Nature Target Setting Framework

for Asset Managers and Asset Owners

Finance *for* Biodiversity Foundation

Beta-version guidance
November 2023

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Finance *for* Biodiversity Foundation

Executive summary

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

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

The conceptual framework marks a new milestone in the FfB Foundation's efforts to help and support financial institutions to share knowledge and collaborate to halt and reverse biodiversity loss by 2030. Setting targets is one of the five commitments under the FfB Pledge.

We aim to help financial institutions begin setting targets on nature. This document seeks to create a shared understanding and common language for investors, which will evolve in scope and depth over time (we call this "ratcheting"). **The scope of this beta version is, for now, limited to covering listed equity and corporate bonds.** Additional asset classes, including sovereign debt, will be integrated into the guidance in future iterations.

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

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

Sectoral, engagement and portfolio coverage targets enable investors to set engagement and stewardship targets at the sectoral level, initially focusing on ten priority sectors, which can then be aggregated to the portfolio level for monitoring and reporting purposes.

We recommend that asset managers and asset owners establish initiation targets to be achieved no later than 2026 and timebound sectoral, engagement, and portfolio targets to be achieved by 2030 or earlier. Finance for Biodiversity Pledge signatories are committed to disclosing one or more types of targets before the 31st of December 2024, to be reported in their 2025 disclosures (2024 data).

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

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

In developing this guide, we have collaborated closely with SBTN as a crucial partner and with UNEP FI, which has crafted analogous guidance for signatories of the Principles for Responsible Banking. As we focus on asset managers and asset owners this framework is not applicable to banks. **We encourage all banks to look at the UNEP FI nature target-setting guidance** for assistance in establishing nature targets.

The next version of this guidance document will be published in H1 2024 and will include targets for ten priority sectors to inform engagement and portfolio coverage targets. Finally, during H2 2024 and later, future guidance will be published, including recommendations related to additional asset classes and positive impact targets.

Foreword

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

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

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

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

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

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

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

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

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

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

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

1. Introduction

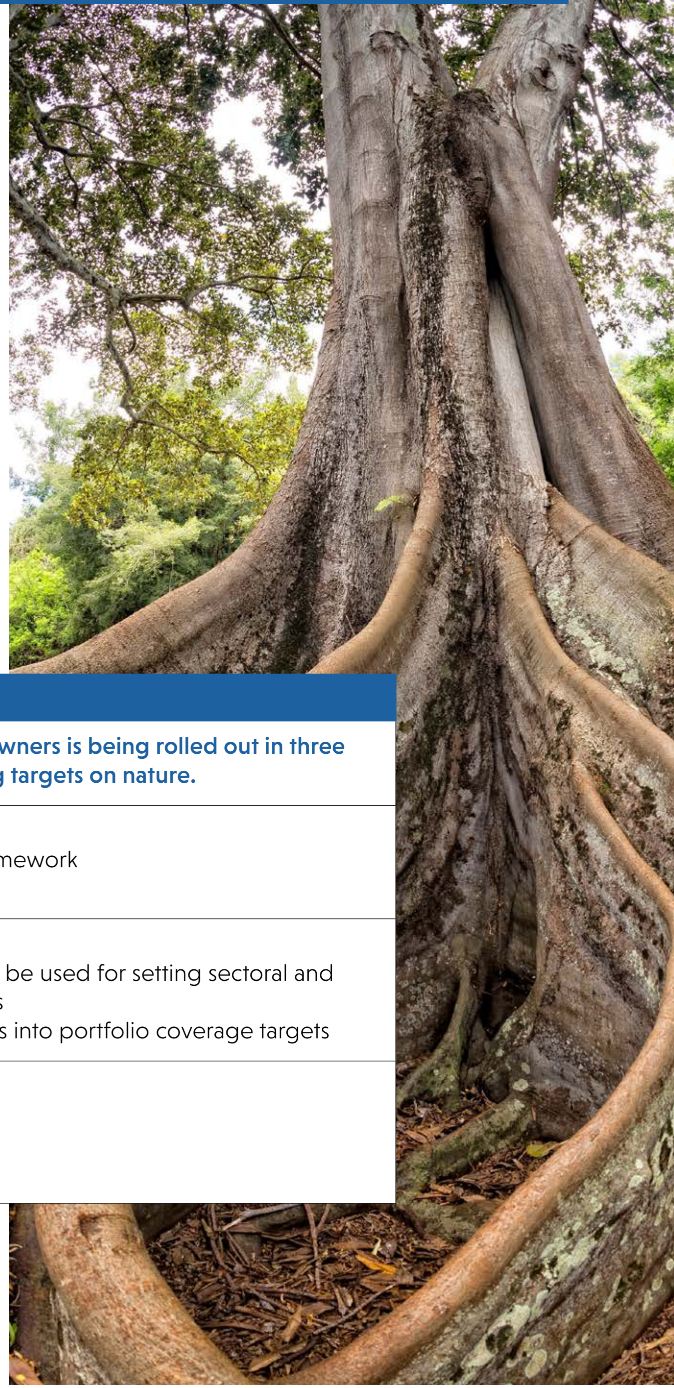
This beta-version guidance offers and overview of the Nature Target-Setting Framework for Asset Managers and Asset Owners, developed under the umbrella of the Finance for Biodiversity (FfB) Foundation.

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

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

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

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



Timeline

The Nature Target Setting Framework for Asset Managers and Asset Owners is being rolled out in three phases, enabling investors to implement a phased approach to setting targets on nature.

Phase 1: Beta-version guidance (now)
- Overview of the proposed structure of the Nature Target Setting Framework
- Guidance to set initiation targets

Phase 2: Full-guidance (H1 2024)
- Overview of sector specific targets for ten priority sectors, which can be used for setting sectoral and engagement targets applicable to listed equity and corporate bonds
- Guidance on how to aggregate the sectoral and engagement targets into portfolio coverage targets

Phase 3: Future updates (H2 2024 and later)
- Guidance on target-setting for sovereign issuers
- Guidance on positive impact targets
- Guidance on other asset classes and sectors

Context

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

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

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

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

It is well established that climate change is a key driver of nature loss and that preserving and restoring nature is critical to achieving net zero. Hence, **the pathways and associated targets to address nature loss must be considered in tandem with those for the net zero transition, such that actions reinforce positive outcomes across both objectives and unintended consequences and trade-offs are avoided**. This climate-nature nexus offers a range of opportunities to catalyse action on nature, including commitments, policies and processes already adopted by financial institutions on climate.

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

Finance for Biodiversity (FfB) Foundation

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

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

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

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

In July 2022, the FfB Foundation initiated a **Target Setting working group**, related to the fourth pledge commitment, with the mandate to develop target-setting guidance for financial institutions on nature. In January 2023, the co-chairs of this working group and a subgroup of FfB members started to develop the framework presented in this guide.

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

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

2. Theory of change for investor action on nature

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

Problem Statement	Inputs	Actions	Outputs	Outcome	Impact
Nature loss recognised as a systemic risk	Board and Executive level risk & investment appetite	**Governance and strategy** • Establish governance framework • Develop a strategy and a transition action plan • Secure approval from relevant committees and boards for nature targets • Set incentives for staff and board	Explicit inclusion of nature in governance processes and strategy	Investor Board level oversight in place for nature with clear responsibilities and accountability	Aligned private financial flows towards halting and reversing nature loss by 2030
	Key internal and external stakeholders consultation feedback	**Stakeholder management (internal and external)** • Board and employee training on nature • Engage with key NGO's, policy-makers, clients.		Nature factors embedded across investment management functions	
Closing the biodiversity funding gap: Investors need to align financial flows with nature positive outcomes to enable delivery of GBF	Internal & external nature-related data and tools	**Materiality and impact assessment** • Identify, review and assess relevant metrics, data and tools • Identify priority pressures, sectors and companies • Impact & dependencies assessment	Overview of nature impacts and dependencies of investment portfolios	Widescale investor disclosure and reporting of progress towards and delivery of nature targets	
	Target setting guidance Frameworks and standards (e.g. GBF, TNFD, SBTN) Regulation & public policies requirements	**Target setting** • Set initiation, engagement and sectoral targets • Annual disclosures including report on progress towards targets • Review and ratchet targets • Implement monitoring system including data gathering and management	Measurable nature targets aligned to the best available science Monitored and disclosed progress on targets		
Currently, investors have no standard industry guidelines for setting targets on nature, without which they cannot effectively contribute to delivering on the GBF	Stewardship practice and standards	**Stewardship and engagement** • Issuer-level stewardship: engagement with companies individually and collaboratively • System-wide stewardship: engagement with regulators and policymakers individually and collaboratively • Use proxy voting and other means of escalation on nature-related topics	Documented updates of company and public policy alignment with engagement objectives	Investee companies increasingly implement business practices aligned with GBF	
	Financial capital	**Capital allocation** • Support the allocation of capital to reduce negative and increase positive impacts on nature	Capital allocation nature roadmaps and integration with investments and finance products	Increasing investor portfolio alignment with the GBF	

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

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

2.1 Ratchet investor action

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

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

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

2.2.1 Knowledge building

Financial institutions must work to contribute to halt and reverse biodiversity loss in 2030 in their investment strategies. This starts with establishing a baseline of knowledge and understanding amongst their investment and risk teams the key concepts associated with nature, including nature-related impacts and dependencies, ecosystem services, amongs others. Investors may reference the materials on nature developed by the central banks (NGFS) or use sector-specific materials from NGOs. Taskforce on Nature-related Financial Disclosures (TNFD) —e.g., 'Additional guidance for financial institutions'— as well as by other key organisations such as Business for Nature (BfN) —'Sector Actions Towards a Nature-Positive Future'— World Economic Forum (WEF) —'Nature-Positive Industry Sector Transitions'— World Business Council for Sustainable Development (WBCSD) —'Roadmaps to Nature Positive'—.

2.2.2 Sector, impact and dependency assessment

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

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

More information on how to get started with assessments and the different tools for financial institutions can be found in the 'Act Now' Guide and the Guide on Measurement Approaches of the FfB Foundation.

In addition to sectors, investors can also start addressing impacts and dependencies at the landscape level. When landscape-level data becomes available and more accessible to financial institutions, we will incorporate it into our framework and provide supplementary guidance.

2.2.3 Target-setting

The sector and impact assessments will inform the selection of priority target-setting sectors. These sectoral targets help to guide investors in engaging with investee companies and associated voting decisions, investment analysis, investment policies, strategies, and policy advocacy. By ratcheting these targets periodically and increasing the number of sectors in scope, sectoral targets can be aggregated and translated into portfolio-level coverage targets which support an overarching shift in investments within and across sectors towards nature-positive exposures.

2.2 Focus on the direct drivers of biodiversity loss

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

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

Sector by sector, our framework identifies these direct drivers of biodiversity loss and the key mitigating actions companies should undertake to decrease their contribution (i.e., response metrics defined by TNFD). Investors can use these response metrics to set targets, complemented by engagement with companies. While these response metrics do not capture the full complexity and locational specificity of impacts on nature, they enable an immediate focus on transforming business activity to halt and reverse the drivers of biodiversity loss. As science and company disclosures improve over time, more and better data on impacts and locational specificity can be incorporated to refine strategies and targets.

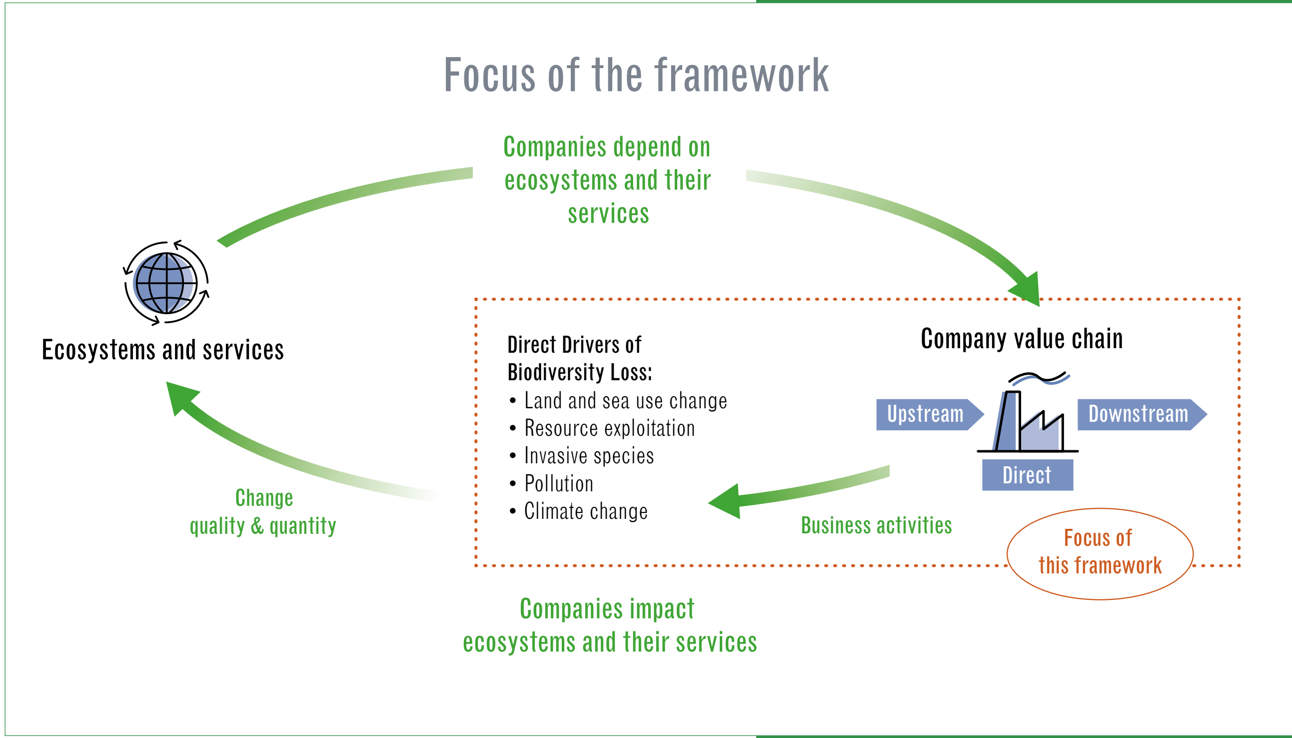


Figure 2. Focus on the five direct drivers of biodiversity loss

3. Alignment with key global frameworks

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

3.1 Global Biodiversity Framework

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

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

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

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

3.2 Taskforce on Nature-related Financial Disclosures

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

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

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

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

3.3 Science Based Targets Network

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

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

SBTN is working on initial guidance for the financial sector, scheduled to be released in early 2024. This will not be a full target-setting methodology for financial institutions, to be validated in the same way as the methods for freshwater and land for companies. Rather, this publication will clarify how the 5-step framework can be applied by financial institutions, how they can support companies in setting SBTs for nature (visualizing money flows via value chains to ecosystems, such as water basins), and what actions and targets financial institutions can take and set today. This will include referencing back to this publication by the FfB Foundation.

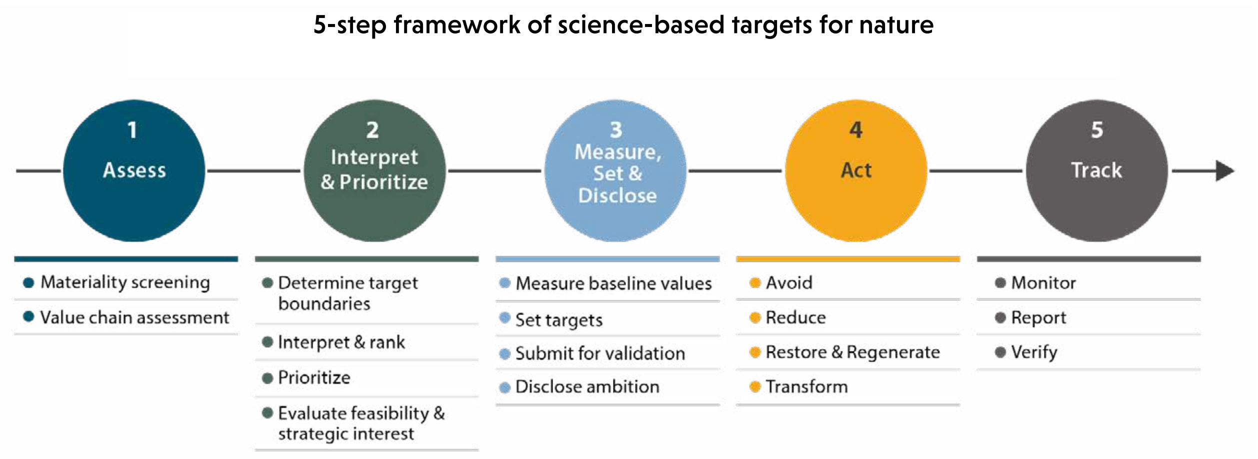


Figure 3. The five-step process for setting science-based targets. Source: SBTN

3.4 Net zero investment frameworks

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

It is critical that targets on nature are aligned to and help accelerate the trajectory to net zero, making the most of opportunities associated with the "climate-nature nexus" in investment policies and processes. By leveraging the same structure as market-leading net zero target-setting frameworks, we aim to establish interoperability in the strategic delivery of both net zero targets and targets on nature, such that users can leverage the methodologies and knowledge base they have acquired on climate and apply these principles to nature.

4. The Nature Target Setting Framework

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

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

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

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

4.1 Key principles

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

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

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

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

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

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

In addition to, and in alignment with, the Corporate Sustainability Reporting Directive (CSRD), all targets should be set for all material sectors. Regarding the recommendations and guidance of the TNFD, targets should include the following:

- A clear articulation of how the target addresses the identified driver of biodiversity loss, including considering anticipated regulatory requirements, market constraints, limitations, or other contextual information relevant to understanding the target;
- The KPIs and metrics are used to quantify and monitor progress towards achieving the target;
- Baseline year and level of the KPI (i.e., starting number);
- Timeframe for achieving the target;
- Clearly articulate the methodology used to establish the baseline and appropriate target threshold (i.e., the level, %);
- Annual reporting of progress towards the target, including whether the target is on track to be achieved and associated actions.

4.2 Scope

With this framework we initially focus on the following asset categories:
- Listed equity
- Corporate bonds

We have selected this approach to address the asset classes that comprise the largest share of most asset managers' and asset owners' portfolios.

In 2024, we aim to include sovereign bonds in the framework and envision a 'step-by-step' approach for additional asset categories over time.

We have the same approach for shaping the sectoral targets. We start with 10 sectors and focus on the key direct drivers of biodiversity loss per sector. Over time, we will include additional sectors and refer to all drivers of biodiversity loss.

You can find more information on the different scope categories in Table 2 on page 15.

4.3 Monitoring and reporting

Financial institutions should monitor and report progress against targets annually, making strategic adjustments where necessary to ensure alignment. In this regard, the publication to be released in H1 2024 will further specify and provide details about the monitoring and accounting processes that investors following this guidance should follow.

4.4 Application by asset owners and asset managers

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

For asset owners, these targets can cover "all assets under management (and on the balance sheet) managed by the asset owner while exercising asset allocation in fiduciary duty" including:
- In-house managed money;
- Shareholder money;
- Policyholder money (in cases where the asset owner carries out the asset allocation).

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

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

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

4.5 Key targets

The framework will initially recommend that investors set four types of targets:

To be achieved by 2026 (or earlier):
1. **Initiation targets:** to understand the importance of, and analyse exposure to, nature-related impacts, dependencies, risks, and opportunities, as these relate to asset manager or asset owners' fiduciary duty, and in turn embedding this in the governance, strategy, and activities of the organisation.

To be achieved by 2030 (or earlier):
2. **Sectoral targets:** applicable to listed equity and corporate bonds, focusing on key mitigating actions to reduce the most material direct drivers of biodiversity loss in each sector.
3. **Engagement targets:** on issuer level engagement, stewardship, and voting to complement sectoral targets. In time, policy and advocacy targets should also be included.
4. **Portfolio coverage targets:** which translate sectoral targets to the portfolio level so that investors' contributions can be tracked and reported to external stakeholders.

Achievement target years —2026 and 2030, respectively — represent the deadline years to meet targets, yet these can be achieved earlier. Additionaly, targets should continually evolve, leading to ongoing adjustments in the target-setting process. Ambitions can be raised regularly, starting with a reassessment after three years and subsequent reviews at least every five years.

Together, these targets are designed to align portfolios effectively, set the direction and ambition of a financial institution's investment strategy on nature, define ways to monitor the strategy's efficacy and acknowledge engagement and the policy advocacy's role to deliver real-world actions on nature.

We encourage investors to start setting and disclosing targets as expeditiously as feasible to demonstrate achievement no later than 2026 (initiation targets) and 2030 (sectoral, engagement, and portfolio targets). FfB Pledge signatories are recommended to set at least one of the above target types before the 31st of December 2024, to be reported in the 2025 disclosures (2024 data).

Below, you can find a figure with two options:

i **Beginner track** in which asset owners and asset managers set targets by the end of 2024, report progress against initiation targets in 2025 and achieve these targets by 2026, in addition to publishing sectoral, engagement and portfolio targets by year-end 2026 with the view to ratcheting these targets by year-end 2029.

ii **Advanced track** in which asset owners and asset managers set sectoral, engagement and portfolio coverage targets by the end of 2024 and start to report progress against these as of 2025, with the view to ratchet these targets by year-end 2027.

	By year-end 2024	By year-end 2026	By year-end 2029
Beginner track	Set initiation targets and report against these in 2025	• Complete the initiation targets. • Set and publish sectoral, engagement and portfolio targets	Ratchet the sectoral, engagement and portfolio coverage targets
	By year-end 2024	**By year-end 2027**	
Advanced track	Set sectoral, engagement and portfolio coverage targets and disclose these in 2025	Ratchet the sectoral, engagement and portfolio coverage targets	

Institutions that have not signed the FfB Pledge are also encouraged to follow the same timelines in accordance with their starting position.

Table 1. Starting and advanced track to set and achieve the targets

Table 2. Summary of the scope of the targets covered

Aspect	In scope	Out of scope of this guidance
Types of targets	Initiation, sectoral, engagement, and portfolio coverage targets	Impact targets are not yet included in this guidance. There is one example of a porfolio coverage target on deforestation-free portfolios. Investors can determine which impact targets they set via the aggregation of sectoral targets towards portfolio coverage targets
Key dates for target setting and achievement	The key date for the target setting framework is 2030 with the following target timelines: • Initiation targets are to be achieved by 2026 (or earlier) • Sectoral, engagement and portfolio targets are to be achieved by 2030 (or earlier) • Pledge signatories recommended to disclose targets on one or more types of targets before the 31st of December 2024 (this can be reported in 2025)	Targets for 2030-2050 are out of the scope of this guidance for now. We think it is essential to focus on the urgent overall mission of the GBF 'halting and halt and reverse biodiversity loss before 2030'
Asset classes	Listed equity and corporate bonds	In 2024 we will include sovereign bonds and other asset classes to updates of this guidance document
Priority sectors addressed (GICS 3)	Primary sector list: Oil, gas & consumable fuels; chemicals; metals & mining; paper & forest products; automobiles; consumer staples distribution & retail; beverages; food products; pharmaceuticals; electric utilities	Secondary sector list: construction materials; containers and packaging; passenger airlines; textiles, apparel and luxury goods; personal care products; health care providers & services; semiconductors and semiconductor equipment; other utilities (gas, water, independent power and renewable electricity producers)
Measurement	Focus on drivers of nature change (pressure-based approach)	State of nature not directly addressed
Direct drivers of biodiversity loss	Land and sea use change, resource exploitation and use, and pollution will be covered, depending on each priority sector and data availability	Climate change (will not be covered) and invasive species (for this guidance) are not in scope
Impacts and dependencies	Only impacts on nature are addressed in this guidance document	Dependencies will be considered in future versions
Landscape and spatial level targets	While no specific landscape targets are included in this framework, the proposed targets (e.g., sectoral and engagement) will include landscape and spatial level hotspots and metrics	This approach will be contingent on the availability of data at the landscape level
Scopes	Scope 1 (direct operations) and Scope 3 (upstream and downstream activities)	Scope 2 (indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling)
Baseline	To be addressed in the next version of the guidance document, but most likely will not be specified. Investors need to set their own baselines values	-
Alignment with other initiatives and frameworks	GBF, TNFD, SBTN, UNEP FI, net zero investment frameworks	-

5. Initiation targets

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

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

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

- Governance, education & strategy
- Impact and dependency assessment

Governance, education and strategy

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

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

Impact and dependency assessment

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

Example of an initiation target

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

More inspiration for setting initiation targets

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

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

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

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

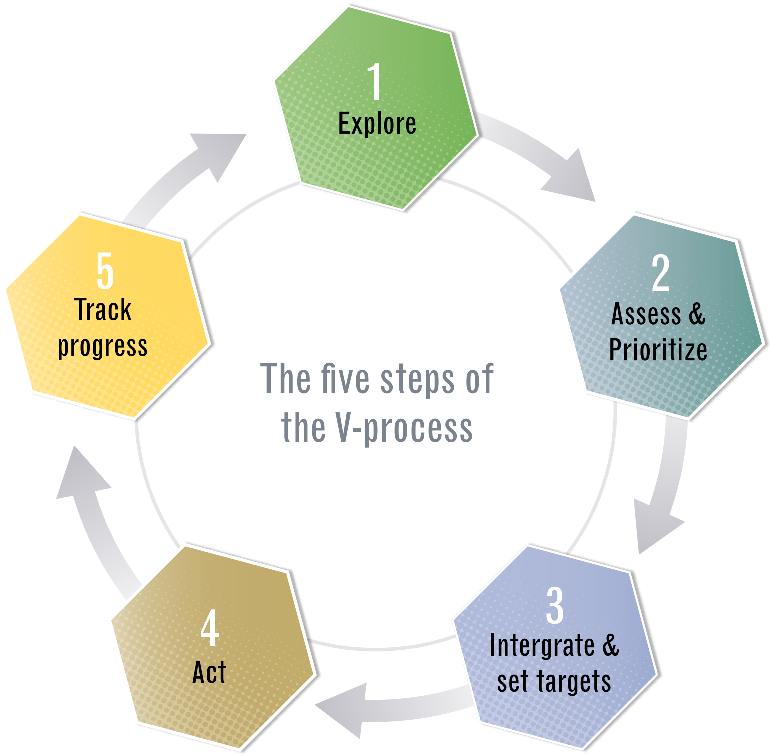


Figure 4. The five steps of the V-process

6. Sectoral targets

Sectoral targets enable asset managers and asset owners to ensure that the assets in their portfolios are on a suitable trajectory to align with the goal of halting and reversing biodiversity loss by 2030.

Ideally, asset managers and asset owners will cover the impacts and dependencies on nature of all sectors in their total portfolio. Unfortunately, we know this is not feasible in the short to mid-term. **Therefore, we propose investors to get started with targets for ten priority sectors and a selection of key drivers of biodiversity loss.** In the paragraphs below, we explain the steps.

In a next version of the guidance document, we will include concrete targets per initial priority sector. In the following paragraphs, we explain the methodology.

6.1 Ten initial priority sectors

We selected the ten priority sectors based on three criteria:

1. **Sectors with the highest biodiversity footprint**
   We selected priority sectors by using the average sector biodiversity footprint from the study that FfB Foundation developed with four leading biodiversity tool providers for the MSCI World Index: 'Top 10 biodiversity-impact ranking of company industries'.
2. **Mapping with TNFD priority sectors**
   We mapped our initial selection with TNFD's priority sector list, which identified key sectors with the highest impacts and dependencies on nature.
3. **The sector's market cap in MSCI ACWI**
   We reviewed the market share of these sectors in the MSCI ACWI company list as a proxy to reflect investors' exposure to these sectors.

These ten priority sectors cover around 70% of the estimated total biodiversity impact of the companies in the MSCI World Index, according to the pilot multitool study of the FfB Foundation based on data from four leading footprinting tools, and around 30% of the total market capitalisation of the companies in MSCI ACWI. Additionally, each asset manager and owner may carry out its own selection of material sectors determined by the sectoral composition of their portfolios.

We have also developed a **secondary list of sectors** which rank lower than the priority list with respect to their impact on nature but still have potentially harmful effects on nature.

The secondary list of sectors is aligned to the TNFD's priority sectors and provides an idea of additional industries that may be covered in future iterations of the framework. The draft secondary list includes the the following sectors (GICS industries):

- Construction materials (151020)
- Containers and packaging (151030)
- Passenger airlines (203020)
- Textiles, apparel, and luxury goods (252030)
- Personal care products (303020)
- Health care providers & services (351020)
- Semiconductors and semiconductor equipment (453010)
- Other utilities: gas, water, independent power, and renewable electricity producers (551020, 551040, 551050)
- Banks (401010)
- Insurance (403010)

No.	Industry name (GICS)	Industry code (GICS)	GICS level	% of total market cap in MSCI ACWI	Normalised biodiversity impact (MSCI World)
1	Oil, Gas & Consumable Fuels	101020	3	6.93	307
2	Chemicals	151010	3	2.27	187
3	Metals & Mining	151040	3	2.04	110
4	Paper & Forest Products	151050	3	0.1	58
5	Automobiles	251020	3	2.96	69
6	Consumer Staples Distribution & Retail	301010	3	1.69	176
7	Beverages	302010	3	2.31	64
8	Food products	302020	3	1.55	421
9	Pharmaceuticals	352020	3	4.4	95
10	Electric utilities	551010	3	1.47	68

Table 3. Ten priority sectors cover 30% market cap of the MSCI ACWI and 70% of biodiversity impact on the MSCI World Index

6.2 Selection of key direct drivers of biodiversity loss per priority sector

This framework focuses on the most material drivers of biodiversity loss for each of the ten priority sectors. These will be quantified in sectoral KPIs and associated thresholds. We are currently developing the sectoral KPIs, based, for example, on the sector guidance from the TNFD and the sector actions from WEF, BfN and WBCSD.

It should be noted that, if an investor already holds an internal threshold policy for one or a few of the following ten priority sectors (e.g., no investment for oil & gas companies), these sectors shall be still considered for target setting purposes, such that the KPIs used to set targets align with existing practices.

We expect to publish the guidance on priority sectors in H1 2024, so that investors can integrate this information into their target-setting by the end of 2024.

Our selection of the key direct drivers of biodiversity loss per sector are determined according to three principles:

1. **SBTN materiality mapping**
   For each sector, we produce a spider web diagram, see Figure 5 on page 19, based on data from the SBTN 'Materiality Screening Tool'. The diagram indicates the key direct drivers of biodiversity loss for each sector. An example is included in Figure 4 on page 17 below for the packaged foods and meats industry.

2. **Existing sectoral guidance**
   Sectoral guidance documents from leading NGOs, such as WEF, BfN and WWF and also TNFD, is emerging on key actions for high impact sectors to address direct drivers of biodiversity loss. To ensure feasibility of the targets, we cross reference the identified direct drivers of biodiversity loss with the recommended actions to identify appropriate metrics and KPIs for the targets.

3. **Data availability**
   Targets need to be measured and monitored. For all recommended KPIs, we will crosscheck and recommend available public and private data sources for financial institutions to establish a baseline, set target thresholds, and monitor progress. The framework prioritises the direct drivers of biodiversity loss that are covered by available data sets, so that investors can feasibly measure and report progress towards targets.

Note that only impacts are addressed in this guidance document. Dependencies will be considered in future versions.

Based on the analysis performed, the framework will initially focus on three of the direct drivers of biodiversity loss:

- **Pollution**: water pollutants, soil pollutants, non-GHG air pollutants and solid waste.
- **Resource use**: water and other resources.
- **Land, water, and sea use change**: terrestrial, freshwater, marine.

Climate change will not be considered for target-setting purposes, as net zero investment frameworks and targets already cover this pressure. If an investor has not yet set net-zero targets, then the investor should also include climate change for the climate-relevant sectors.

Invasive species also falls out of scope of the guidance document, given the lack of consensus on appropriate metrics and actions for the finance sector to address this driver.

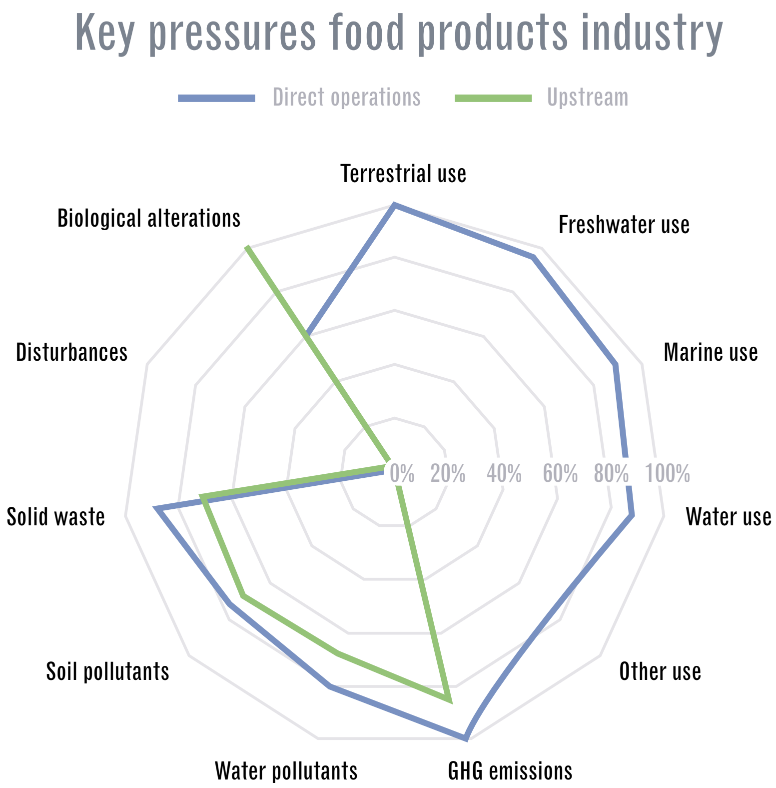


Figure 5. Example of key pressures for the food products industry based on the SBTN Materiality Screening Tool

6.3 Selection of sectoral KPIs and thresholds

Once the key direct drivers of biodiversity loss per priority sector are determined, sectoral KPIs and thresholds can be established. It must be recognised that science-based pathways for corporate action on nature are still in their nascency and that there is limited availability of relevant issuer-level data. Therefore, the sectoral KPIs will be designed such that targets can be dynamic to align with the best available science as it emerges. Additionally, **regional policy differences** shall also be considered by investors at the time of setting sectoral targets. Here, some investors may have greater exposure to jurisdictions with a less (more) advanced regulatory environment about biodiversity. When given a choice between regulating policies at different levels (e.g., national and regional), this guide recommends selecting the more restrictive one.

The sectoral KPIs in our framework will be set based on several sources, including:

- TNFD Getting Started guidance. Disclosure metrics are presented in Annex 1 and in the 'Sector guidance: Additional guidance for financial institutions' publication.
- For sectors in the scope of this guidance, the 'Sector Actions Towards a Nature-Positive Future' developed by BfN, WEF and the WBCSD.
- SBTN guidance and methodology for setting corporate SBTs, currently available for Land and Freshwater (more to follow).
- Others will also be considered, including GRI 304: Biodiversity 202X and ISSB-SASB standards.

Example of the food sector

While the development of sectoral KPIs is still a work in progress, which we aim to publish in H1 2024, we can give an indicative example for the food products industry (GICS: 302020), including producers of agricultural products and packaged foods and meats.

According to the sectoral guidance developed by WEF, BfN, and WBCSD, six key actions that the agri-food sector can perform to reduce negative impacts on nature and mitigate risks are:

- Reduce freshwater use;
- Avoid, reduce, and remove GHG emissions across the entire value chain;
- Reduce water, air and soil pollution;
- Avoid the degradation —and accelerate the regeneration— of land and ecosystems;
- Promote circularity and innovate products, practices, and technologies;
- Collaborate, educate, support and advocate across your supply chain.

In addition, the methodology v0.3 for SBTs for Land proposes three distinct targets:

- No Conversion of Natural Ecosystems;
- Land Footprint Reduction;
- Landscape Engagement.

Similarly, the SBTs methodology for Freshwater includes freshwater targets (quality and quantity).

Following the recommendations of these sources and considering that land use change and resource use are two key direct drivers of biodiversity loss exerted by the food products industry, the following box presents some sectoral target for the food products industry.

Examples for sectoral targets in the food products industry

Land use change:

- No deforestation and land conversion commitment: *By [year] x% of companies from the food products industry in the portfolio will have a no-deforestation and land-conversion target validated by SBTi*
- Disclosure on the proportion of the supply chain that is Deforestation and Conversion-Free (DCF): *By [year] x% of companies from the food products industry sourcing palm oil in the portfolio will have reported y% DCF palm oil*

Water use:

- Water risk assessment: *By [year] x% of companies from the food products industry in the portfolio will have completed a water risk assessment*
- Water quantity targets for hot spots: *By [year] x% of companies from the food products industry in the portfolio will have set a robust water quantity target for all hot spots in their direct operations, in line with guidance from the SBTN method for Freshwater*

7. Engagement targets

Engagement targets enable asset managers and asset owners to set targets on engagement and stewardship actions.

We acknowledge that, in numerous instances, corporate disclosures on the identified sectoral KPIs will be low, with even fewer companies acting on the key drivers. Therefore, active ownership by investors will be essential in accelerating corporate action in line with key mitigating actions identified for each industry. Hence, to support the delivery of sectoral targets, investors are advised to set stewardship targets to ensure that issuers in the priority sectors targets are assessed against KPI and subject to direct or collective engagement and stewardship actions.

Setting clear investor expectations for companies

Investors can determine a clear and concise set of investor expectations for companies. This is to be informed by initiatives such as Nature Action 100 (NA100), which has set out investor expectations for a list of 100 priority companies. While not all asset owners and managers will be part of NA100, engagement targets can follow the company expectations set by NA100:

1. **Ambition**
   Publicly commit to minimise contributions to key drivers of biodiversity loss and to conserve and restore ecosystems at the operational level and throughout value chains by 2030.

2. **Assessment**
   Assess and publicly disclose nature-related dependencies, impacts, risks, and opportunities at the operational level and throughout value chains in line with the TNFD recommendations.

3. **Targets**
   Set time-bound, context-specific, science-based targets informed by risk assessments on nature-related dependencies, impacts, risks, and opportunities. Disclose annual progress against targets.

4. **Implementation**
   Develop a company-wide plan on how to achieve targets. The design and implementation of the plan should prioritize rights-based approaches and be developed in collaboration with indigenous peoples and local communities when they are affected. Disclose annual progress against the plan.

5. **Governance**
   Establish board oversight and disclose management's role in assessing and managing nature-related dependencies, impacts, risks, and opportunities.

6. **Engagement**
   Engage with external parties, including actors throughout value chains, trade associations, policymakers, and other stakeholders, to create an enabling environment for implementing the plan and achieving targets.

Investors are encouraged to implement an escalation pathway with investee companies about engagement objectives where these are not being met.

According to the PRI's Practical Guide to Active Ownership in Listed Equity, potential escalation mechanisms include:

1. Communicating with the board: expressing concerns to corporate representatives or non-executive directors, either directly or in a shareholders' meeting;
2. Collaborating with other investors to increase pressure on the company;
3. Issuing a public statement;
4. Submitting shareholder resolutions in relation to the issues of concern;
5. Voting against the re-election of directors who are responsible for the topic of engagement (i.e., risk and audit committee members);
6. Voting against the board of directors or the annual financial report;
7. Submitting one or more nominations for election to the board;
8. Seeking legal remedies or arbitration;
9. Reducing exposure, with the ultimate sanction for inaction being divestment.

Additionally, investors may vote against executive compensation proposals if the variable pay portion is not linked to an appropriately ambitious nature-related key performance indicator (KPI) or nature-related performance. The above escalation pathway should be, in the first instance, applied on a proactive basis to develop constructive dialogue with investee companies that enables potential future controversies or missed targets to be avoided.

Company selection

Investors need to define the companies (or a percentage of their total biodiversity footprint) they will engage with directly or collectively. In addition, they should define an approach to integrate the performance of companies on sectoral targets into their policies, including stewardship and voting guidelines and exclusion policies.

Public policy engagement

Asset managers and asset owners should also engage with policymakers and regulators to complement engagement with issuers, ensuring that appropriate incentives and policies are implemented to enable sovereigns, corporates, and financial institutions to deliver on their nature-related targets.

Policy advocacy efforts and related engagement may cover a broad range of issues, including:

- Showcasing progress and advocating for ambition in support of CBD and COP processes;
- Supporting efforts of policymakers to develop/revise and implement their National Biodiversity Strategy and Action Plans (NBSAPs) and National Biodiversity Finance Plans (NBFPs). Additionally, by signing on to collaborative statements and responding to public consultations;
- Proactive collaboration with civil society, research groups, institutes, universities, international organisations, and governments (national and sub-national) to support foundational efforts to improve understanding of nature dependencies, impacts, risk and opportunities;
- The GBF recognises the role of women, indigenous peoples and local communities in successful biodiversity and ecosystem management. Investors should prioritise active stakeholder engagement with these communities, wherever relevant, to link to nature conservation and ecosystem management activities more effectively in the given context.

Following the information provided so far, the box below presents some engagement target examples.

Examples for engagement targets

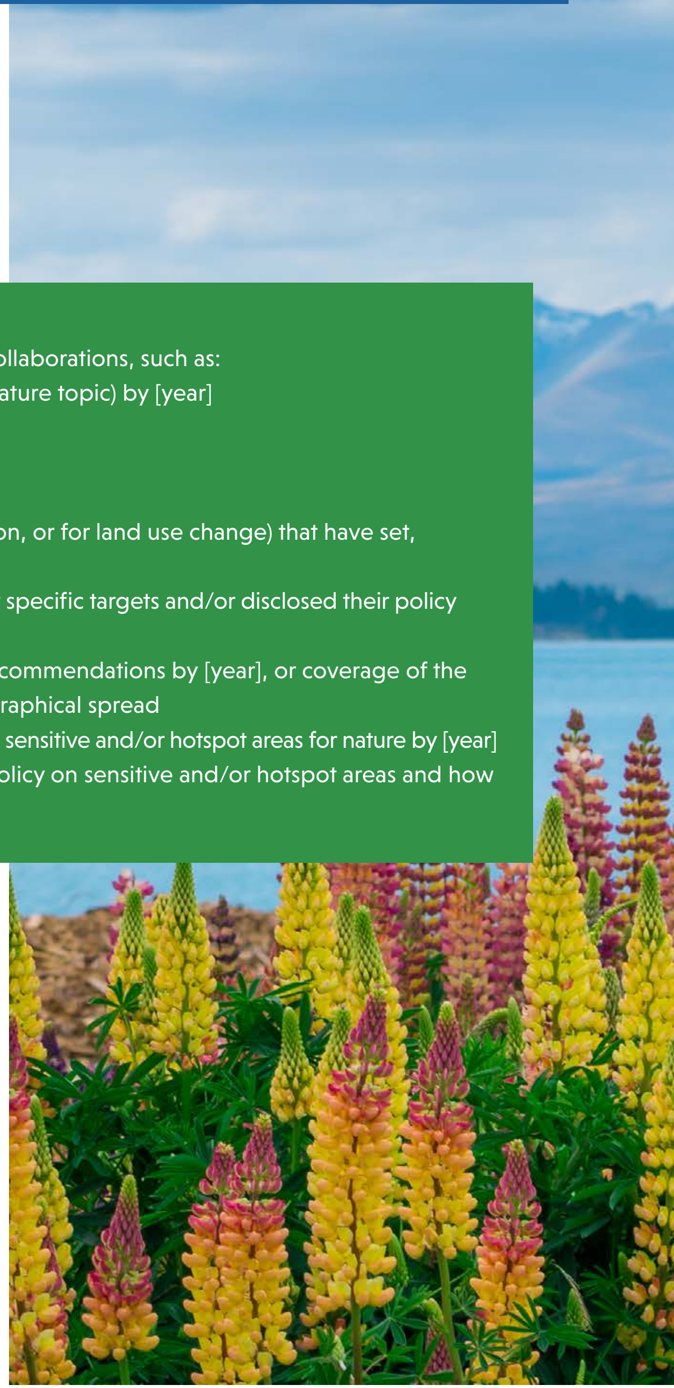
Engagement targets can focus on purely engagement processes or collaborations, such as:

- # of companies engaged with (general, per priority sector or per nature topic) by [year]
- # of collaborations with nature and/or investor initiatives by [year]

Other engagement targets can also focus on specific points:

- # of companies in high-risk sectors (for water withdrawal or pollution, or for land use change) that have set, or are in the process of setting, SBTs for Freshwater/Land
- # of investee companies that have a nature or biodiversity policy, set specific targets and/or disclosed their policy and nature transition plan by [year]
- # of investee companies that have disclosed on X or more TNFD recommendations by [year], or coverage of the TNFD disclosures in terms of the organisation's value chain or geographical spread
- # of investee companies disclosed location data and their exposure to sensitive and/or hotspot areas for nature by [year]
- # of investee companies that have disclosed their specific nature policy on sensitive and/or hotspot areas and how to address these by [year]

We aim to publish guidance for sectoral engagement targets in H1 2024.



8. Portfolio coverage targets

Portfolio coverage targets enable asset managers and asset owners to set targets to assess and report on the alignment of their portfolios with the overarching goal, targets and mission of the GBF of halting and reversing biodiversity loss in 2030.

Outcome and impact-oriented targets

We envision that the sectoral targets will be aggregated and translated into meaningful, outcome-orientated KPIs that can be measured and monitored, such as the share of total assets under management (AUM) and the share of total biodiversity footprint covered by the sectoral targets and the engagement targets. At the same time, we will look at impact-orientated KPIs like those on specific drivers of biodiversity loss or having a deforestation and conversion-free portfolio. More specific guidance on these targets will be developed and disclosed in the next version of this guidance document.

The difference between asset owners and managers should be also considered. While asset owners can set portfolio-wide targets, asset managers must generally follow client mandates. Thus, the latter may have to focus on educating and engaging clients on biodiversity and providing investment options for clients interested in aligning portfolios.

9. Looking ahead

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

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

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

The importance of location

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

The importance of collaboration

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

A holistic and inclusive approach

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

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

Measuring success and adaptability

The success of nature targets must be measurable and adaptable. Data availability is one of the current challenges in setting and measuring target performance; thus, we will refer to the best available data at each moment.

Monitoring and reporting

In the guidance document, we recommend **annual monitoring and reporting on the progress towards the target**, including whether the target is on track to be achieved and associated actions. In 2024, we will come up with additional thinking and guidance on this.

Living in harmony with nature in 2050

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

Sources

Chapter 1

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Aligning financial flows with the Kunming-Montreal Global Biodiversity Framework
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Chapter 2

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Chapter 3

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Chapter 4

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April 2021, Institutional Investors Group on Climate Change (IIGCC)

Chapter 6

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May 2022, Finance for Biodiversity Foundation (FfB Foundation)

Materiality Screening Tool
Science Based Targets Network (SBTN)

Getting started with the TNFD Recommendations
September 2023, Taskforce on Nature-related Financial Disclosure (TNFD)

SBTN Technical Guidance: Step 3 Freshwater: Measure, Set & Disclose on Freshwater
2023, Science Based Targets Network (SBTN)

Chapter 7

Practical Guide to Active Ownership in Listed Equity
February 2018, Principles for Responsible Investment (PRI)

Definitions, Acronyms and Abbreviations

Definitions

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

Biodiversity: The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part. This includes diversity within species, between species and of ecosystems.
(Convention on Biological Diversity, Article 2, 1992).

Framework: The conceptual structure supports asset managers and owners in setting targets for nature.
Drivers of biodiversity loss: In this guidance, we refer to five direct drivers of biodiversity loss highlighted by IPBES as direct drivers of biodiversity loss.
(Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), May 2019).

Acronyms and abbreviations

FfB: Finance for Biodiversity Foundation

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

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

BfN: Business for Nature

GBF: Kunming-Montreal Global Biodiversity Framework

GFANZ: Glasgow Financial Alliance for Net Zero

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

NZIF: Net Zero Investment Framework

NZAOA: UN-convened Net Zero Asset Owner Alliance

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

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

TNFD: Task Force on Nature-related Financial Disclosures

UNEP FI: United Nations Environment Programme Finance Initiative

UN PRI: United Nations Principles of Responsible Investing

WBCSD: World Business Council for Sustainable Development

WEF: World Economic Forum

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

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- Anita de Horde (FfB Foundation)

Coordination

The guidance document and framework are coordinated by the co-chairs of the Target Setting working group Lucian Peppelenbos (Robeco) and Charlotte Apps (Fidelity) together with the FfB Foundation Secretariat: Anita de Horde (Executive Director) and Julen González Redín (Technical Director).

Collaborating partners

We want to acknowledge our collaboration with the following two key partner organisations: SBTN and UNEP FI.

Contributions

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Reviewers

The following reviewers have contributed to the process by giving feedback on the guidance.

- Camille Maclet (UN CBD Secretariat / UNEP FI Nature Team)
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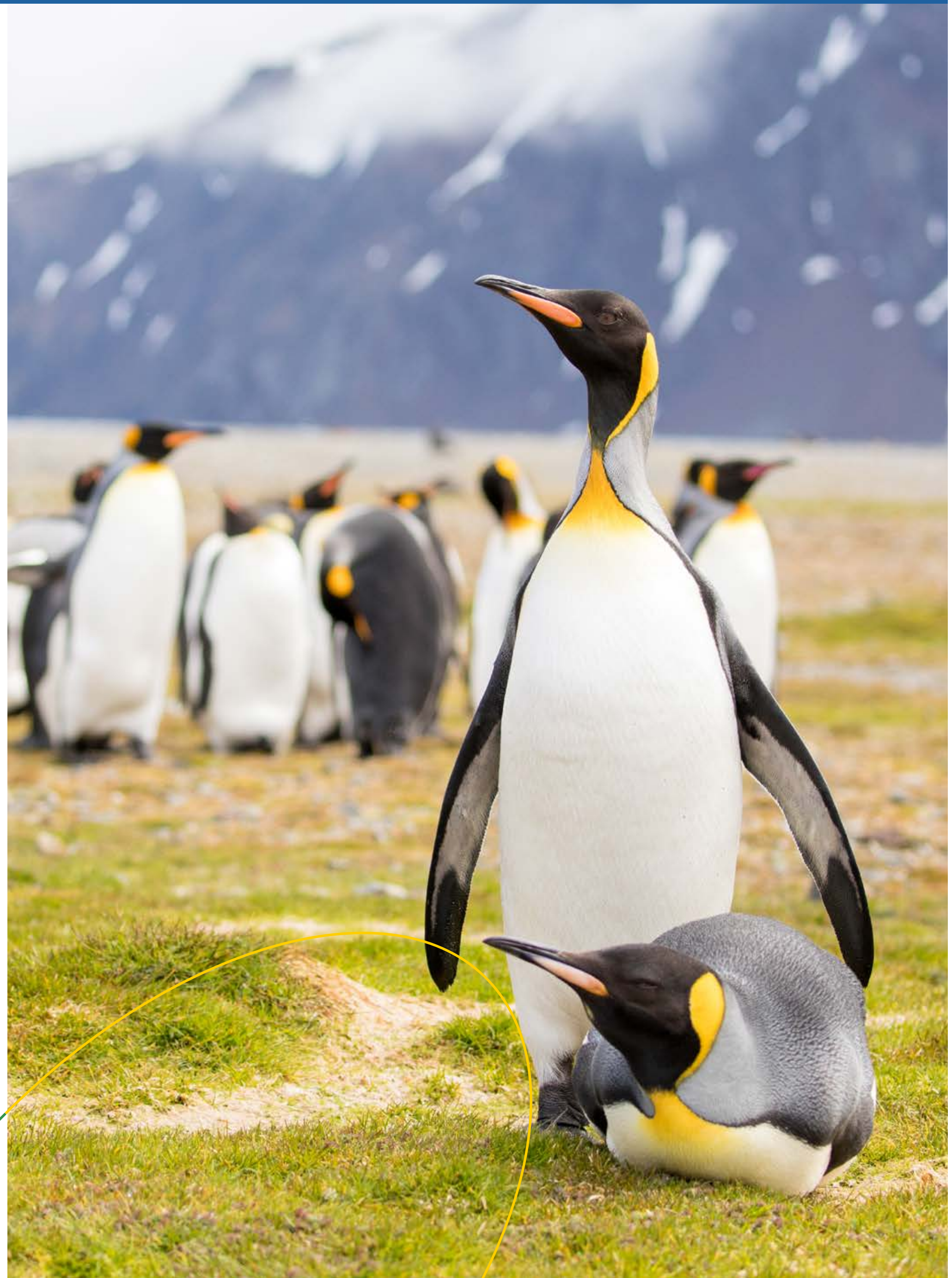

Invitation to join

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

Get in touch

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

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