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SYNTHESIS OF THE WORKSHOP ON THE FINANCIAL SECTOR AND THE POST-2020 GLOBAL BIODIVERSITY FRAMEWORK, 17-18 JUNE 2021

Note by the Executive Secretary

I. INTRODUCTION

1. Ensuring a green recovery, implementing the post-2020 global biodiversity framework, mobilizing the necessary resources, mainstreaming biodiversity across the economy, and realizing opportunities at the climate-biodiversity nexus, all require the involvement of both public and private actors and, critically, the financial sector.[1] The financial sector is the economy's main mechanism for allocating resources and distributing risks, and it therefore has a critical role to play in addressing the global biodiversity crisis.

2. However, the Conference of the Parties to the Convention on Biological Diversity and its community have so far not fully engaged with these actors. As a result, the financial sector (other than the multilateral development banks) has limited awareness and understanding of the role and importance of the Convention on Biological Diversity. The biodiversity community and the financial sector know too little about each other, even though success in tackling the biodiversity crisis depends on them effectively working together.

3. In decision 14/34, the Conference of the Parties urged Parties and invited other Governments and stakeholders, including the finance community, to actively engage and contribute to the process of developing a robust post-2020 global biodiversity framework in order to foster strong ownership of the framework to be agreed and strong support for its immediate implementation, and to facilitate dialogues on the post-2020 global biodiversity framework and to make the results of these dialogues available through appropriate means.

4. To that effect, the Secretariat of the Convention proposed to bring the financial sector (and its related regulators, such as central banks and finance ministries) into the discussions under way on developing and implementing a new strategic framework for protecting and restoring global biodiversity, the post-2020 global biodiversity framework. The aim was to actively engage these actors in laying out a vision for how the financial sector could best contribute to achieving the objectives of the global biodiversity framework.

5. Financial sector participation was critical to the success of the twenty-first meeting of the Conference of the Parties to the United Nations Framework Convention on Climate Change. The alignment of financial flows with global mitigation and adaptation goals was included as one of the three goals set out by the Paris Agreement.[2] Achieving support from the financial sector in the leadup to the Paris Agreement was key, as was the Agreement's clear mandate for the financial sector to play a role. Alignment of financial flows with global biodiversity goals is going to be equally important to a successful fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity and the effective implementation of the post-2020 global biodiversity framework.

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[1] Central banks and regulators, multilateral development banks (MDBs), public development banks (PDBs), commercial banks, insurers, asset owners and asset managers.

[2] Article 2.1c: "Make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development", United Nations, *Treaty Series*, No. I-54113.

6. This workshop was conceived in this context. It was convened by the Secretariat of the Convention, under the guidance of the Co-Chairs of the Open-ended Working Group on the Post-2020 Global Biodiversity Framework, with a view to facilitating exchange among the different players of the finance community, representatives of Parties to the Convention and interested stakeholders.

7. The post-2020 global biodiversity framework has the potential to promote the transformative changes in global finance necessary to achieve the 2050 vision of living in harmony with nature. In this regard, the objective of the workshop was to facilitate a structured dialogue among experts from the finance community and other experts from Parties and stakeholders, on how the finance sector can best contribute to the development of an ambitious post-2020 global biodiversity framework that will support the achievement of the 2050 Vision and to identify the priority actions needed by both Parties and the financial sector itself to enable the implementation of the framework.

8. The planned outcomes of the workshop were therefore:

(a) To facilitate a structured dialogue and build mutual understanding between the global financial sector – both private and public – and the CBD community, as a basis for stronger collaboration on the role of finance in the development and implementation of the global biodiversity framework;

(b) To identify key actions that could place the global financial sector, with Governments and regulators, on track to address the biodiversity crisis and align financial flows with the objectives of an ambitious post-2020 global biodiversity framework, and secure the commitment of Parties within the global biodiversity framework that would be needed to facilitate this contribution most effectively (goal, targets, indicators).

9. The present note provides a synthesis of these dialogues during the 17 June panels and 18 June breakout groups on the following two topics:

(a) Proposals for key actions to align financial flows with biodiversity policies;

(b) Ways in which the post-2020 global biodiversity framework can support and promote these actions.

10. The outputs of the workshop will be brought to the attention of the Open-ended Working Group at its third meeting, in August 2021, at which the next draft of the post-2020 global biodiversity framework will be negotiated by Parties.

II. KEY ACTIONS TO ADDRESS THE BIODIVERSITY CRISIS AND TO ALIGN FINANCIAL FLOWS WITH THE OBJECTIVES OF AN AMBITIOUS POST-2020 GLOBAL BIODIVERSITY FRAMEWORK

11. The workshop was held online on 17 and 18 June 2021. The programme is annexed to the present document.

12. The first day raised awareness and built mutual understanding between the global financial sector – private and public – and the biodiversity community and other stakeholders on (a) the post-2020 global biodiversity framework and its importance for the financial sector, (b) how financial institutions and investors can address the global biodiversity crisis and (c) the role of Governments and regulators in enabling financial institutions and investors to align financial flows for biodiversity. Over 330 participants attended the workshop.

13. On the second day, participants, divided into seven working groups, discussed (a) how to achieve an effective contribution of the global financial sector, supported by Governments and regulators, to the implementation of the post-2020 global biodiversity framework and (b) what the financial sector expected from the global biodiversity framework (and the Parties) to facilitate this contribution in the most effective way. The closing plenary presented a preliminary synthesis of the workshop.

14. All stakeholder groups mentioned common general considerations regarding (a) the integration of biodiversity/nature into their activities and (b) the implementation of the future global biodiversity framework:

(a) There is a need for a common language between the business and financial sector and the biodiversity community, as well as clear definitions, aligned with the Convention, of key concepts such as "nature positive", "net zero",[3] used in the G7 leaders' call[4] and by leaders of governments, business, financial institutions and civil society. These key concepts are not used in the post-2020 global biodiversity framework, and participants suggested that the framework should make reference to such concepts and definitions;

(b) Climate experience may benefit biodiversity. Learning from climate finance (commonalities, differences, convergence) and ensuring better linkages between climate change and biodiversity are needed. However, biodiversity should not be subsumed by climate change issues. More emphasis should be placed on nature-based solutions to stimulate the financial sector;

(c) The social aspects of biodiversity are closely linked to the purely environmental aspects, as biodiversity loss affects both livelihoods and nature. Participants highlighted the importance to better link social aspects with biodiversity, including poverty alleviation, human rights issues and a focus on indigenous peoples and local communities. This does not mean leading a North-South battle but an opportunity to involve all sectors to achieve such objectives. For non-governmental organizations (NGOs), mobilizing stakeholders at the local level would ensure additional support from communities. Such an initiative requires resource mobilization, technical support and facilitation of dialogue with the local and State ministries;

(d) One of the main challenges is to reduce the gap between the short time scale of the financial world and the longer time scale of the ecological world.

15. All stakeholder groups identified common needs and expectations linked to the current lack of clarity in terminology and standards which is seen as counterproductive. Mitigation and conservation hierarchy, taxonomy, metrics, data and reporting need to be further standardized.

(a) Common standards, science-based metrics, targets and indicators are lacking. Engagement with policymakers, to encourage them to express their metrics and targets in a financially relevant way would be useful;

(b) Several tools[5] exist or are being developed: Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE), Corporate Biodiversity Footprint (CBF), Biodiversity Footprint Financial Institutions (BFFI), Species Threat Abatement and Recovery (STAR), Global Biodiversity Score for Financial Institutions (GBSFI), Biodiversity Impact Assessment (BIA), among others;

(c) Biodiversity data is a key issue. On the one hand, financial institutions and businesses see data collection and management as key challenges despite the availability of technology, blockchain and artificial intelligence (which should be further developed). They express the need for relevant data to be translated into meaningful information that they can use. On the other hand, according to NGOs, data is scattered across too many databases (over 300). Consolidation of such data would make it more accessible to individuals and public and private organizations;

(d) There was general agreement to call for the creation of consolidated (global) database(s). Standardization of data between Governments and financial institutions is needed and will require sound cooperation between financial institutions, civil society, businesses and Governments. Governments should require companies to provide data on biodiversity and regulate how biodiversity information is disclosed.

[3] A World Economic Forum article published on 23 June 2021 provides a definition of both concepts: "What is 'nature positive' and why is it the key to our future?" https://www.weforum.org/agenda/2021/06/what-is-nature-positive-and-why-is-it-the-key-to-our-future/

[4] See G7 Cornwall, United Kingdom of Great Britain and Northern Ireland, 11-13 June 2021, Nature Compact, https://www.g7uk.org/wp-content/uploads/2021/06/G7-2030-Nature-Compact-PDF-120KB-4-pages-2.pdf.

[5] Finance for Biodiversity Pledge, April 2021: Guide on biodiversity measurement approaches.

Conservation organizations should join forces. Obtaining data should be free of charge. Sufficient funding and capacity-building are needed to collect and manage data in the public interest;

(e) Common and precise taxonomy/ies describing positive (green taxonomy) and negative activities (brown taxonomy/ exclusion list) should be developed by governments and/or central banks, with the help of development finance institutions (DFIs) (and/or the United Nations Development Programme Biodiversity Finance Initiative), as a prerequisite for engaging further public and private finance and for transparency. Marine and coastal habitats should be included into these taxonomies. In particular, the brown taxonomy would identify harmful activities that would clearly no longer be financed;[6]

(f) Consideration should be given to prioritizing the most harmful industries in order to act on the sectors with the greatest impact. These include intensive livestock farming, agriculture, major extractive industries, luxury goods and related wildlife trade;

(g) Common standards/frameworks are needed for the disclosure of nature-related financial risks and opportunities to governments and policy requirements for providing such disclosures. The Taskforce on Nature-related Financial Disclosure (TNFD) (and other related approaches) would provide such a framework;

(h) Capacity-building is required for the financial sector to understand the risks associated with biodiversity loss and its dependence on nature, and to assess the impacts of their investments on nature.

16. All stakeholder groups stressed the need, for all these topics, of cooperation and dialogue between governments (at all levels) and the business and financial sector, via an interface/platform for multi-stakeholder dialogue.

17. Participants identified specific actions to be carried out by the different types of actors:

(a) The role of governments is critical for involving all actors at all levels (international, national and local). Public and private financial sectors would have their own agendas:

(i) Governments have a key role to play in: (a) creating a level playing field for business and the financial sector, in setting conditions and incentives that encourage private investments in nature positive projects; (b) demanding the development of asset classes for nature-based solutions; (c) developing robust, dynamic, coherent and guiding policies and legislation (at the national level and across borders); (d) developing national biodiversity finance plans to identify the best way to steer private finance; (e) requiring disclosure of the risks, impacts, dependencies and opportunities; and (f) raising awareness. Governments may use public money to steer private money but must ensure it is transformational. According to the private sector and NGOs, the private sector may not do enough if it is bound only by voluntary contributions. Private finance seeks clarity, and Governments need to create the framework and encourage investments to avoid unnecessary harm to biodiversity. The private sector would like Governments to express their targets in a way that is financially relevant, and further dialogue is needed between both parties. According to representatives of the private financial sector, Governments could develop accreditation or similar mechanisms for financial institutions and businesses to avoid greenwashing;

(ii) Governments also direct public bank investments. These banks should have their mandate adjusted to make biodiversity mainstreaming mandatory, to monitor and report on their implementation of environmental and social safeguards and to disclose risks and alignment with biodiversity goals accordingly. The adoption of natural capital accounting, which aligns the measurement of natural capital and ecosystem services with national statistical

[6] See, for example, the United Nations Environment Programme Finance Initiative, *Sustainable Blue Economy Report: Turning the Tide: Recommended Exclusions*, June 2021.

systems, should be scaled up. A target of 30 per cent of climate finance allocated to biodiversity could apply to these banks;

(iii) Financial institutions need to have clear guidance from Governments and regulators on which sectors will be impacted by new regulations, adjustment of incentive-mechanisms, reform or redirection of harmful subsidies. Clear milestones have to be put in place for this transition, as does funding for the transition;

(iv) Governments should also send clear signals to the financial sector about the importance of biodiversity, including their long-term intentions. They must remain transparent and ensure continuity of attention to biodiversity over time. The role of subnational authorities in providing incentives, actions and regulations should be strengthened;

(v) Governments can support a coordinated and collaborative approach across landscapes, with an understanding of positive and negative cumulative impacts and interrelations that may arise from developments and investments (a "landscape financing approach");

(b) Business and the private financial sector must be given a clear role in decision-making and target setting to increase their engagement:

(i) There are options for businesses to increase their engagement, for example with a biodiversity road map, target setting,[7] a dedicated biodiversity finance task force and engagement in biodiversity programmes, such as the World Bank's Nature Action 100, pledges or responsible investment practices. They have to bring biodiversity in the discourse of investments;

(ii) Biodiversity projects and bankable operations are few and insufficiently developed: market pipelines and new investment vehicles are still in their early stages;

(iii) They should assess potentially stranded assets[8] or technologies that have a negative impact on biodiversity (for exclusion lists) and should think about transition financing. They can develop market-led initiatives, such as the Partnership for Biodiversity Accounting Financials (PBAF) initiative, to improve standardization of biodiversity financing terminologies and metrics, and TNFD (with businesses) for disclosure;

(iv) There is a need to accelerate and expand risk mitigation solutions, including blended finance, for nature-positive finance. Currently, the offer of blended finance de-risking solutions does not match the private finance capital appetite: blended finance needs to be considered further and develop much more rapidly and at the necessary scale to address the biodiversity crisis. However, for NGOs, even if blended finance seems to be an interesting solution, it carries risks, such as privatization of gains and socialization of risks;

(v) For Governments and NGOs, the priority of private financial institutions should be to assess the risks and impacts of their financed projects on biodiversity through the application of regulations, the use of recognized standards, such as the International Finance Cooperation (IFC) Performance Standard 6, and of tools such as ENCORE, CBF, BFFI, STAR, GBSFI, BIA, etc. (as indicated in para. 15(b) above). Such an effort would enable financial institutions to better understand the impact and dependencies of their portfolio assets;

[7] Such as the 30 per cent of climate financing dedicated to biodiversity-positive projects, but several financial institutions were concerned about this target, as they do not have a certain amount of capital that they call climate finance. Several found it difficult in general to set targets on biodiversity.

[8] Stranded assets are "assets that have suffered from unanticipated or premature write-downs, devaluations or conversion to liabilities". They no longer have value or produce income, usually due to some kind of external change, including changes in technology, markets and societal habits (such as climate change, biodiversity loss).

(c) The public financial sector (development banks) has a critical role to play in contributing to the alignment of financial flows with biodiversity issues:

(i) Public finance has a key role to play in recognizing biodiversity as a public good and in specifying in its mandate the management of biodiversity risks and impacts and the financing of biodiversity opportunities;

(ii) They wish this work to be coherent with the G7 statement on nature[4] and the draft multilateral development banks (MDBs) joint statement language to minimize parallel texts;

(iii) FDIs could provide input into the development of taxonomy/ies and would need brown taxonomies to identify activities that they should no longer finance;

(iv) For some NGOs,[9] the mandate of the public banks should be modified to include biodiversity mainstreaming at the strategic level and fully integrate biodiversity risk into investment decisions;

(v) DFIs apply environmental and social performance standards, such as IFC PS6. They have to monitor and report on their implementation and could support public and private institutions to apply these performance standards. For NGOs, this application, monitoring and reporting should be improved. To that effect, a better interaction with TNFD would be helpful;

(vi) DFIs could conduct stress tests of their portfolios. Some public banks nevertheless have indicated that this language should be replaced by "risk assessment", as data for stress tests is not yet available;

(vii) DFIs could develop instruments for financing biodiversity opportunities and could, according to some NGOs, scale up investments in nature-based solutions to meet climate and other development goals;

(viii) Though standards for the structuring of blended instruments are still in need of development to increase security and predictability and reduce transaction costs, public banks seem to be very cautious about such financing since conditions are not optimal right now;

(d) Central banks, supervisors and regulators may need to consider biodiversity loss in their mandates in order to protect economic and financial stability:

(i) The question of the role of central banks in aligning financial flows can be asked from the perspective of financial stability, micro or macro-prudential, price stability and portfolios. The Bank of England, for example, has started to explore the alignment of zero net issuance in its portfolio and has stressed the need to disclose not only the risks but also the dependence of their investments to nature;

(ii) Central banks have different mandates. It is difficult for them to define specific measures, but they could give direction/recommendations to the financial system;[10]

(iii) Central banks, supervisors and regulators need to first identify the risks associated with biodiversity loss to understand whether it is a systemic risk and to what extent it affects the whole economy. The Network for Greening the Financial System (NGFS) and INSPIRE[11] have now established a joint Study Group on Biodiversity and Financial Stability, with the aim to understand the potential implications of biodiversity loss for financial stability;

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[9] WWF France and the Biodiversity Consultancy, *Public Development Banks and Biodiversity. How Development Finance Institutions Can Align with the Post-2020 Global Biodiversity Framework*, June 2021.

[10] As in the DNB/PBL report: DNB/PBL, Indebted to nature. Exploring biodiversity risks for the Dutch financial sector, June 2020.

[11] NGFS and Inspire, NGFS Occasional paper: Biodiversity and financial stability: exploring the case for action June 2021.

(iv) Central banks should perform stress tests and identify their own nature-related financial risks. Nature-related risks could be included in credit ratings at the national and company levels;

(v) Central banks could use biodiversity-related data, with the help of economists, ecologists and social scientists, to design various scenarios and analyse what could go wrong, probable shocks and how they could impact macro and specific sectors. They could then build stress tests for the actors of the financial sector;

(vi) They should disclose on their alignment to biodiversity goals.

III. CONTRIBUTION TO THE POST-2020 GLOBAL BIODIVERSITY FRAMEWORK – SOME PROPOSALS

18. All panellists on 17 June and stakeholders on 18 June expressed strong needs and expectations for the post-2020 global biodiversity framework (global guidance, clarity, coherence, consistency, increased collaboration), its content (alignment on financial flows, risk management, increased funding...) and its development and implementation (coordination, partnerships, serious consideration by Governments, explicit commitments from public and private financial sectors).

19. Panellists called on Governments to seriously consider these needs and goals, and on regulators to go further. One of the main challenges is to capture the need for language that business and the financial sector can understand and incorporate into their investments. As mentioned in section II above, the global biodiversity framework should provide specific definitions for “nature positive”, “net zero”, “nature-based solutions”.

20. Currently, the goals and targets of the global biodiversity framework are perceived as vague and not specific enough: they do not provide clear guidance for the financial sector to understand which direction to take. There is also a strong need to set key public performance indicators.

21. The global biodiversity framework should facilitate the efforts of the private sector to develop scenarios for 2030 and 2050, which could be presented to shareholders. It is not necessary to be prescriptive, but simply to provide guidance, for example by translating targets and goals into business-friendly objectives. It could create a space to allow further initiatives to emerge (such as the net-zero target from the Paris Agreement).

22. The global biodiversity framework should include a long-term goal and science-based specific requirements (ad hoc target specifying nature-related financial risks, impacts and dependencies management, funding opportunities, disclosure on these topics) for the financial sector to achieve positive outcomes for nature. The main idea is to have a specific goal on aligning financial flows from all sectors (public, private, government, business) with biodiversity (risk management, increased funding). A proposal was made: “aligning financial flows with halting and reversing biodiversity loss”. Some participants in the government group expressed the need for an operational definition of the alignment of flows and how it could be done (transition manual, milestones) and the means of its implementation.

23. Support to both biodiversity and climate as well as social impacts should be strengthened.

24. Participants from NGOs and financial institutions would like to see the most impactful sectors prioritized. Governments indicated that the global biodiversity framework could specify the efforts required from specific sectors, including the financial sector, and identify policy inconsistencies. Specifying the actors who need to take action (MDBs, national development banks, central banks), would ensure better mobilization. Governments also stressed that the global biodiversity framework should not be too prescriptive and should leave space for regional and national circumstances in the ways and means by which goals and targets are achieved.

25. A target for Parties of a minimum of 30 per cent of climate finance allocated to biodiversity has been proposed.

26. The global biodiversity framework should call for national Governments to foster the development of innovative finance mechanisms and for the finance industry to participate actively in this process.

27. How governments will turn these high-level ambitions at the regional or national level will have an impact on the way investors do business.

Annex

WORKSHOP PROGRAMME

<table>
<tr><th colspan="2">Day 1 – 17 June 2021 – Mutual understanding</th></tr>
<tr><td>8 a.m.
(EDT)</td><td>Welcome and opening statements by:
• Ms. Elizabeth Maruma Mrema, Executive Secretary of the Convention on Biological Diversity
• Mr. Saker Nusseibeh, CEO, International business of Federated Hermes
• Mr. Franz Perrez, Swiss Ambassador for the Environment</td></tr>
<tr><td>8.10 a.m.
(EDT)</td><td>Presentation of the post-2020 global biodiversity framework
Mr. Basile van Havre and Mr. Francis Ogwal, Co-Chairs of the Open-ended Working Group on the Post-2020 Global Biodiversity Framework</td></tr>
<tr><td>8.20 a.m.
(EDT)</td><td>Keynote speaker: Mr. Ma Jun, Co-chair of the Research Workstream of NGFS and Chairman of the Green Finance Committee of the China Society for Finance and Banking, Advisor to the Governor of the People's Bank of China, Co-chair of the G20 Working Group on Green Finance</td></tr>
<tr><td>8.30 a.m.
(EDT)
(45 min:
30-min
speeches
and
15-min
Q&A)</td><td>Panel 1: Why is nature important to financial institutions and investors, and what can they do to address the global biodiversity crisis?
• Mr. Peter van der Werf, Robeco, Senior manager engagement
• Ms. Madeleine Ronquest, FirstRand, Head of Environment, Social and Governance Department
• Mr. Sylvain Vanston, Group head of Climate Change and Biodiversity, AXA Group
• Ms. Maria de Netto, Financial Markets Principal Specialist, Inter-American Development Bank
• Ms. Sherry Madera, Refinitiv, Chief Industry and Government Affairs Officer
Chair: Mr. Simon Zadek, Chair, Finance for Biodiversity Initiative</td></tr>
<tr><td>9.15 a.m.
(EDT)
(40 min)</td><td>Panel 2: The role of governments and regulators in enabling financial institutions and investors to align financial flows for biodiversity.
• Mr. José Antonio Quesada, Vice-President of Regulatory Policy, National Banking and Securities Commission, Mexico
• Mr. William Lockhart, Head of International Environment Negotiations, Department for Environment, Food & Rural Affairs, United Kingdom of Great Britain and Northern Ireland
• Ms. Hélène Perier, Lead negotiator on Resource Mobilization, European Union
• Ms. W.A. Dilrukshini, Director of Macroprudential Surveillance Department, Central Bank of Sri Lanka
• Mr. Ronald Kaggwa, Acting Director Policy, Planning and Information, National Planning Authority, Uganda
Chair: Mr. Gilles Kleitz, Director, Natural Resources, Agriculture, Water, Forests and Oceans, French Development Agency</td></tr>
<tr><td>9.55 a.m.
(EDT)</td><td>Conclusion of Day 1 and presentation of the modalities of work on Day 2, by the Secretariat</td></tr>
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<table>
<tr><th colspan="2">Day 2 – 18 June 2021 – Break-out group discussion</th></tr>
<tr><td>8.00 a.m.
(EDT)</td><td>Break-out group discussions: Proposals for key actions to align financial flows with biodiversity policies.</td></tr>
<tr><td>9.00 a.m.
(EDT)</td><td>Break</td></tr>
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Day 2 – 18 June 2021 – Break-out group discussion	
9.05 a.m. (EDT)	*Break-out group discussions*: How can the post-2020 global biodiversity framework support and promote these actions?
10 a.m. (EDT)	Break and meeting to change to closing plenary
Closing plenary	
10.10 a.m. (EDT)	*Closing panel*: Where do we go from here? Preliminary synthesis and next steps. *Chair*: Ms. Odile Conchou, Financial Sector Focal Point, Secretariat of the Convention on Biological Diversity
10.45 a.m. (EDT)	Conclusion of the workshop by: • Mr. Basile Van Havre and Mr. Francis Ogwal, Co-Chairs of the Open-ended Working Group • Mr. Eric Usher, Head, United Nations Environment Programme Finance Initiative/ Ms. Fiona Reynolds, Chief Executive Officer, Principles for Responsible Investment • Ms. Elizabeth Maruma Mrema, Executive Secretary of the Convention on Biological Diversity

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