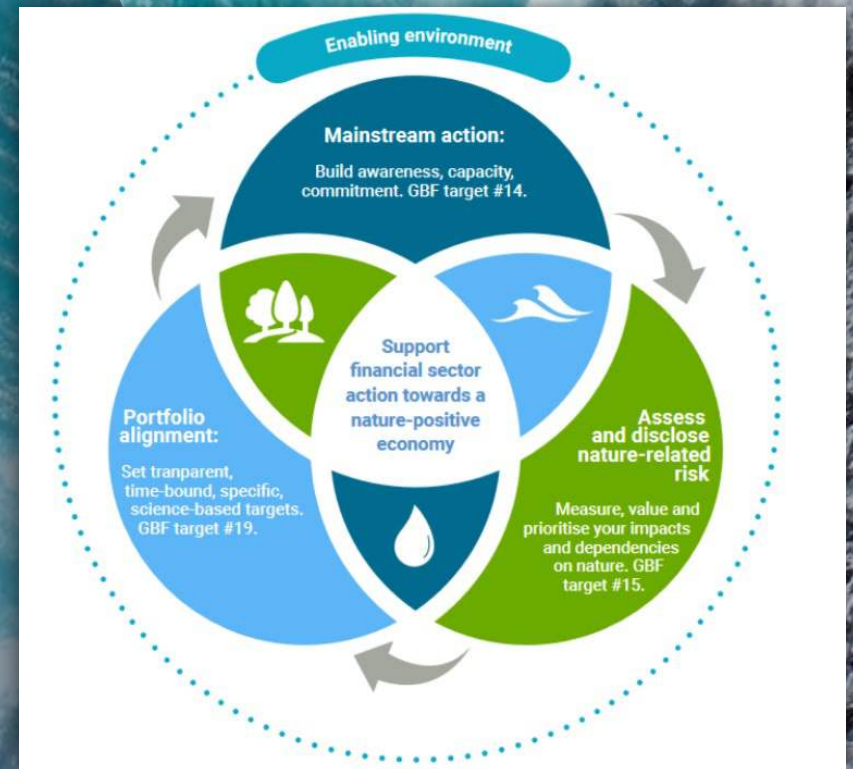
UNEP FI supports global finance sector principles to catalyze integration of sustainability into financial market practice and host key industry frameworks.



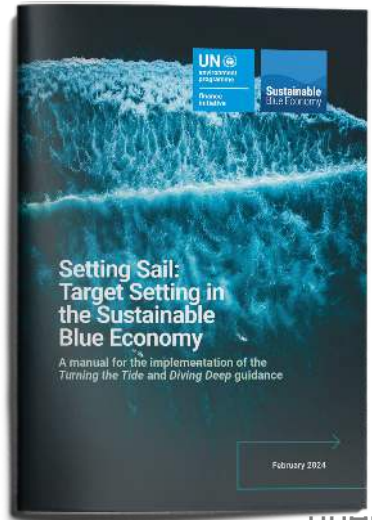
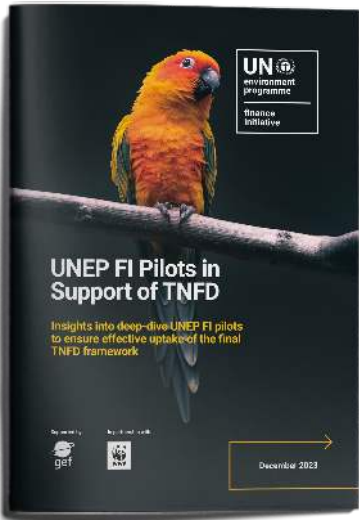
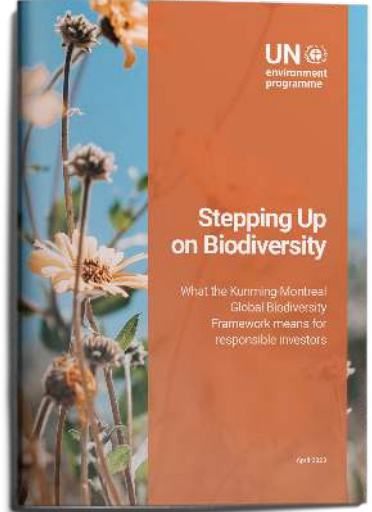
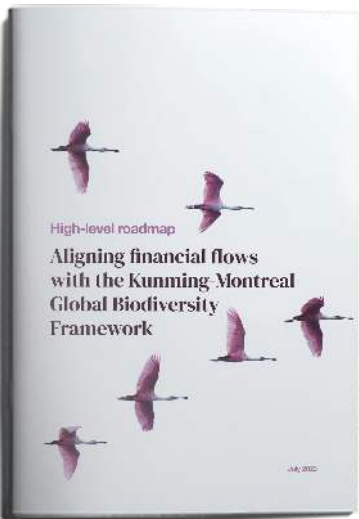
UNEP FI Nature Team

A gateway for financial institutions, bridging nature and finance, driving practical, science-based action on global environmental frameworks using the convening power of the United Nations.

- Bridging science and markets
- A precompetitive space for FIs
- A track record of 30 years, with over 10 years in the nature space
- Cross sector – bringing initiatives – and cross industry



Supporting the finance industry in aligning with the GBF



Nature has hit Mainstream

The business case for Nature is building

50% of the global economy is under threat from biodiversity loss

Buzzing bees join Wall Street's bulls and bears as framework to report biodiversity risk launches

PRI welcomes Commission ESRS adoption but calls for clear materiality assessments

Environmental Risks Dominate WEF Risks Report's Long-term Prognosis

Comment: 'Nature positive' has hit the mainstream. We need to ensure it delivers transformation, not greenwashing

ISSB to commence research projects about risks and opportunities related to nature and human capital

Press Release: Nature and land use will make or break the climate transition

THE ECB BLOG

The economy and banks need nature to survive

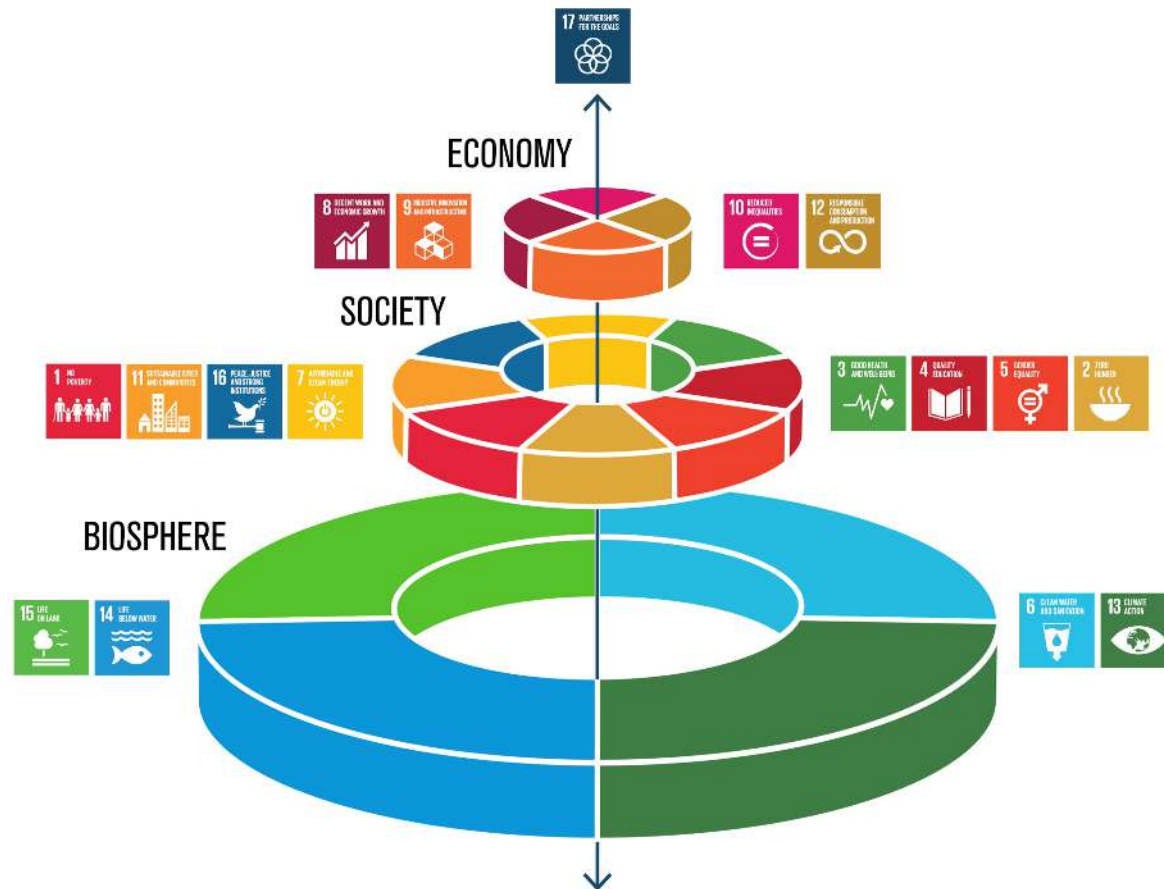
'Our role is to be translators': The rise of financial heads of nature

EU criminalises environmental damage 'comparable to ecocide'

Insurers Must Help Slow Damage To Nature, Trade Group Says

Legal body publishes 'groundbreaking' review of UK fiduciary duty and sustainability

Nature is the the foundation for global sustainable development



The SDGs wedding cake.

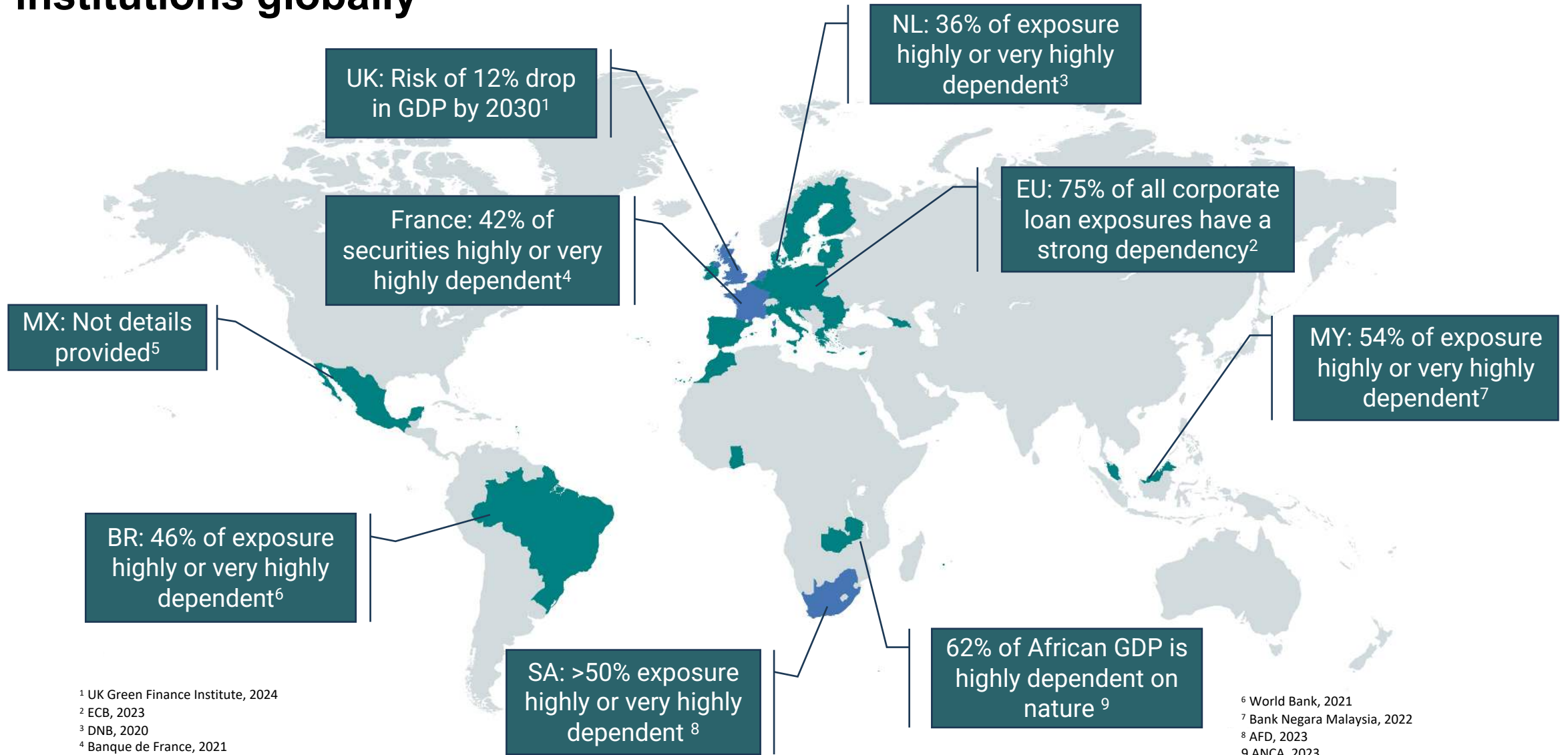
The illustration by the Stockholm Resilience Centre integrates the global goals together and shows that the biosphere is the foundation for global sustainability.

Economies and societies should be seen as embedded parts of the biosphere.

It suggests that all the sustainable development goals are directly or indirectly connected to sustainable and healthy food.

Loss of nature emerging as a financial risk

Nature-loss is emerging as a significant financial risk to financial institutions globally



¹ UK Green Finance Institute, 2024
² ECB, 2023
³ DNB, 2020
⁴ Banque de France, 2021
⁵ Banco de Mexico

⁶ World Bank, 2021
⁷ Bank Negara Malaysia, 2022
⁸ AFD, 2023
⁹ ANCA, 2023

Risk exposure through nature degradation overseas

Case study: UK nature-related risk assessment (vulnerable good imports)

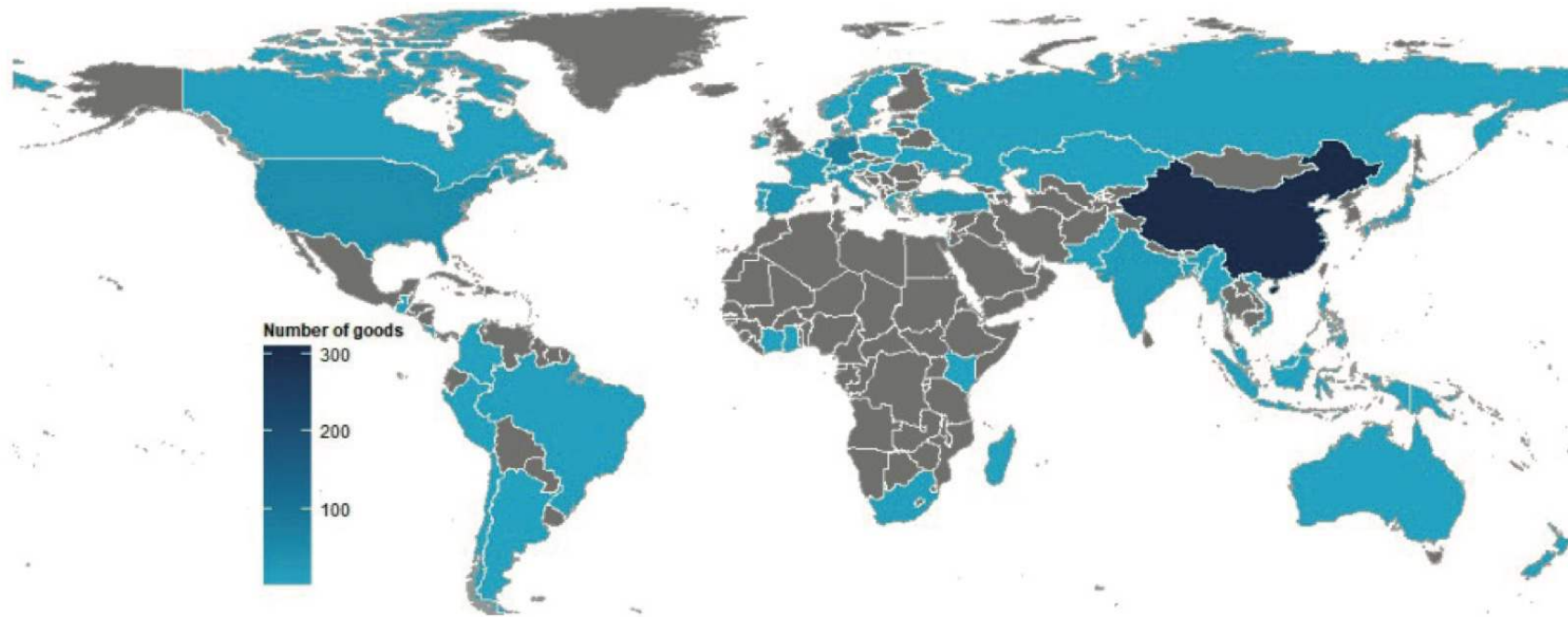


Figure 1.1: Map of UK vulnerable goods imports (2021 trade data).
Source: HMG Critical Imports and Supply Chains Strategy 2024

The UK faces risks from biodiversity loss and environmental degradation abroad, particularly through trade, supply chains, and its role as a global financial centre.

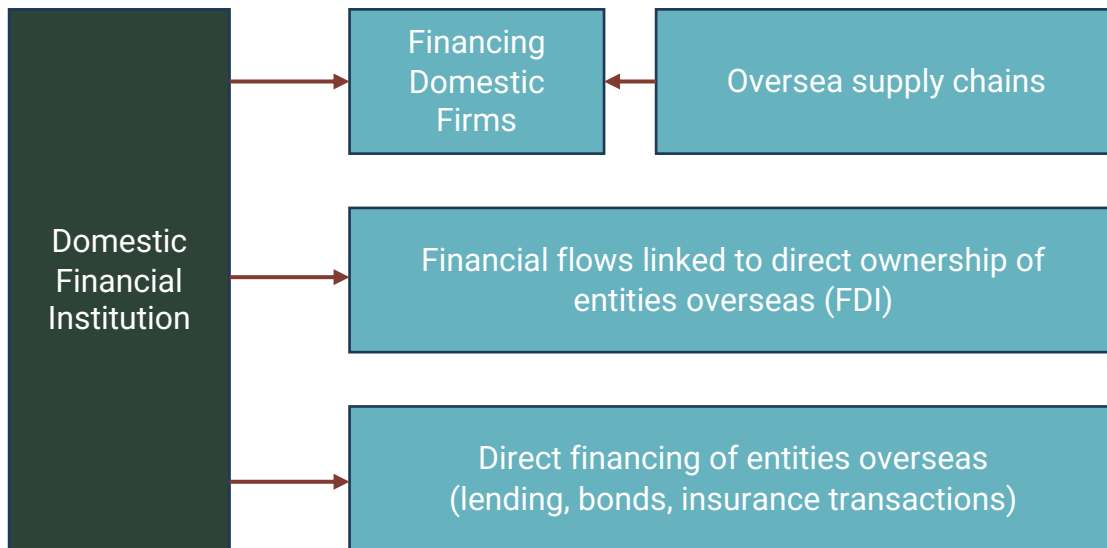
Globally, **101 countries** have over **75% of their land** in hotspots of **natural capital depletion**, and 100 countries have over 25% in multiple depletion hotspots.

This threatens various global systems, including food, financial services, and manufacturing supply chains.

How European financiers are Contributing to Nature Loss

Given the high level of **global economic interconnectivity**, both domestic and international risks need to be considered. Financial institutions are impacted through three main channels:

- financing entities reliant on overseas supply chains,
- direct financing of foreign entities, and
- financial flows to foreign direct investments.¹



EU financing to high-risk companies

- Report suggests that since 2015, **over \$1 trillion in global credit** and **\$693 billion in investment** have gone to major corporate groups in sectors linked to **deforestation risk** e.g., palm, soya, animal feed, aquafeed, timber, and wood pulp.
- The **EU financial sector** provided **22.1% of this credit (\$278 billion)** and **holds 9.4% (\$65 billion) of the investments** in these high-risk ecosystem sectors.²

EU financing to deforestation in Australia

- Report identified flows of more than **\$29 billion USD from European financiers** into 13 companies in **deforestation and forest degradation-risk sectors in Australia**.
- European financiers **invest disproportionately in the beef sector**, and are exposed to deforestation risk sectors in Australia primarily **through bond issuances and shareholdings**.³

¹UK Green Finance Institute, 2024

²Greenpeace International, 2024

³The Wilderness Society / EY, 2023

— Global Biodiversity Framework (GBF) in a Financial Context



Kunming-Montreal Global Biodiversity Framework (GBF) A Landmark Deal to Halt Nature Loss

- The **Convention on Biological Diversity (CBD)** signed by 150 government leaders at the 1992 Rio Earth Summit.
- An international treaty aimed at conserving biological diversity, promoting sustainable use of its components, and ensuring the equitable sharing of benefits arising from genetic resources.
- The **Global Biodiversity Framework (GBF)** of 2022, adopted at the Kunming-Montreal by 190+ countries, builds upon the CBD.

“A framework for all—for the whole of government and the whole of society.

Its success will require political will and recognition at the highest level of government and relies on action and cooperation by all levels of government and **by all actors of society”**.



2050 vision and 2030 mission

The **vision** 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.”

The **mission** for the period up to 2030, towards the 2050 vision is “to 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.”



The Financial Sector's role in contributing to the Global Biodiversity Framework

All 4 goals and 23 targets are relevant for the financial sector.

Private sector finance to play a key role to **halt and reverse nature loss** by 2030 through portfolio alignment and transition financial flows to nature-positive outcomes.

Call to Action for the Private Financial Sector

Goal D Bridging the biodiversity finance gap of USD 700 bn per year and aligning public and private financial flows with the GBF and 2050 Vision.

Target 14 Mainstreaming biodiversity within policies, strategies and decision-making processes, progressively aligning all relevant public and private activities, and fiscal and financial flows with the GBF.

Goal 15 Encouraging disclosures on risks, dependencies and impacts on biodiversity by large and transnational companies and financial institutions, in direct operations, supply and value chains, and portfolios.

Target 19 Mobilize at least USD 200 billion annually by 2030 for NBSAPs, leveraging private finance, blended finance, and innovative schemes like green bonds and biodiversity credits, with safeguards to address biodiversity and climate crises.



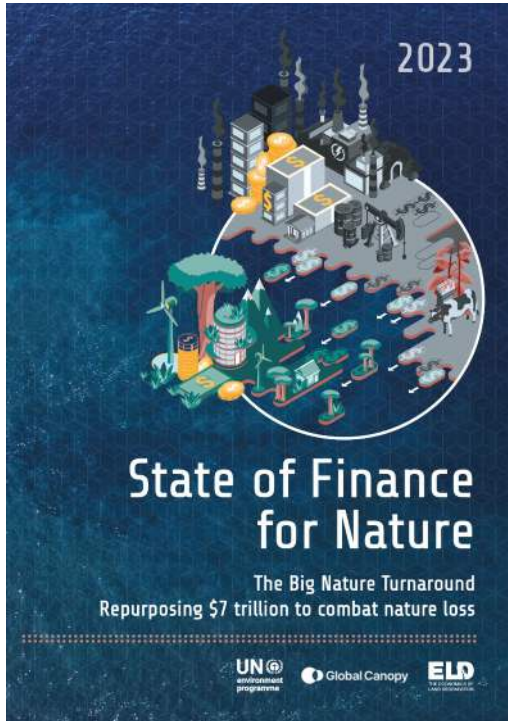
Role and key considerations for private financial institutions:

- ➔ By aligning their financial activities with these goals and actions, financial institutions can ensure their investments are supporting national priorities and enhancing their reputation.
- ➔ Implementation of the strategy will lead to emerging opportunity to help clients in key transition sectors to transform their business models.
- ➔ Goals in relation to nature restoration and building resilience will derive investment opportunities in nature-based solutions.
- ➔ Awareness and alignment with the GBF/NBSAPs will also reduce transition risks and avoiding legal and reputational issues.

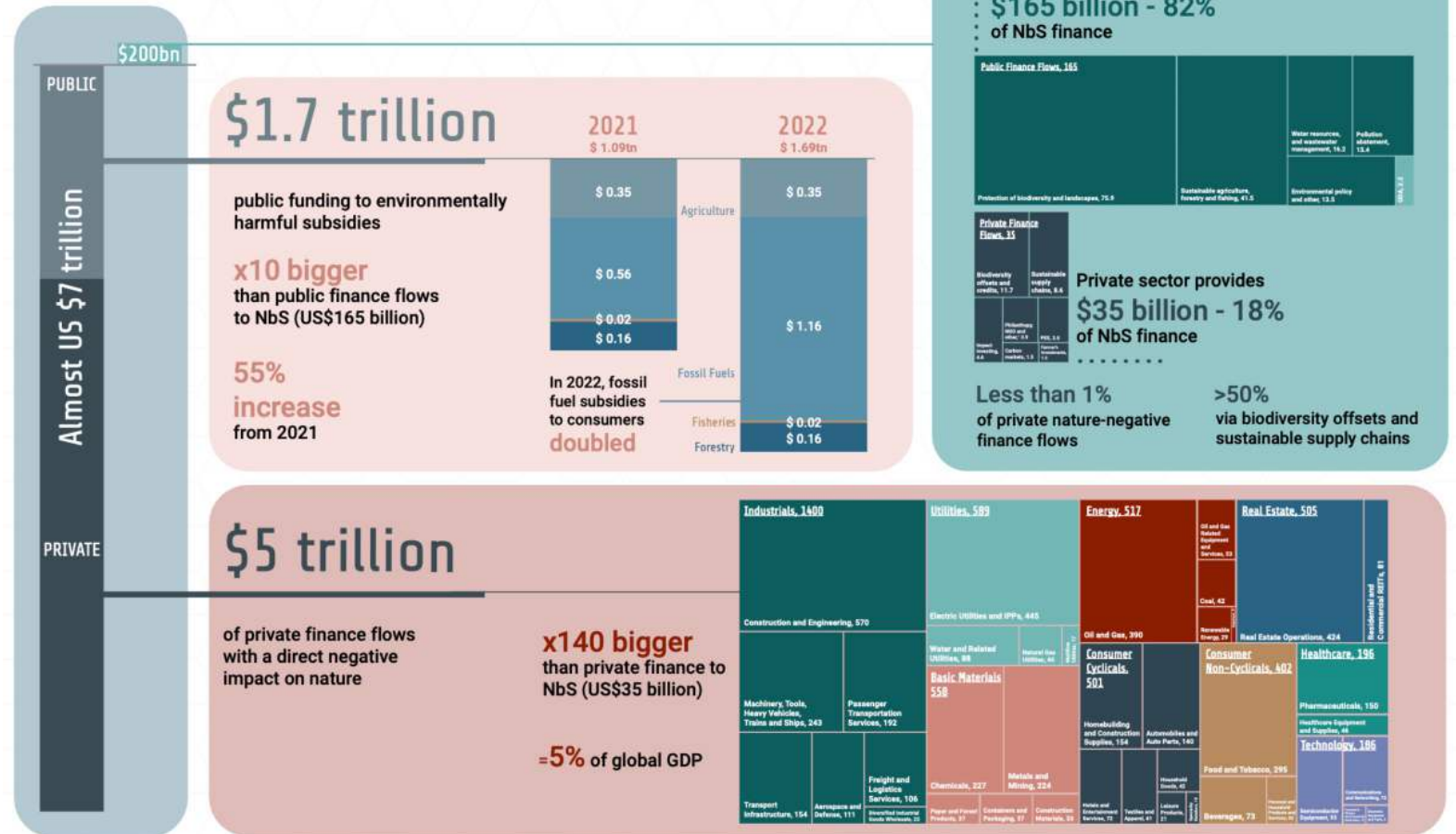
Misalignment of Global Financial Flows

State of Finance for Nature - Globally

Nature-negative financial flows: US\$7 trillion
 Investments in NbS need to triple to US\$542bn



Current finance flows to NbS of **US\$200 billion** are massively outweighed by finance flows with direct negative impacts on nature of **almost US\$7 trillion**





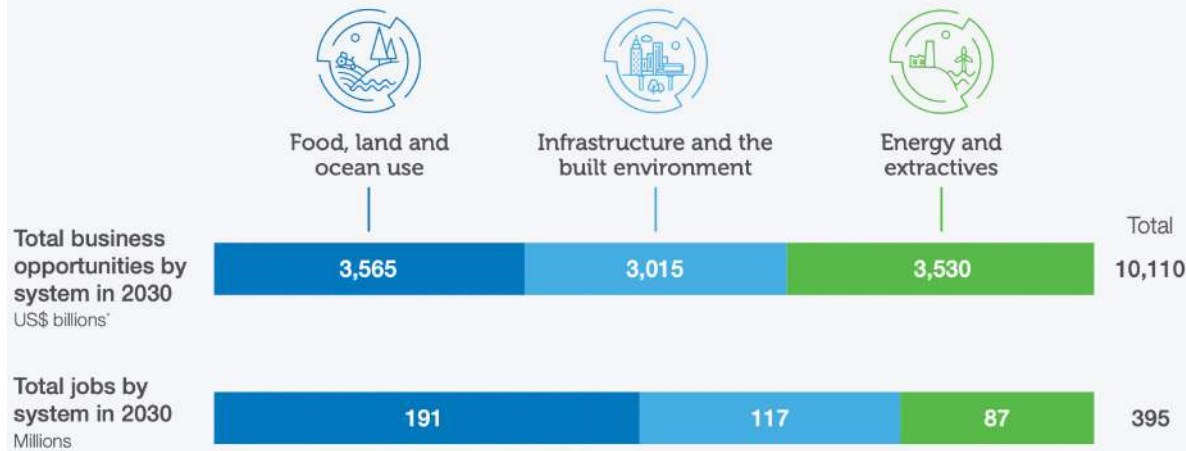
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**Opportunities – Trends in
Nature Finance**

'Nature-Positive' represents a significant investment opportunity

Together, the threats emerging from **three key socio-economic systems endanger around 80%** of the threatened or near-threatened species and require a critical shift towards nature-positive business models.

15 priority transitions across the three key socio-economic systems that can form the blueprint of a multistakeholder action agenda for nature-positive pathways.

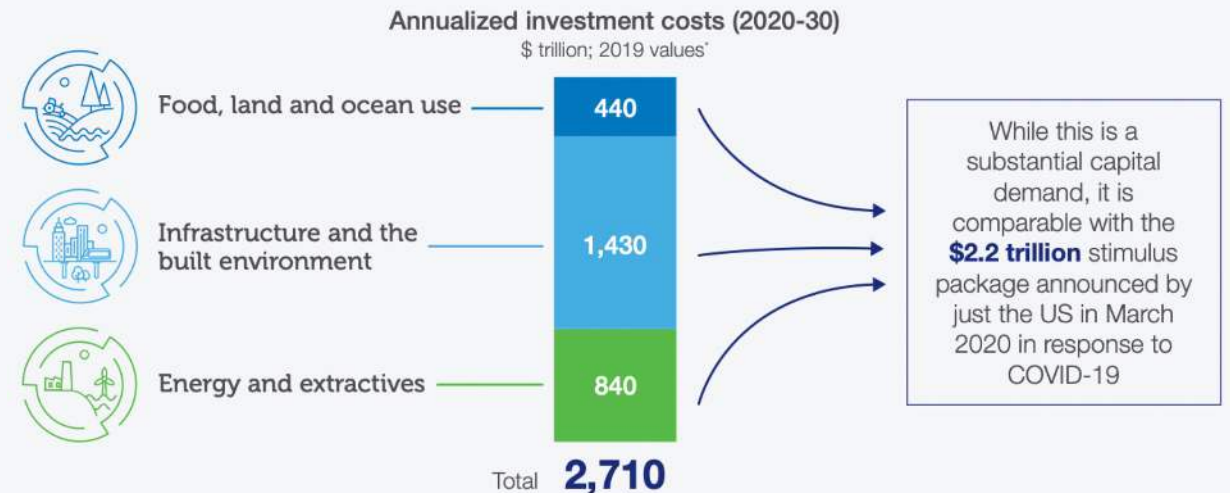
15 transitions in the three socio-economic systems could deliver \$10.1 trillion of annual business opportunities and 395 million jobs by 2030



*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 US\$5 billion.

SOURCE: Literature review; Market research; Expert interviews; AlphaBeta analysis

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

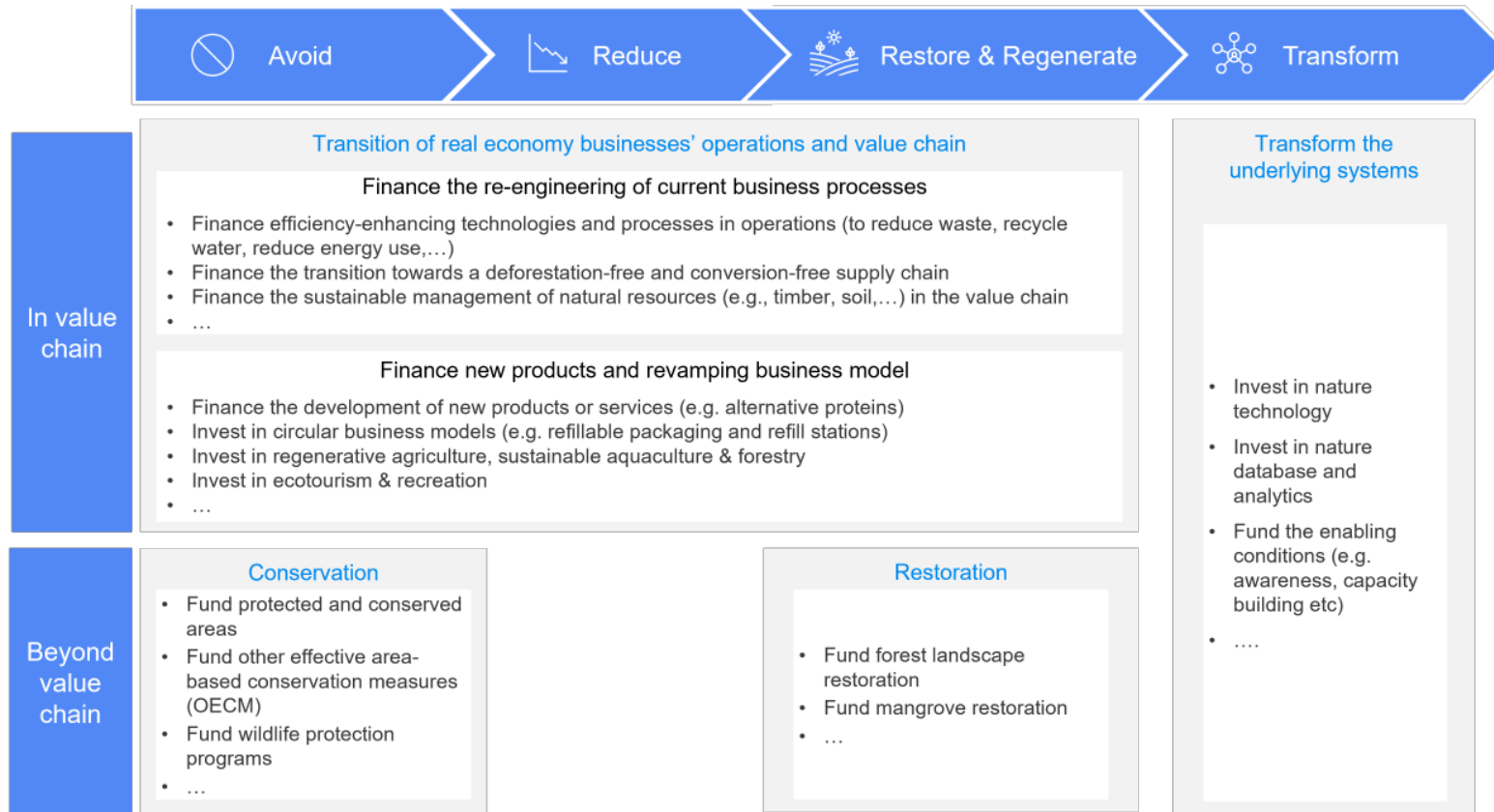


* Based on estimated investment requirements to capture the business opportunities linked to transitions in each system. Rounded to nearest \$5 billion.

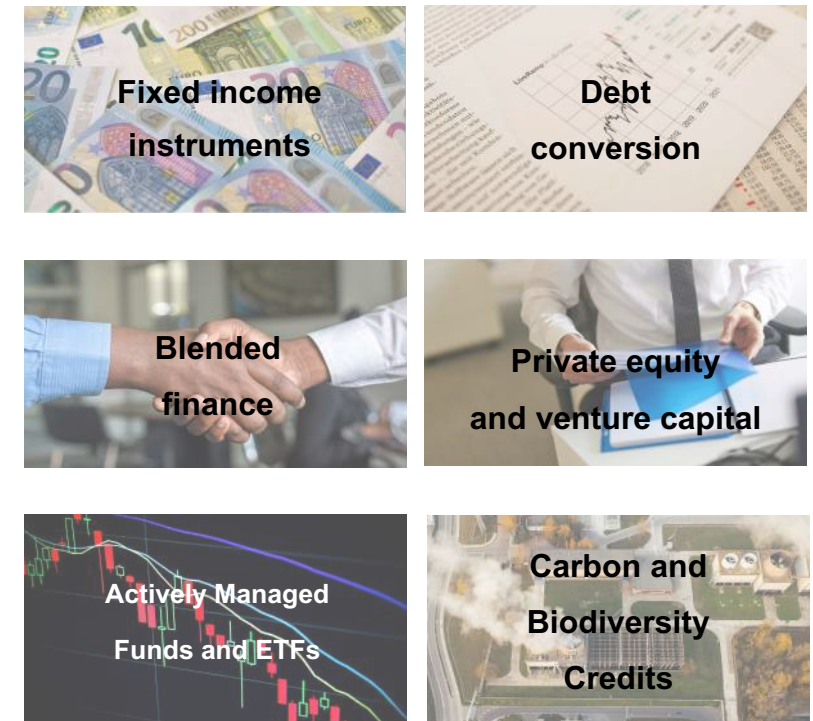
SOURCE: Literature review; Global Sustainable Investment Alliance; AlphaBeta analysis

Financing opportunities and trending financial products

Financing the nature-positive transition - Examples of solutions that require financing



Trending products for Nature Finance



World Economic Forum, 3 ways banks insurers and investors can help reverse biodiversity loss, 2024

UNEP FI, New Green Shoots Series, 2024

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**Global Landscape – Policy,
Regulation & Emerging Frameworks**

Policies and Regulations – Global View

- **OECD:** Supervisory framework for assessing nature-related risks in the financial sector.
- **NGFS:** Framework for guiding actions by supervisors and central banks on environmental degradation and climate change.

United States:

- 2022: EO to safeguard mature forests.
- 2021: Commitment to protect 30% of land and waters by 2030.
- 2024: America the Beautiful Freshwater Challenge.

Switzerland:

- 2024: FINMA circular on nature-related risks.

European Union:

- 2024: Adoption of Nature Restoration Law (20% habitat restoration by 2030).
- 2022: CSDDD to address environmental and human rights issues.
- 2022: CSRD / ESRS Reporting Requirements.
- 2020: EU Taxonomy (biodiversity and ecosystem protection).
- 2024-2025: ECB explores nature-related risks.
- Ongoing: EIOPA engagement on nature in ORSA.

Others – Taxonomies with nature component

- **Malaysia:** Climate Change and Principle-based Taxonomy (pollution, biodiversity, resources).
- **ASEAN:** Climate change mitigation, adaptation, ecosystem protection.
- **South Africa:** Biodiversity conservation, sustainable use of resources.
- **Colombia:** Biodiversity and ecosystem services.
- **Mexico:** Climate change mitigation, adaptation, biodiversity.
- **UK:** Biodiversity and ecosystem restoration.

Japan:

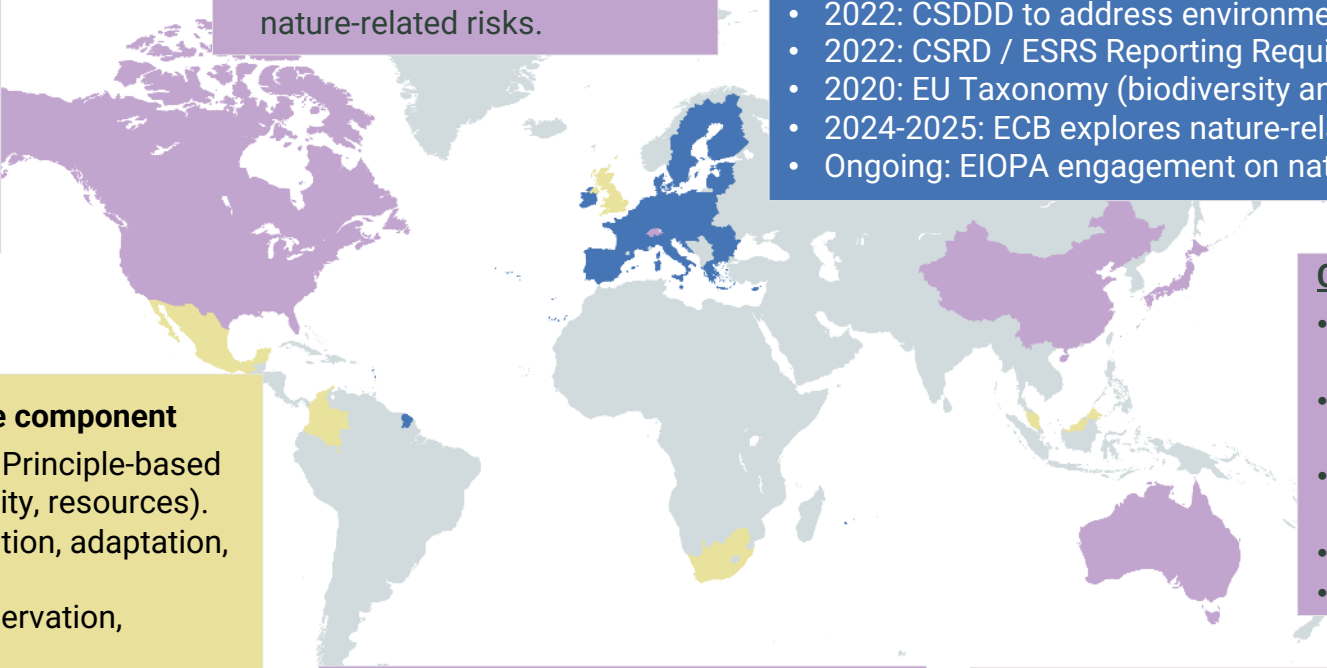
- 2023: National Biodiversity Strategy.
- 2024: Transition Strategy
- 2024: TNFD early adopters.

Australia:

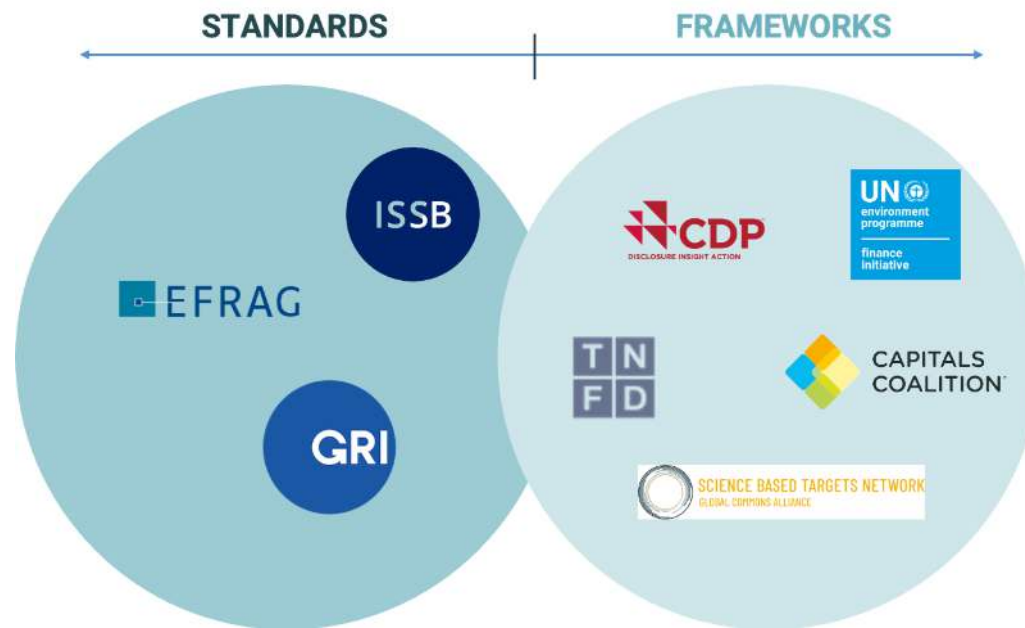
- 2023: Nature Positive Plan (30% land/sea protection by 2030).

China:

- 2023: National Biodiversity Conservation Strategy.
- 2023: Marine Environmental Protection Law.
- 2023: ESG disclosure for major polluters.
- 2022: Green Bond Projects Catalogue.
- 2022: Polluters bear restoration costs.

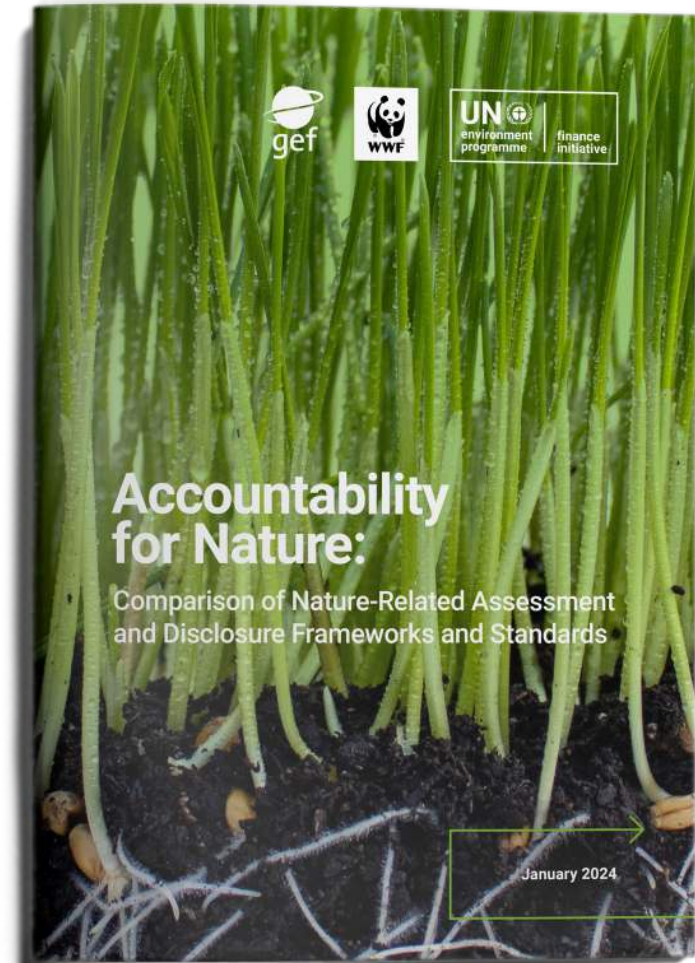


Nature-related approaches and emerging convergence



Nature-related assessment and disclosure approaches reviewed (as of Nov 2023)

- Overall, the study revealed that the reviewed approaches are demonstrating an **increasing level of alignment in key concepts and methodological approaches** (e.g, materiality definitions, alignment of scoping and prioritization guidance, integration of science-based assessment methodologies and alignment of disclosure requirements and recommendations).
- Continued efforts to improve alignment are however needed to provide clarity and streamline the requirements for companies.



Credible Nature Actions for Financial Institutions

PRB Nature Guidance & Community



The Principles for Responsible Banking (PRB) is the world's **largest banking sustainability framework**, representing over **50% of the banking industry**. The PRB Nature Guidance (Nov 2023) is designed for banks that intend to **act on nature loss** and **align their business activities and strategies** with the objectives of the Kunming-Montreal **Global Biodiversity Framework**, adopted in Dec 2022.

It was **co-developed** with 34 PRB banks from all world regions with support from strategic partners to ensure **consistency with existing frameworks**.

1

Portfolio Analysis & Disclosure
(GBF Target 15)

4

Mobilizing Finance & Portfolio Alignment
(GBF Goal D & Target 19)

2

Strategy, Capacity building, Culture & Governance
(GBF Targets 14 & 21)

5

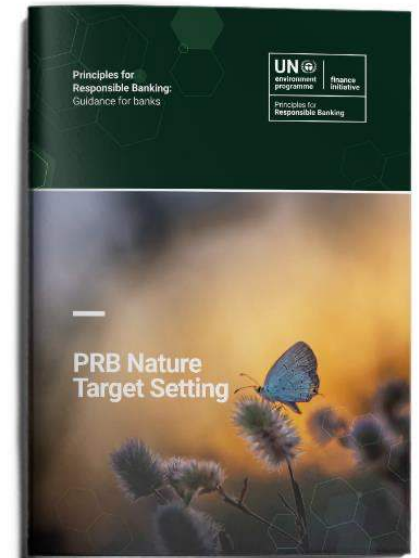
Client Engagement
(GBF Targets 7, 8 & 14)

3

Advocacy & Stakeholder Engagement
(GBF Targets 14, 20 & 21)

6

Policies & Processes
(All GBF Targets esp. 1 & 14)



PSI Nature-Positive Insurance



Launched at the 2012 UN Conference on Sustainable Development, the UNEP FI Principles for Sustainable Insurance (PSI) serve as a **global framework** for the insurance industry to address **environmental, social and governance risks and opportunities**. The PSI initiative is the **largest collaborative initiative** between the UN and the insurance industry.

Newly launched: Nature-Positive Insurance Working Group

The working group will act as a platform for knowledge sharing and capacity building and will engage with a variety of key stakeholders for the insurance sector. The working group will focus on the advancement of insurance-relevant approaches and creation of tailored guidance on nature that will support PSI members

- i) **in building capacity on nature-related risk assessments and disclosures (TNFD) in the context of insurance activities and**
- ii) **in their understanding of the role insurance can play in contributing to the goals of the Global Biodiversity Framework (GBF).**

Nature-Positive Insurance (NPI) can be defined as risk management and insurance strategies, approaches, practices, products, services and solutions that address nature-related dependencies, impacts, risks and opportunities in order to value, conserve, restore and wisely use biodiversity and ecosystem services, and to promote economic, social and environmental sustainability.

Nature-Positive Insurance aims to actively contribute to achieving the mission of the Kunming-Montreal Global Biodiversity Framework to halt and reverse nature loss by 2030, and its vision of a world living in harmony with nature by 2050.



Thank you!