

Nature Target Setting Framework

for Asset Managers and Asset Owners



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 the executive summary of the **Nature Target Setting Framework for Asset Managers and Asset Owners**, developed with the members of the Finance for Biodiversity (FfB) Foundation. You can download the full version of this framework on [our website](#).

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.

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.

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).

Achievement target years –2026 and 2030, respectively – represent the deadline years to meet targets, yet these can be achieved earlier. Additionally, 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.

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	<ul style="list-style-type: none"> 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

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) <ul style="list-style-type: none"> Overview of the proposed structure of the Nature Target Setting Framework Guidance to set initiation targets
Phase 2: Full-guidance (H1 2024) <ul style="list-style-type: none"> 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) <ul style="list-style-type: none"> Guidance on target-setting for sovereign issuers Guidance on positive impact targets Guidance on other asset classes and sectors



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 portfolio 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: <ul style="list-style-type: none"> • Initiation targets are <u>to be achieved</u> by 2026 (or earlier) • Sectoral, engagement and portfolio targets are <u>to be achieved</u> by 2030 (or earlier) • Pledge signatories recommended <u>to disclose</u> 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	-

Acknowledgements

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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).

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Invitation to join

This executive summary provides a sneak peek into the Nature Target Setting Framework for Asset Managers and Asset Owners. You can download the full version of this framework on our website. 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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