



Sustainable
Markets
Initiative



Green Finance
Institute

INVESTING IN NATURE

Opportunities for Institutional Investors





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Foreword

Dear Colleagues

The Sustainable Markets Initiative's Natural Capital Investment Alliance (**NCIA**) was formed by His Majesty King Charles III, in his former role as His Royal Highness The Prince of Wales. The Sustainable Markets Initiative is a CEO-led global organisation, which seeks to leverage the collective power and influence of the private sector across industry, finance and countries to develop and scale solutions to address the climate and biodiversity crisis. His Majesty established the NCIA in 2021 at the One Planet Summit hosted by President Macron, with a view to it delivering on the Sustainable Markets Initiative's guiding mandate, the Terra Carta. This mandate established ambitious and practical actions to guide the private sector movement towards a sustainable future.

More than 120 Central Banks have told the world that Nature Risk is inextricably linked to Climate Risk¹. The NCIA's role is to lead and mobilise enablers to halt and reverse biodiversity loss through investment, engagement with investee firms and our advocacy efforts. A central plank of this engagement is to promote the opportunity Nature presents as an investible asset class. With this ambition in mind, we are delighted to publish **Investing in Nature**, a Guide to support investors in understanding the evolving thematic and landscape of Nature finance which we have developed in partnership with GFI Hive at the Green Finance Institute.

This Guide shines a light on Nature opportunities by providing examples of Nature investing through a wide range of case studies, demonstrating what best-in-class and innovative Nature investment looks like. Tangible and practical, we describe standard terms and then offer summaries of the two primary methods of investing in Nature: direct investments into natural capital, including through Nature-based Solutions (**NbS**), as well as investments into firms that are leaders amongst their peers in addressing Nature-related risks and opportunities.

We aim to support investors in mobilising private capital towards and for Nature. We cannot achieve this without working collaboratively at pace and scale. We urge investors to read, use and share this Guide so we can drive solutions that scale private capital for **Nature, People and Planet**.

Best wishes

Tony O'Sullivan
Chair, Sustainable Markets Initiative's Natural Capital Investment Alliance

¹ NGFS (2022). Statement on Nature-Related Financial Risks.

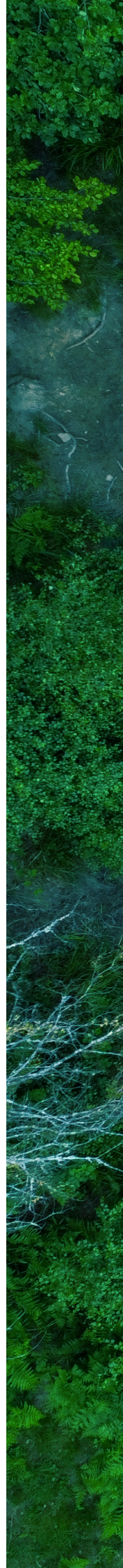


Purpose

Institutional investors are increasingly seeking to understand how they can engage in natural capital, or Nature investment opportunities.

This Guide seeks to demystify the various opportunities available to investors to increase private capital flows into Nature, and draws on the experience and insights of asset managers within this emerging sector – members of the NCIA. It also presents detailed case studies designed to support the decisions made by investors.

In recognition of the scale of the challenge in bridging the Nature-positive funding gap and the need to consider a range of financing mechanisms to help meet ambitious goals to protect and restore biodiversity globally, the authors present a broad range of opportunities in this Guide.



ABBREVIATIONS

AUM	Assets Under Management	IRIS+	GIIN Impact Reporting and Investment Standards
Bpifrance	Banque Publique d'Investissement France	IUCN	International Union for Conservation of Nature
BFFI	Biodiversity Footprint for Financial Institutions	KPI	Key Performance Indicator
CAM	Climate Asset Management	LiDAR	Light Detection and Ranging
CCB	Climate, Community and Biodiversity standard	LP	Limited Partners
CO ₂	Carbon Dioxide	MRV	Monitoring, Reporting and Verification
COP15	15th Conference of the Parties	MSC	Marine Stewardship Council
CDP	Carbon Disclosure Project	NbS	Nature-based Solutions
CPIC	Coalition for Private Investment in Conservation	NBCS	Nature Based Carbon Strategy
DFI	Development Finance Institution	NCIA	Natural Capital Investment Alliance
EBITDA	Earnings before interest, taxes, depreciation, and amortisation	OP2B	One Planet Business for Biodiversity
ESG	Environmental, Social and Governance	PES	Payments for Ecosystem Services
FACT	Forest, Agriculture & Commodity Trade Dialogue	PCAF	Partnership for Carbon Accounting Financials
FCLP	Forest and Climate Leaders Partnership	PBAF	Partnership for Biodiversity Accounting Financials
FSDA	Finance Sector Deforestation Action	PE	Private Equity
FSTF	Financial Services Task force	REIT	Real Estate Investment Trusts
GBF	Global Biodiversity Framework	SAI	Sustainable Agriculture Initiative
GFANZ	Glasgow Financial Alliance for Net Zero	SBTN	Science-Based Targets Network
GIIN	Global Impact Investing Network	SD Vista	Sustainable Development Verified Impact Standard
ICMA	International Capital Market Association	SDGs	Sustainable Development Goals
IoT	Internet of Things	SFDR	Sustainable Finance Disclosure Regulation
IPDD	Investor Policy Dialogue on Deforestation	SLB	Sustainability-linked Bonds
IPs and LCs	Indigenous Peoples and Local Communities	SMI	Sustainable Markets Initiative
		SPT	Sustainability Performance Targets
		TNFD	Taskforce on Nature-related Financial Disclosures
		VC	Venture Capital



KEY TERMS

This section defines key terms which are integral to understanding the discourse surrounding Nature-based investment, including concepts such as natural capital and Nature-related risk.

Biomes

Biomes are naturally occurring geographic zones, generally defined by the type of plant and animal life that they support due to their distinct environmental and/or climatic characteristics e.g. tundra, coral reefs and savannas.² To find out more details on biomes, please refer to the TNFD's Guidance on Biomes document.³

Credits

A credit is a quantified amount of an ecosystem service, for example 1 tonne of carbon or a defined amount of biodiversity which can be sold in a market.⁴

Biodiversity credit: A unit that represents a positive biodiversity outcome (or an activity that has been carried out and is likely to result in a positive biodiversity outcome) achieved by an NbS project registered under a biodiversity credit scheme, and which is not used to offset an equivalent negative impact on biodiversity elsewhere

Carbon credit Transferrable tokens representing the avoidance or removal of greenhouse gas emissions, measured in tonnes of carbon dioxide equivalent (tCO₂e).

Ecosystem services

Ecosystem services are the direct and indirect benefits provided by natural capital for human well-being. These include provisioning services, such as food, energy, and water supply, regulating services, such as carbon storage, clean air and flood alleviation, supporting services, such as nutrient cycling and healthy soils, and cultural services such as recreation, physical health and mental well-being.⁵

Ecosystem services can inform the development of key performance indicators for natural capital-based investments.

Habitats

Habitats are geographic areas, characterised by their abiotic and biotic properties, which are habitable by a particular species.⁶

Natural capital

Natural capital refers to the global stock of renewable

and non-renewable natural resources such as plants, animals, air, water, soils and minerals that combine to yield a flow of benefits to people.⁷

Investing in natural capital therefore refers to an investment based on the preservation, management, enhancement or regeneration of natural resources. This can include financial and real asset investments whose value is underpinned or dependent on natural resources, such as farms and forests. This can also include investments in financial and real assets whose value is underpinned or dependent on the benefits that these natural resources yield, later defined as ecosystem services.

Nature-positive

Nature-positive is defined as halting and reversing Nature loss, measured from 2020 levels. This is done by increasing the health, abundance, diversity, and resilience of species, populations, and ecosystems so that by 2030 Nature is visibly and measurably on the path of recovery.⁸

In the context of investing, Nature-positive refers specifically to investments that produce a measurable net gain in natural capital.

Nature-related risks and opportunities

The TNFD defines Nature-related risks as potential threats posed to an organisation that arise from dependencies and impacts on Nature. Nature-related opportunities can be defined as activities that create positive outcomes for organisations and Nature by creating positive impacts or mitigating negative impacts on Nature.⁹ Nature-related opportunities are generated through impacts and dependencies on Nature, and can occur:

- When organisations avoid, reduce, mitigate or manage Nature-related risks, for example, connected to the loss of Nature and ecosystem services that the organisation and society depend on; and,
- Through the strategic transformation of business models, products, services, markets and investments that actively work to reverse the loss of Nature, including by restoration, regeneration of Nature and implementation of NbS.¹⁰

² IPBES (2019). [Global Assessment Report on Biodiversity and Ecosystem Services](#).

³ TNFD (2023). [Guidance on biomes](#).

⁴ HM Government (2023). [Nature markets: A framework for scaling up private investment in Nature recovery and sustainable farming](#).

⁵ Nature Scot. (2023). [Ecosystem Services - Nature's benefits](#).

⁶ Keith, D. et al (2020). [IUCN Global Ecosystem Typology 2.0: Descriptive Profiles for Biomes and Ecosystem Functional Groups](#).

⁷ TNFD (2023).

⁸ [Nature Positive Initiative](#).

⁹ TNFD (2023). [Glossary, version 1.0](#).

¹⁰ TNFD (2023). [Glossary, version 1.0](#).

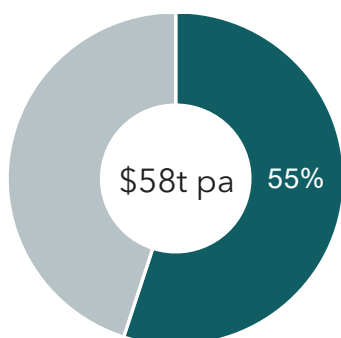
Part 1: Introduction and Background

Biodiversity loss and Nature degradation are threatening the stability of global ecosystems and the human systems they underpin. Since 1970, global wildlife populations have plummeted by 69% on average, with Latin America seeing a decline in average population abundance of 94%.¹¹ The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) estimates that 1 million plant and animal species are currently threatened by extinction, many within the next decade.¹²

Large-scale investment in projects and entities that help restore and protect natural capital is essential to address the catastrophic decline in global biodiversity and the climate emergency.

In addition, Nature degradation compounded by climate change has been identified by central banks as a key economic risk. Some 55% of global GDP – the equivalent of \$58 trillion per annum – is estimated to be moderately or highly dependent on Nature¹³, and among assets held by global financial institutions between 35% and 54% are estimated to be highly or very highly dependent on the ecosystem services Nature provides.¹⁴ The financial value at risk in the blue economy¹⁵ alone stands at \$8.4 trillion over the next 15 years.¹⁶

Amount of GDP estimated to be moderately or highly dependent on Nature



With biodiversity loss now understood as being a twin and interconnected crisis to climate change, the last 3 years have seen an acceleration of global and national commitments to Nature restoration and to the transition of the global economy to one that values and invests in the natural environment.

THE INVESTMENT GAP

At the 15th Conference of the Parties (COP15), the Kunming-Montreal Global Biodiversity Framework (GBF) was adopted, setting out a pathway to achieve ambitious Nature restoration and conservation objectives by 2050, with 23 interim targets to achieve by 2030. Among the targets signed by 196 national governments, signatories committed to mobilise at least \$200 billion per year in domestic and international biodiversity-related funding from both private and public sources by the end of this decade.¹⁷

Estimates, however, put the amount of investment needed as significantly higher. For example, the Paulson Institute, in partnership with The Nature Conservancy and Cornell University estimates a financing gap for Nature of \$711 billion annually through to 2030.¹⁸

Exacerbating this gap, investments in Nature restoration are dwarfed by the financing – both public and private – of corporates and activities which directly or indirectly harm Nature. This is particularly the case for public subsidies which support harmful practices in fisheries, forestry and agriculture and for global markets which support corporates that have a net negative impact on the natural environment.¹⁹

Positively, there is a growing appetite from investors to help close the finance gap. A survey conducted by Pollination, the specialist climate change investment and advisory firm, of 557 institutional and commercial investors indicates that two-thirds of global institutional investors intend to increase their investments in Nature improvements, solutions, or markets, evidencing growing momentum in Nature as an investment theme.²⁰ Tracking of biodiversity finance commitments led by the Campaign for Nature found that \$400 million has been officially committed by corporate and investors between 2020 and 2022 alone.²¹

11 WWF (2022). [Living Planet Report 2022](#).

12 IPBES (2019). [Global Assessment Report on Biodiversity and Ecosystem Services](#).

13 NGFS (2022). [Statement on Nature-Related Financial Risks](#).

14 Official Monetary and Financial Institutions Forum Sustainable Policy Initiative. (2022). [Translating biodiversity and Nature risks into financial risks](#).

15 Defined as: 'comprising the range of economic sectors and related policies that together determine whether the use of oceanic resources is sustainable' according to the World Bank and United Nations Department of Economic and Social Affairs, 2017.

16 WWF. [Navigating Ocean Risk](#).

17 UNEP (2022). [COP15 ends with landmark biodiversity agreement](#).

18 The Paulson Institute. [The Nature Conservancy, and the Cornell Atkinson Center for Sustainability \(2020\). Financing Nature. Closing the biodiversity funding gap.](#)

19 Dasgupta, P. (2021). [The Economics of Biodiversity: The Dasgupta Review](#).

20 Pollination Group (2023). [Nature Finance Focus: Tracking global trends in Nature investment](#).

21 [Campaign for Nature, Conservation International, The Nature Conservancy, Wildlife Conservation Society, WWF. \(2022\). Summary of International Biodiversity Finance Commitments Announced to Date.](#)



Out of a survey of 557 global institutional and commercial investors, two-thirds intend to increase their investments in nature improvements, solutions or markets.

Furthermore, financial institutions more broadly are also committing to a long-term transition of their investment and lending portfolios away from borrowers that have negative Nature impacts.

As of September 2023, 163 financial institutions with over €21.7 trillion in assets had signed the Finance for Biodiversity Pledge, which commits financial institutions to assessing and reporting on Nature-related risks and impacts of their financing activities – intending to identify where capital flows need to shift.²² At the World Economic Forum in January 2024, 48 asset management firms were announced as Taskforce on Nature-related Financial Disclosures (TNFD) Early Adopters, intending to start making disclosures aligned with the TNFD recommendations in their corporate reporting by the financial year 2024 (or earlier) or 2025.²³

OVERCOMING BARRIERS TO INSTITUTIONAL INVESTMENT

Despite the enthusiasm from the financial sector, the flow of private capital into natural capital has been slow, particularly among institutional investors.

This is the case across the various investment opportunities, be those within Nature-based solutions or real assets at a landscape level, innovative new businesses enabling Nature-positive solutions, or established corporates shifting their business models to adapt to Nature-related risks and opportunities.

In a report in 2021, the Coalition for Private Investment in Conservation (CPIC) cited a lack of investible deals, deal structure, small deal size, long-term investment terms and high associated risks as barriers to investing in Nature.²⁴

In 2023, Pensions for Purpose found that 62% of UK pension funds are not investing in natural capital improvements, and those surveyed reported the nascency of natural capital solutions to be a key obstacle to investing in natural capital investment products.²⁵ Other deterrents that investors share anecdotally are concerns about the robustness of environmental and social Key Performance Indicators (KPIs) and uncertainty around policy and regulatory direction.

While climate-related funds are well established, with nearly \$534 billion of assets under management (AUM)²⁶, biodiversity remains underrepresented. There are currently only 15 funds dedicated to biodiversity, with \$1 billion AUM.²⁷ However, interest appears to be increasing, with international initiatives launching to promote investment in Nature. Indeed, the Natural Capital Investment Alliance that launched in 2021 now has 16 asset manager members committed to mobilising private capital investments into Nature.

To support investors seeking to invest in Nature, Part 2 of this Guide provides a comprehensive overview of available investment opportunities. It delves into the specifics of various Nature investment options, outlining their essential characteristics, potential benefits, and associated risks.

Part 3 of this Guide offers examples of case studies of funds across varying investment opportunities and Part 4 provides guidance on complementary steps that investors can take to support the transition of our global economy to one that values and invests in the natural environment. These include integrating Nature-based disclosure requirements for investee corporates and taking part in government and financial sector initiatives to expand investment into Nature.

²² Finance for Biodiversity Foundation.

²³ TNFD (2024) Early Adopters.

²⁴ Coalition for Private Investment in Conservation (2021). *Conservation Finance 2021: An unfolding opportunity.*

²⁵ Pensions for Purpose (2023). *Natural capital and biodiversity – where are UK asset owners on their journey?*

²⁶ Morningstar Manager Research (2023). *Investing in Times of Climate Change.*

²⁷ MSCI Research (2023). *Biodiversity Funds: Welcome to the jungle.*

Part 2: Ways to invest in Nature

There are several ways investors can have an impact on Nature: The first is by investing directly in natural capital through NbS or real assets strategies. The second is by investing in entities that are delivering innovative ways to reduce Nature-related risks or support Nature-positive outcomes across a value chain or a sector.

1. Direct investments into natural capital

Investors can invest directly in natural capital through NbS and real assets. These strategies aim to make a positive impact on land, freshwater, oceans and air through changes in land use and/or management practices.

Nature-based Solutions

NbS is a broad term, but generally, it refers to projects that seek to protect, manage and/or restore critical ecosystems, while addressing societal challenges and providing holistic benefits for both people and Nature. This is often done with the intention of both preserving or improving the environmental integrity of the ecosystem itself and of the services and well-being that humans derive from it.²⁸

Under the International Union for Conservation of Nature (IUCN) definition, NbS projects should address societal challenges through actions that protect, sustainably manage, and restore natural and modified ecosystems, benefiting people and Nature at the same time. Therefore, through NbS, investors can target a wide range of impact objectives that generally fall into the categories of climate mitigation and adaptation, social welfare, and conservation and restoration. This can enable investors to tailor investments to target specific direct outcomes, activities and co-benefits. For example, an objective of a project could be carbon sequestration through reforestation, however, this may have additional benefits such as improving air quality, strengthening natural flood defences, enhancing local biodiversity, and social benefits such as job creation.

One important feature of NbS projects is that their financial sustainability typically depends on payments for ecosystem services (PES). PES are policy or market instruments that allow for financial compensation in an ecosystem service such as carbon sequestration, water flow, climate regulation, storm damage prevention or pollination. The most widely known market instruments today are carbon credits.

These are certificates which represent the removal or avoidance of 1 metric tonne of carbon dioxide or equivalent greenhouse gas.

Although the carbon credit market is still very much developing, PES markets have historically been successfully deployed for many years. This includes in the United States where, through various regulatory frameworks such as the Clean Water Act (1972), the loss of certain ecosystems such as wetlands, streams and habitats through development are by law required to be compensated through the preservation and restoration of an ecosystem elsewhere so that there is no net loss to the environment. This system known as mitigation banking, is one form of many PES markets globally. In 2021, BloombergNEF estimated that the global annual flows into these markets were approximately \$9.8 billion. In total, there are over 550 active PES programmes around the world²⁹ and increasing, with new developments such as Biodiversity Net Gain (BNG) in the UK.³⁰

Due to the nascency of such payment mechanisms, NbS have particular associated risks including common risks such as political, regulatory and market risks. Furthermore, they can include additional, distinct risks such as those associated with land rights, Indigenous Peoples and Local Communities (IPs and LCs) alignment and headline risk.³¹

With regards to IPs and LCs, there are particular risks of investments having the effect of displacing IPs and LCs from their territories; that Free Prior and Informed Consent isn't obtained for ongoing projects; and, that the benefits of projects and/or investments are not equitably shared with IPs and LCs. Developers and investors should refer to the United Nations Declaration on the Rights of Indigenous Peoples.

Biodiversity credits

Biodiversity credits are increasingly being recognised as a mechanism that can drive private capital into the protection, regeneration, and stewardship of biodiversity and activity is underway globally to develop, support and regulate such schemes.

For the purpose of this Guide, a biodiversity credit is a unit that represents a positive biodiversity outcome (or an activity that has been carried out and is likely to result in a positive biodiversity outcome) achieved by an NbS project registered under a biodiversity credit scheme, and which is not used to offset an equivalent negative impact on biodiversity elsewhere.

²⁸ IUCN (2023). [Nature-based Solutions for corporate climate targets](#).

²⁹ Salzman, J., Bennett, G., Carroll, N. et al (2018). The global status and trends of Payments for Ecosystem Services. *Nat Sustain* 1, 136-144.

³⁰ Department for Environment, Food & Rural Affairs (2023). [Biodiversity Net Gain](#).

³¹ Dale Hardcastle, Vinayshankar Kulkarni, Gwyneth Fries, and Henning Huenteler (2022). *Nature: The New Asset Class*, Bain & Company



The unitisation of Nature outcomes is a key strength of a market-based approach to biodiversity as it provides a clear mechanism for articulating the impact of investment in addressing biodiversity loss and achieving high-integrity outcomes over time. This means that the complexity and uncertainty of what to invest in and what outcomes to measure and track may no longer be barriers to private capital investment.

Countries are currently mobilising to create the international legal framework for biodiversity credits in the same way as the United Nations Framework Convention on Climate Change (UNFCCC) and Paris Agreement did for carbon credits. Furthermore, Target 19 of the GBF recognises biodiversity credits (distinct from offsets) as an innovative mechanism for driving private sector finance into biodiversity.

The International Advisory Panel on Biodiversity Credits (IAPB) and the Biodiversity Credit Alliance (BCA) are two of several organisations that are assisting governments, NGOs, philanthropy, and private market participants in establishing the necessary frameworks to enable such schemes.

A study from McKinsey found that agriculture is responsible for 85% of all biodiversity loss but changes in agricultural practices could deliver 72% of the total potential improvement in biodiversity loss identified.

Real assets: Agriculture and Forestry

Real assets are tangible investments with an intrinsic value rooted in their physical properties.³² In agriculture and forestry investing, the physical assets include land, commodities, and infrastructure. These assets can be an excellent store of value and a diversifier, with low risk and low correlation to market volatility.³³ They can also be a strategic portfolio solution for inflation protection. Recent research shows that agriculture and forestry returns tend to be resilient in inflationary environments.³⁴

Agricultural and forestry assets can generate income through leases, which present lower risk, or through the production and sale of commodities, which entail higher risk. However, the specific risks associated

with agriculture and forestry investments – including geopolitical, policy, market, climate change, and water security risks – vary across different locations and commodities. According to a recent report by bfinance, expected total returns, net of fees, range from 7-8% for agriculture and 6-7% for forestry, with yields of 3-4% and 2-3%, respectively.³⁵

Agriculture and forestry assets rely on natural capital, namely soils, water and microorganisms to derive economic value. Investors in these assets can contribute to safeguarding and enhancing positive environmental and social impacts while mitigating the often substantial damage associated with land usage.³⁶ To achieve such impacts, investors must ensure they are facilitating the transition towards more sustainable land management practices. Strategies, such as regenerative agriculture or improved forest management, can target direct outcomes across biodiversity, soils, water and carbon.³⁷ A study from McKinsey found that agriculture is responsible for 85% of all biodiversity loss but changes to agriculture could deliver 72% of the total potential improvement in biodiversity loss identified.³⁸

By investing directly in land, investors can obtain primary impact data without relying on disclosure from corporates. Data points on carbon, biodiversity, water and social issues can be measured on site, subject to adequate transparency (e.g. obtaining reliable information from farmers on their inputs, tilling practices and more) and costs (e.g. the cost of an ecological survey). However, standardisation remains a challenge as these data points rely on monitoring, reporting and verification (MRV) data providers (e.g. local ecologists, carbon developers, and soil labs) which can have diverse measurement methodologies.

Real asset strategies are typically illiquid, with long lock-up periods of 10+ years. Efforts have been made to democratise access to this asset class, resulting in various product innovations providing access to natural capital real assets. These include pooled, listed trust structures like Timberland Real Estate Investment Trusts (Timber REITs), and semi-liquid evergreen fund vehicles offering periodic liquidity through quarterly or annual subscription and redemption windows. These assets are highly dependent on Nature and climate. The resilience of returns in this asset class will soon be determined by the quality and success of asset managers' climate and Nature risk management strategies. Sustainable and regenerative land management approaches can help build production systems better suited to increasing climate volatility and enhance resilience over time.

32 Investopedia (2021). [What Are Real Assets vs. Other Asset Types?](#)

33 Morgan Stanley (2023). [Why 'real assets' offer real value to investors.](#)

34 Nuveen (2023). [The impact of rising rates, natural capital.](#)

35 bfinance (2024). [Natural Capital Investing: An Introduction to Forestry, Agriculture and Carbon Credits.](#)

36 Ibid (2024).

37 Science-based targets network. [SBTN Interim Targets.](#)

38 McKinsey & Co. (2022). [Nature in the balance: What companies can do to restore natural capital.](#)

2: WAYS TO INVEST IN NATURE

2. Investments in corporates delivering innovative ways to address Nature-related risks and opportunities

Investors can target corporates which are developing and scaling solutions to key Nature-related risks or taking advantage of Nature-related opportunities.

Venture Capital/Private Equity (VC/PE)

Nature markets are still in their early stages of development, but there is a growing consensus on the urgent need for sustainable Nature management and the preservation of ecosystems globally. As a result, entrepreneurs and private equity firms are increasingly focusing on developing products and services to support the growth of climate and Nature markets. These include a wide range of tools and infrastructure mechanisms that are required to channel meaningful amounts of capital into Nature.

Thematic private equity investment in Nature represents only a fraction of the broader investment landscape, but it is gaining traction. Similar to the established patterns in climate and energy transition investments, there is a rising trend in activity, including start-ups and early-stage businesses focusing on Nature-related ventures.

One notable example is Nature technology (Nature tech) which applies technological and scientific advancements to preserve the environment, monitor ecological changes and promote sustainable natural resource management.

This broad field includes bioacoustic monitoring, which uses devices to record and analyse Nature sounds for insights into animal behaviour and ecosystem health. Remote sensing technologies, like satellite imagery and Light Detection and Ranging (LiDAR), are being used to monitor environmental factors such as forest health and biodiversity. Advanced AI and machine-learning techniques are being developed for automated species identification and large-scale environmental data analysis. Blockchain technology is also being tested as a means of providing transparent, secure systems for tracking and verifying environmental impacts. Additionally, Internet of Things (IoT) devices, including smart sensors and drones, are being utilised to collect real-time environmental data. These examples represent just a fraction of the innovative developments driving progress within this sector.

From an investment perspective, expected risk and return profiles from private equity investments can vary depending on the stage of the target company. Early stage and venture opportunities for instance, are typically higher risk with a lower likelihood of success, but offer significant upside potential if successful. Conversely, growth and buyout

opportunities, although generally considered higher risk than real assets, typically offer a higher return profile. However, given the early-stage Nature of many of these opportunities, investors can anticipate venture-style returns in the future.

Thematic Equities

Thematic investments target long-term, structural trends by identifying mispriced opportunities that arise due to the broader market's struggle (and potential failure) to effectively account for the long-term value generated by these themes that may take years (or even decades) to be realised. The increasing popularity of thematic funds has been partly driven by growing investor demand for sustainable or impact-specific strategies. Consequently, many of these funds and the themes they target relate to specific UN Sustainable Development Goals (SDGs).³⁹

Nature-related thematic investing involves targeting entities that are at the forefront of addressing the drivers of Nature and biodiversity loss. Examples of these drivers, include: land-use change, climate change, pollution, natural resource use and exploitation, and invasive species.⁴⁰

Although investing to manage Nature-related risk is a new theme within equity investing, the growth of the broader thematic universe over the past decade, now accounting for 2.9% of global equity fund assets, suggests that the opportunity is growing. Developments such as the TNFD are expected to facilitate standardisation in reporting on Nature and biodiversity-related risks. This should enable asset

managers to more proactively identify and engage with portfolio companies on these matters.

Thematic investing has inherent drawbacks, including concentration in specific sectors and industries which can increase volatility and overexposure to their unique risks. These risks are further amplified when investing in emerging markets. However, investing in emerging markets also presents potential advantages, such as high-growth opportunities and diversification benefits. It is important to note that there are risks to consider, including political instability, economic challenges, and currency volatility. Due to significant disparities across these markets, it is crucial to closely examine and actively manage investments in this environment.

Sustainability-linked bonds

Sustainability-linked bonds (SLBs) are fixed-income instruments wherein the coupon payment is structurally linked to the issuer's progress towards sustainability objectives. These objectives are measured through sustainability-linked KPIs and assessed against pre-defined Sustainability Performance Targets (SPTs).⁴¹ Progress towards these

³⁹ United Nations, [Sustainable Development Goals](#).

⁴⁰ IPBES, [Models of drivers of biodiversity and ecosystem change](#).

⁴¹ ICMA (2023). [Sustainability-Linked Bond Principles Voluntary Process Guidelines](#).



objectives can result in a lower coupon payment from the issuer, while a lack of progress may result in a higher coupon payment. The aim is to incentivise issuers into achieving these KPIs.

Whilst most SLBs will contain some form of step-up provision (by which the coupon payable on the bond is increased if the issuer fails to meet a pre-determined KPI), structural features can diminish its effectiveness. For example, issuers may set deadlines for achieving KPIs close to the bond maturity date, thus reducing the number of payments at the higher coupon. Additionally, issuers hold a call option on issued debt, allowing them to cancel or buy back before maturity potentially avoiding higher coupon payments. Addressing these concerns could foster growth in the SLB market. The recently published International Capital Market Association (ICMA) Sustainability-Linked Bond Principles guide⁴² proposes guidelines for KPI selection, SPT calibration, reporting and verification for high-integrity SLBs.

From a natural capital perspective, SLBs offer various potential use cases. The flexibility for issuers to set the objectives they are aiming to achieve through the issuance of SLBs opens up a broad range of possibilities. Furthermore, SLBs offer greater flexibility as 'target-based', compared to 'project-based' instruments such as green bonds as the issuer can leverage a wider range of measures to achieve the stated objectives.

For example, Uruguay recently issued the first SLB aligned to climate change indicators which also included a KPI related to Nature.⁴³ The \$1.5 billion SLB required the maintenance of 100% of native forest area relative to 2012 as a baseline year. In its first annual report on the SLB, which was verified by the UNDP, the Uruguayan Government found that they had met both their climate change and forest cover KPIs.⁴⁴

Other thematic bonds, such as Green Bonds and Blue Bonds, allocate proceeds towards projects aligning with specific ESG themes. Green Bonds are the most prevalent, constituting 58% of the total thematic issuances in 2022, and are specifically designed to finance projects that generate positive environmental impacts. Blue Bonds are utilised to fund initiatives for the conservation of seas and oceans.⁴⁵

A comprehensive practitioner's guide for sustainable Blue Bonds was released in 2023, offering voluntary guidance to market participants, providing well-defined criteria, recommended practices, and illustrative examples for the issuance and lending of blue bonds.⁴⁶ This Guide highlights the significance of the establishment of a sustainable blue economy in addressing climate change and biodiversity loss.

Thematic bonds can also be utilised in debt restructuring mechanisms, such as debt-for-Nature swaps, where a portion of debt is forgiven in exchange for investments in conservation or other sustainable development endeavours.⁴⁷

⁴² Ibid (2023).

⁴³ Uruguay Government (2022). [Uruguay's Sovereign Sustainability-Linked Bond \(SSLB\) Framework](#).

⁴⁴ Uruguay Government (2023). [Uruguay's Sovereign Sustainability-Linked Bond \(SSLB\) Annual Report](#).

⁴⁵ Dentons (2023). [The Name is Bonds. Thematic Bonds What's next for the sustainable debt market?](#)

⁴⁶ ICMA, IFC, UN Global Compact, UNEP FI, ADB (2023). [Bonds to finance the sustainable blue economy](#).

⁴⁷ International Monetary Fund (2022). [Swapping Debt for Climate or Nature Pledges Can Help Fund Resilience](#).

Part 3: Case studies

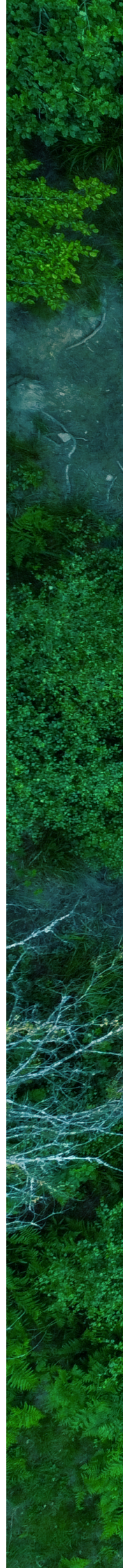
There has been a recent increase in the number of investment funds dedicated to natural capital investing, indicating a maturing market and a growing appetite from investors to invest in Nature. Several examples of such funds are showcased below, each including a summary table providing a brief overview of the structure. These do not however provide exhaustive information about the funds or strategies and more information can be found on the relevant websites and/or dedicated legal documentation.

NCIA member	Case study
ASN Impact Investors	ASN Biodiversity Fund
Climate Asset Management	Nature Based Carbon Strategy
Federated Hermes	Federated Hermes Biodiversity Equity Strategy
Mirova	Sustainable Ocean Fund
SLM Partners	Silva Europe Fund
Tikehau Capital	Regenerative Agriculture Strategy



Sustainable
Markets
Initiative

 **Green Finance
Institute**



3: CASE STUDIES

ASN IMPACT INVESTORS

Title	ASN Biodiversity Fund
Size	>€30 million
Investment Vehicle/ Finance Structure	Publicly listed index fund of funds targeting retail investors with a minimum investment of €25
Environmental/Social Outcomes	Biodiversity improvement, Nature conservation and restoration
Project Returns	For the long term, the net estimated IRR for the underlying investments lies between 5.0% and 15.0%
Liquidity	Daily liquidity for investors with proposed 5-year minimum investment horizon
Revenue Model	Returns are generated from investments in impact funds that specialise in biodiversity and Nature restoration, and from equity investments into some listed corporates
MRV tools	Biodiversity Footprint for Financial Institutions (BFFI) ⁴⁸ Partnership for Biodiversity Accounting Financials (PBAF) ⁴⁹ Partnership for Carbon Accounting Financials (PCAF) ⁵⁰

What is the vehicle/fund?

Managed by ASN Impact Investors⁵¹, the investment arm of ASN Bank, the ASN Biodiversity Fund is the first listed fund for natural capital that sources investment for the retail sector.⁵² It is a fund of funds and is listed on Euronext. The Fund predominantly takes equity stakes in impact funds that specialise in biodiversity and Nature restoration, however, there have been investments in shares of listed corporates.

Launched in 2021 with €15 million seed capital provided by ASN Bank's parent company Volksbank, the Fund now stands at over €30 million with investment from about 7,000 retail investors.

What are its aims for natural capital/social impact?

The Fund is focused on channelling investments towards Nature restoration projects and corporates that make a measurable, positive impact on biodiversity, and that create green jobs and support local communities.

It has a global focus and invests in four sectors that have a large impact on biodiversity: regenerative and sustainable forestry; agroforestry; sustainable seas and fisheries and ecotourism.

Examples of underlying investments

Investments are made primarily through impact investment funds and occasionally in shares of listed corporates that can demonstrate a net positive impact on biodiversity. Investments into projects by the Fund take the form of debt or equity.

To repay investments, revenue is generated by these projects through the sale of products such as sustainable wood, forestry and fish products, as well as through eco-tourism revenue and the generation of carbon credits. Impact fund investors receive interest on loans into these projects, or through the growth of an equity stake (if applicable).

Investments within the ASN Biodiversity Fund include, for example, the Amazon Fund⁵³ advised by Impact Earth.⁵⁴ This Fund invests in corporates such as Manioca, a company located in Brazil that sources local fruit and herbs from suppliers applying agroforestry methods, and that contribute to the biodiversity of the Amazon.⁵⁵ This adheres to the ASN Biodiversity Impact Fund's key objective of supporting livelihoods that contribute to improved biodiversity.

48 [PRé, Calculating biodiversity footprints in the banking sector.](#)

49 [Partnership for Biodiversity Accounting Financials.](#)

50 [Partnership for Carbon Accounting Financials Standard.](#)

51 [ASN Impact Investors.](#)

52 [ASN Biodiversity Fund.](#)

53 [Amazon Fund.](#)

54 [Impact Earth.](#)

55 [Manioca Brasil.](#)



What are the formal KPIs, standards and MRV used to measure the outcomes?

The Fund has three impact themes: biodiversity; green jobs and climate. They apply to all four sectors in which it invests.

Sustainable returns on investment for the Fund are expressed as the number of hectares on land or at sea where the Fund protects and restores biodiversity per euro invested in the Fund. This is measured annually, alongside the impacts of the funded activities which is calculated using the BFFI. The Fund also adheres to the PBAF standard as much as possible.

Green jobs are defined as those that contribute to protecting and restoring biodiversity. Information is sourced from the investee projects, impact and annual reports, and associated websites.

Climate impacts are sourced from submissions by investee funds that report on carbon emissions, avoided and/or sequestered by using the PCAF Standard.⁵⁶

Should investee funds or corporates not be able to provide the required data, the ASN Biodiversity Data uses models to assess carbon impacts and calculate biodiversity footprints using the Encore methodology.⁵⁷

Considerations for investors

As it is a listed fund, the minimum investment is low at €25. The Fund itself currently invests between €1-5 million into single biodiversity-focused impact funds. Daily liquidity is offered by ASN Biodiversity Fund to investors. However, guidance is provided that the minimum investment horizon should be 5 years and possibly longer to ensure a genuine impact on biodiversity.

The Fund currently stands at circa €30 million with the ambition of growing to €500 million. For the long term, the estimated IRR for the underlying investments is between 5.0%-15.0%.

Due to the nascent Nature of the biodiversity market, most funds that ASN Biodiversity Fund invests in are blended finance vehicles. For example, to encourage investment into the Amazon Biodiversity Fund and to reduce the risk for investors, the US Development Finance Corporation provides loan guarantees.

⁵⁶ Partnership for Carbon Accounting Financials Standard.

⁵⁷ [ENCORE](#).

3: CASE STUDIES

CLIMATE ASSET MANAGEMENT

Title	Nature Based Carbon Strategy
Size	\$600 million (target size)
Investment Vehicle/ Finance Structure	Closed-end strategy targeting corporate investors looking to offset residual emissions
Environmental/Social Outcomes	Biodiversity, climate, water and communities
Projected Returns	Carbon credits and social and biodiversity benefits
Liquidity	Closed-ended without ability to exit before end of strategy
Revenue Model	Aiming to generate returns for investors in the form of carbon credits
MRV tools	Projects must adhere to Verra’s Climate, Communities and Biodiversity Standards, SD Vista, or Gold Standard monitoring protocols. Projects are also subject to Climate Asset Management’s (CAM) ESG-Impact Management Framework

What is the strategy?

CAM’s Nature Based Carbon Strategy (**NBCS**) offers investors access to investments globally into Nature-based solutions projects that conserve and restore ecosystems, and that deliver a long-term supply of high-quality, high-impact carbon credits to investors at risk-adjusted prices.⁵⁸ Investment is sourced from corporates and investors looking to offset their residual emissions as part of their decarbonisation pathways. The Strategy invests through a combination of upfront and ongoing financing into projects, secured against the delivery of carbon credits to benefit investors, local communities, and other key stakeholders.

The NBCS is a global strategy and seeks to invest across a range of Nature-based solution themes including sustainable grasslands and agricultural management, sustainable forestry processes including afforestation, reforestation and revegetation, land-use change, habitat conservation and restoration and blue carbon including coastal mangrove reforestation.

What are its aims for natural capital/social impact?

The NBCS aims to generate a long-term supply of high-quality carbon credits for investors by targeting investments into NbS projects that deliver environmental and social outcomes. These include projects that remove and avoid greenhouse gas emissions, enhance the climate resilience of landscapes, protect and restore biodiversity and ecosystem services, restore soil health and improve food security, enhance and restore water filtration and flood buffering, and avoid leakage through adopting a landscape approach. To achieve these outcomes, the NBCS forms partnerships with carbon project developers, non-governmental organisations, local stakeholders and governments. Benefit-sharing mechanisms exist to ensure that benefits are shared between key stakeholders, including local communities, to incentivise the continuation of project activities and the long-term supply of carbon credits.

Examples of underlying investments

Examples of such investments under the NBCS include an investment into the Global EverGreening Alliance’s Restore Africa Programme, an initiative which in the first cluster of countries – Kenya, Malawi and Uganda – aims to restore up to 1 million hectares of land and directly support up to one million smallholder farming families.⁵⁹ The programme will work with the farmers and local communities to implement regenerative farming practices, crop diversification, improved market linkages and sustainable livelihoods. Part of the carbon credits generated will be used by the investors in NBCS to contribute to their net-zero commitments. Long-term revenue streams will be generated for the local communities through the sale of almost half of all carbon credits generated over the full lifetime of the project.

⁵⁸ Climate Asset Management. [Nature Based Carbon Strategy](#).

⁵⁹ Global EverGreening Alliance. [Restore Africa Programme](#).



What are the formal KPIs, standards and MRV used to measure the outcomes?

All projects invested in as part of the NBCS must be certified by either Verra⁶⁰ or Gold Standard⁶¹ to generate carbon credits. If certified under Verra, projects must adhere to the rules and requirements of the Verra Climate, Community and Biodiversity (CCB)⁶² standard or the Sustainable Development Verified Impact standard (SD VIsta)⁶³ to ensure that these projects adopt best practices to deliver net positive benefits for climate change mitigation, local communities and for biodiversity. The CCB, SD VIsta and Gold Standard dictate the monitoring protocols required to ensure adherence to the standards including what information is to be collected, via what methodology and how often. Financing provided by the NBCS supports the project from early implementation into validation and registration to a carbon standard programme and issuance of carbon credits.

Each investment is subject to CAM's own ESG and Impact Management Framework to assess impact across four thematic areas: biodiversity; climate; water; and communities. The framework requires structured reporting from project developers at regular intervals, site visits and periodic third-party audits of progress towards the targets during the investment holding period.

Some examples of the KPIs that will be used at the portfolio level aggregating impact from individual projects include number of hectares under sustainable management, megatonnes of Carbon Dioxide (CO₂) removed, number of households directly impacted and percentage reduction in extinction risk.

Considerations for investors

The NBCS seeks to generate a return for investors through the provision of high-quality carbon credits to form part of investors' decarbonisation pathways. As such this is not a typical investment, and usually requires engagement with the investor's corporate treasury and Environmental and Social Governance departments.

Restoring ecosystems, building resilience and community livelihoods takes time, and therefore commitment is required from investors to pursue these benefits over time. This strategy is closed ended and upon making an investment commitment it is not envisaged that there will be exit opportunities before the end of the strategy. Contracts are arranged on a per-project basis and the timeframe for the return on investment in the form of carbon credits will depend on many factors including how many carbon credits are being generated, benefit-sharing mechanisms and cost profile of the project.

⁶⁰ [Verra](#).

⁶¹ [GoldStandard](#).

⁶² [Verra Climate, Community and Biodiversity](#).

⁶³ [SD VIsta](#).

3: CASE STUDIES

FEDERATED HERMES

Title	Federated Hermes Biodiversity Equity Strategy
Size	€50 million
Investment Vehicle/ Finance Structure	Article 9 Equity Fund
Environmental/Social Outcomes	Biodiversity improvement, climate change, water security, circular economy, clean energy generation, employee value, gender equality, health and wellbeing, financial inclusion, education, and food security
Projected Returns	Capital growth over a 5-year rolling period, medium risk-return
Liquidity	Daily liquidity
MRV tools	Proprietary Impact Database

What is the strategy?

The Federated Hermes Biodiversity Equity Strategy is an Article 9 equity fund designed to achieve long-term, risk-adjusted returns by investing in a portfolio of corporates providing innovative solutions to averting the loss of and supporting the restoration of biodiversity globally. The Fund invests in a focused range of corporates which have strong fundamental characteristics and deliver positive impacts on biodiversity, the environment and society. These corporates are typically characterised by their quality operations, attractive valuations and sustainable competitive advantage driven by taking positive action toward biodiversity preservation.

What are its aims for natural capital/social impact?

Through identifying the major regional and global threats to biodiversity, Federated Hermes has identified six investable themes linked to biodiversity: land pollution, marine pollution and exploitation, unsustainable living, climate change, unsustainable farming and deforestation. The Strategy invests in corporates that are helping to protect and restore biodiversity, or are reducing the threat to biodiversity through their measurable contribution to reducing one or more of the investable themes. Investee corporates are identified using a company-by-company biodiversity assessment which evaluates whether any given name qualifies as a 'biodiversity champion'.

Examples of underlying investments

Finnish forestry firm UPM, is a major global supplier of sustainable timber-based products for industries such as packaging, labelling, transportation, electrification, construction, communication, tissue, manufacturing, and bioplastics. All wood is sourced from legally logged and sustainably managed forests, and is not harvested from tropical rainforests or from plantations established on cleared natural woodlands. All UPM-owned forests have been certified, or are in process of becoming certified by independent bodies such as the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). Presently, 85% of total wood fibre sourced by the firm has been certified as sustainable, with a target of 100% by 2030. CDP, the global corporate disclosure watchdog, rated UPM as a 'Forest A List' company for its efforts on climate change and deforestation. Furthermore, UPM has signed up to the Science-Based Targets Network Corporate Engagement Programme where they support the SBTN on setting targets and developing guidance for corporates committed to improving their impact on Nature.⁶⁴

What are the formal KPIs, standards and MRV used to measure the outcomes?

Federated Hermes has developed a proprietary Impact Database to quantify the impacts of corporates held within the portfolios, using metrics aligned to the UN SDGs. The database provides a clear framework for assessing corporates, with holdings required to pass a detailed biodiversity assessment and evaluation of long-term sustainability in order to be admitted into their portfolios. The team also considers any potential negative impacts of a corporate, identifying potential areas for improvement. If they choose to invest, they will engage with corporates on those action points.

⁶⁴ [Science-Based Targets Network Corporate Engagement Programme.](#)



Impact metrics are grouped into relevant themes. These metrics capture the impact provided by each corporate's products and services and break down into the following two categories:

- **Operations**-based metrics that relate to a corporate's operations. For example, scope 1 and scope 2 carbon emissions or waste produced in operations.
- **Solutions**-based metrics that relate to company-specific environmental outcomes that a corporate is looking to generate. Biodiversity metrics include land area preserved (hectares per year), biodiversity impact avoided (hectares per year) and number of species preserved.

Considerations for asset owners

Minimum investment for the Strategy is low at £25, and stocks are selected for the long term, with a holding period that is intended to be over 5 years. The Strategy is designed to focus on emerging growth opportunities, namely the innovative solutions to various causes of biodiversity loss. It will therefore likely have a structural bias to small to mid-capitalisation corporates.

The team believes that the liquidity of an open-ended vehicle is very important and therefore will only seek to invest in corporates where average daily volumes of liquidity are at least 1% of fund net asset value.

The portfolio is expected to exhibit the following characteristics:

- Invested listed equities, with a small exposure to cash.
- A time horizon of more than 5 years to fully capitalise on market inefficiencies in pricing long-term change, as well as the power of compounding.
- Low portfolio turnover (<20%), avoiding unnecessary costs and allowing successful businesses to grow.
- Concentrated portfolio of 30-60 stocks, with high conviction across holdings.
- High active share in comparison to a reference global equity market (MSCI ACWI IMI Index), with performance against this index driven by stock selection.
- Use of factor modelling to help inform portfolio position sizing and construction - to best capture factor trades and minimise risk. This is completed using bespoke models built by the team in collaboration with the Investment Office.

3: CASE STUDIES

MIROVA

Title	Sustainable Ocean Fund
Size	\$132 million
Investment Vehicle/ Finance Structure	Hybrid debt/equity fund targeting institutional investors, family offices and development finance institutions
Environmental/Social Outcomes	Sustainable fisheries, aquaculture and seafood supply chains, circular economy, marine conservation, social inclusion
Projected Returns	N/A
Liquidity	Closed-end
Revenue Model	Returns are generated for the Fund through interest repaid on the loan portfolio, and from increased corporate valuation upon exit from any equity stakes
Blended Finance Model	USAID provides guarantees on debt investments. Some investments also attract grant funding/blended finance
MRV tools	Core KPIs, bespoke, project-level KPIs and external certification schemes

What is the vehicle/fund?

Mirova's Sustainable Ocean Fund predominantly invests in emerging-market-based blue economy corporates throughout Asia Pacific, Latin America and Africa.⁶⁵ The \$132 million fund raises equity investment from institutional investors, US-based family offices and Development Finance Institutions (DFIs). The Fund aims to identify and invest in viable businesses that are making a positive impact on the ocean and for communities, to enable those businesses to scale and enhance their environmental and social impacts. The Fund primarily invests using bullet debt instruments with 4-7-year maturities, but the Fund also deploys convertible debt and can take traditional equity stakes in investee corporates. Since its inception in 2018, it has successfully allocated the totality of the Fund capital across a diverse portfolio of 16 corporates.

Returns are generated for the Fund through interest repaid on the loan portfolio, potentially combined with profit-sharing mechanisms, and from increased corporate valuation upon exit from any equity stakes, rather than from dividends. With short time horizons, investors do not expect dividends but rather gain their returns upon exit. The Fund has an 8-year maturity which can be extended up to 1 year.

How does it deliver positive environmental and social impact?

The Fund applies a robust impact and ESG due diligence process to all potential investments. This process, undertaken by an in-house team of impact and ESG Specialists, not only aims to identify and mitigate ESG risks but also includes a thorough analysis of the positive impact thesis of a potential investment. This is to ensure that the investment is credible and aligned with the environmental and social objectives of the Fund, and also to identify opportunities to enhance the positive impacts.

The Fund invests in businesses with an environmentally and/or socially positive business model and then works closely with the corporates to both scale the business and enhance their positive impact and mitigate environmental and social risks. The Fund guides corporates by requiring them to report against particular KPIs and encouraging them to align with external certifications (see below) and international best practices, supporting this process with the development of contractually binding ESG action plans on which corporates are reporting quarterly.

Examples of underlying investments

An example of the Fund's investments is in a Peruvian family-run aquaculture company which manages the whole production cycle of Peruvian Calico scallops from producing spats⁶⁶, to growing the scallops at sea, to packing and freezing them for export to the US and Europe.

The Fund's 2022 investment has facilitated the company's expansion by enabling the construction of a new factory. The company's expansion is creating local jobs, while also benefiting the wider community through outsourcing a portion of their production to local fisher's associations. These associations are provided with spats, technical assistance and market access. From an environmental perspective, scallop aquaculture demands minimal inputs (zero feed) and causes no water pollution. Filter feeders like scallops also improve water quality through filtration. The company's hatchery utilises wind energy in spat production, reducing its

⁶⁵ Mirova, [Ocean Fund](#).

⁶⁶ Juvenile shellfish.



carbon footprint. Moreover, a portion of the company's farms has obtained Aquaculture Stewardship Council (ASC) certification⁶⁷, with plans to certify the remainder.

What are the formal KPIs, standards and MRV used to measure the outcomes?

The Fund has developed general KPIs for all investee corporates combined with sets of bespoke KPIs for individual corporates to capture their specific positive impacts. Core KPIs include biodiversity improvement, CO2 emission reduction, job creation and the number of women employed by the business.

The Fund also relies on external certifications for additional verification of environmental and social impacts. Portfolio corporates are encouraged to apply for external certifications such as the Marine Stewardship Council (MSC)⁶⁸ and ASC certification labels, with the Fund offering support to corporates in aligning with these schemes.

Considerations for investors

Investing in emerging markets and the nascent blue economy sector can introduce additional risk for investors. To mitigate this, the Fund employs several strategies for downside protection. The Fund benefits from a \$50 million Development Credit Authority facility with USAID that guarantees up to 50% of the principal on eligible loans the Fund extends throughout its portfolio. Alongside traditional debt investments, the Fund deploys convertible debt providing additional protection. The Fund can also take equity stakes in the form of preferred shares.

For institutional investors and asset owners, the Fund's hybrid structure means it can be allocated as part of a debt or equity portfolio. It is considered a commercially oriented fund, targeting double-digit returns. Its average investment size is \$6-8 million, but a minimum level of investment is not required.

The Fund is closed ended with an original term of 8 years that will mature in June 2027. At this time, the Fund will be liquidated through exiting all corporates in which there is an equity stake, or through self-liquidation of the debt portfolio.

⁶⁷ [Aquaculture Stewardship Council](#).

⁶⁸ [Marine Stewardship Council](#).

3: CASE STUDIES

SLM PARTNERS

Title	Silva Europe Fund
Size	>€150 million (target fund size)
Investment Vehicle/ Finance Structure	A closed-end investment fund focused on land acquisitions to support regenerative agriculture in the Mediterranean region
Environmental/Social Outcomes	Sustainable water use, soil health, carbon sequestration, biodiversity improvement
Projected Returns	2.5% from income yield and 6-7% from capital appreciation net of fees
Liquidity	Closed-end with 10-year investment horizon
Revenue Model	Returns generated from a mix of income yield (2.5%) from commodity production, revenue from carbon credits, and capital appreciation (around 6-7%) from orchard development
MRV tools	Impact Reporting and Investment Standards (Global Impact Investing Network IRIS+ metric for agriculture and land-use) framework

What is the vehicle/fund?

SLM Partners launched the Silva Europe Fund in 2021, focusing on financing sustainable land management in the Mediterranean.⁶⁹ The Fund's investments focus on the regenerative production of permanent crops such as nuts and olives. It aims to bridge the gap between consumers and producers by bringing the supply of these crops closer to the European market and displacing imports (predominately from California).

The Fund's capital is sourced from a mix of institutional clients and impact-focused family offices. SLM has raised €23 million to date for the Fund and has acquired three properties in Spain and Portugal. SLM estimates that the Fund could allocate up to €150 million in Iberia alone and will expand its fundraising activities throughout 2024.

How does it deliver positive environmental and social impact?

The Fund's primary environmental goal is to build a climate-positive portfolio by adopting regenerative agriculture practices that increase carbon sequestration, improve on-farm biodiversity, and deliver positive social impact. It works with leading regenerative and organic farmers, helping them expand their operations - revitalising existing orchards and planting new ones in areas with suitable climate and water availability.

The Fund is committed to promoting biodiversity within the productive areas of the farm by adopting regenerative agriculture practices. This involves encouraging diversity in crops, planting cover crops and pollinator habitats within the orchards, and supporting soil microbiology through compost application, reduction of synthetic fertilisers and minimum tillage. The Fund targets at least 50% of the assets to be certified EU organic by the end of the Fund's life. The organic certification entails very restricted chemical usage and no synthetic fertiliser usage - which have both been proven to meaningfully improve on-farm biodiversity. The Fund will also set aside 10% of the land for biodiversity restoration, working with local ecologists to protect and restore habitats, such as hedgerows and those suitable for pollinators, around the productive areas of the farms including riparian⁷⁰ zones and in areas sub-optimal for production.

The Fund will create a portfolio of climate-positive assets where carbon sequestration in trees and soils exceeds carbon emissions from operations. The Fund will partner with a European carbon developer to issue carbon credits and provide investors with upside potential.

In addition to environmental goals, the Fund aims to generate positive social impact by creating green employment opportunities and partnering with local operators where incentives are aligned to help them scale up their regenerative practices across more land. The Fund also supports training and education by partnering with Regeneration Academy, hosting students studying biodiversity, soil health and agroecology.

⁶⁹ SLM Partners Silva Europe Fund.

⁷⁰ Relating to or living or located on the bank of a natural watercourse (such as a river) or sometimes of a lake or a tidewater.



Examples of underlying investments

The Fund's first acquisition was a 300-hectare property in Spain, in the region of Murcia. The Fund established a long-term partnership with Alfonso Chico de Guzman, a leading regenerative farmer in the region. This property hosts various tree crops, including pistachio, almond, and olive trees, which will be fully certified organic within 2-3 years. The farm has over 70 hectares of land set aside for biodiversity; this includes a High Conservation Value habitat connected to a wider Natura 2000 network, as well as a degraded habitat that will be restored and connected with the other habitats. Additionally, the property includes facilities for education in regenerative agriculture to expand the practices throughout the region. Last year, the property hosted 11 students on the farm.

What are the formal KPIs, standards and MRV used to measure the outcomes?

The Fund uses the Global Impact Investing Network's (GIIN) Impact Reporting and Investment Standards (IRIS+) framework to measure its impact, focusing on specific agriculture metrics.⁷¹ This aligns with global standards and best practices for impact measurement.

Data collection is facilitated by the Fund's direct management of the land which allows the Fund to obtain information from farmers quarterly. This provides transparency and operational control over impact measurement.

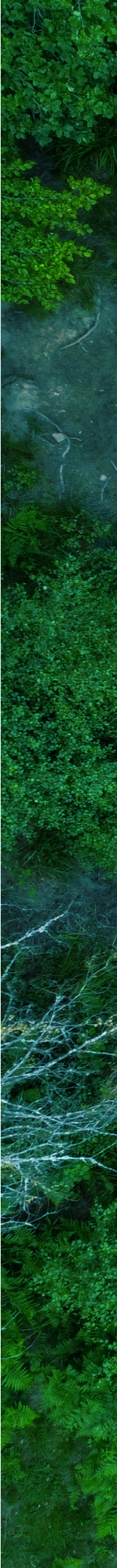
The Fund is currently piloting the TNFD framework, which offers specific recommendations for agriculture, ensuring robust reporting on its impact.

Considerations for investors

The Fund operates with a closed-end structure, offering a 10-year investment horizon with three 1-year extension options. Returns for investors are generated from a mix of income yield (approximately 2.5%) from commodity production, revenue from carbon credits, and capital appreciation (around 6-7%) derived mainly from orchard development.

For some limited partners (LPs), the Fund fits within their biodiversity allocation, but other institutional investors consider the Fund within their real asset and agriculture allocations. Some LPs also determine where to fit this fund based on a specific geographic focus.

⁷¹ GIIN. [Impact Reporting and Investment Standards](#)



3: CASE STUDIES

TIKEHAU CAPITAL

Title	Regenerative Agriculture Strategy
Size	€1 billion (target size)
Investment Vehicle/ Finance Structure	Private Equity Impact Fund - Article 9
Environmental/Social Outcomes	Nature and climate: Biodiversity, carbon, and water Social: health and livelihoods
Projected Returns (IRR)	20.0% gross over a holding period of 5-7 years ⁷²
Revenue Model	Private equity investment in corporates generating returns from revenue growth and improved EBITDA margin associated with geographical and product expansion. This can also be done by external growth via acquisitions
MRV tools	Examples of framework used: One Planet Business for Biodiversity (OP2B) Regenerative Agriculture Framework ⁷³ , and core environmental KPIs for biodiversity, carbon and water. Impact to be externally assessed and validated

What is the vehicle?

The Regenerative Agriculture Strategy, managed by Tikehau Investment Management - Tikehau Capital's main platform dedicated to asset management, is a global private equity strategy established to drive the adoption as well as scaling of regenerative agriculture practices worldwide.⁷⁴ Launched in late 2022, the 12-year Strategy is a Sustainable Finance Disclosure Regulation (**SFDR**) Article 9 strategy that aims to create a positive impact on the environment and society while delivering potential returns to investors. In launching the Strategy, Tikehau Capital was responding to: strong policy tailwinds such as the European Green Deal and the United States' Inflation Reduction Act; commitments from large corporates to deploy regenerative agriculture practices in their supply chains; and consumers requesting corporates to consider the environmental impacts of intensive food production.

The Strategy was initiated with the financial backing and expertise of two major partners: AXA, one of the largest global insurers, and Unilever, a prominent consumer goods corporate committed to regenerative agriculture. Each party invested €100 million with additional funding such as the Banque Publique d'Investissement France (**Bpifrance**) and the European Investment Fund (**EIF**).

How does it deliver positive environmental and social impact?

Tikehau Capital's Private Equity Regenerative Agriculture Strategy targets investments in corporates that have a positive impact on at least one of the Nature and climate priority areas: biodiversity, carbon or water - while doing no significant harm to health and social outcomes. The Strategy will track company progress against key indicators annually to ensure continuous progress.

Examples of underlying investments

The Strategy's first investment was in Biobest, a €350 million company focused on integrated biological pest and disease control and pollination solutions.⁷⁵ The Belgian company is present in 60 countries and has seen significant growth over the last 10 years with 15 acquisitions. The €120 million investment in the company facilitated Biobest's expansion in Latin America with the acquisition of Biotrop, a Brazilian company specialising in biological solutions for crop nutrition and protection.⁷⁶ The investment was a strategic move to enter one of the world's largest agricultural markets through an investment in a local firm.

⁷² Achievement of this objective is not guaranteed.

⁷³ One Planet Business for Biodiversity (2021). [Regenerative Agriculture Framework](#).

⁷⁴ Tikehau Capital (2022). [Regenerative agriculture transition to be accelerated through new impact strategy from AXA, Unilever and Tikehau Capital](#).

⁷⁵ Tikehau Capital (2023). 'Tikehau Capital's private equity regenerative agriculture strategy commits €120 million investment in Biobest, a global leader in biological-control products in agriculture'.

⁷⁶ [Biotrop](#).



What are the formal KPIs, standards and MRV used to measure the outcomes?

To monitor and assess the outcomes of its investments, the Regenerative Agriculture Strategy relies on a combination of core KPIs and recognised standards and frameworks. Core KPIs include GHG emissions avoided and sequestered (tonnes of CO₂e), avoided deforestation (hectares) or ecotoxicity and water pollution (kg of pollutants avoided). The team also collaborates with large organisations in charge of developing frameworks and accreditations to ensure that investments adhere to widely recognised impact standards. For example, Tikehau Capital is a member of One Planet Business for Biodiversity (**OP2B**) and uses its Regenerative Agriculture Framework to assess its investments.⁷⁷ Other relevant frameworks include the Sustainable Agriculture Initiative Platform (**SAI Platform**) framework.⁷⁸ Proposed KPIs for each impact area are established during the impact due diligence phase where a baseline assessment is made. The relevant KPIs selected for each portfolio company are then tracked annually to ensure continuous improvement.

Corporates are responsible for collecting and reporting data, which is then subject to third-party assessment. The results are compiled into an ESG/Impact report for the Strategy on an annual basis and communicated to investors.

Considerations for investors

The subscription period will end in 2024 and the investment ticket size range is between €15-€150 million. The Strategy has an investment period of 4-5 years and a holding period of 5-7 years, resulting in a total duration of 12-years for the Strategy.

The Strategy invests in corporates with demonstrated strong growth in recent years, operating in maturing markets and maintaining a positive **EBITDA** (earnings before interest, taxes, depreciation, and amortisation) across four verticals: inputs, farming equipment that enables regenerative practices and precision agriculture, ingredients and enablers such as impact measurement and monitoring technologies. The Strategy does not target agricultural land or food brands. The primary objective is to foster the growth of these corporates through market expansion and strategic acquisitions, resulting in high corporate valuations at the end of the holding period.

⁷⁷ OP2B (2021). [Scaling up regenerative agriculture - OP2B's contribution](#).

⁷⁸ SAI Platform (2023). [Regenerating together: A global framework for regenerative agriculture](#).

3: CASE STUDIES

KEY TAKEAWAYS

These case studies illustrate that there are a variety of approaches to investing in Nature and offer some key takeaways for investors considering this space.

Impact measurement and standards:

Robust impact measurement frameworks are crucial for evaluating the effectiveness of investments. The case studies highlight the benefits of using recognised standards to monitor impact. Examples include the ASN Biodiversity Fund's use of the Biodiversity Footprint for Financial Institutions and the Partnership for Biodiversity Accounting Financials standard, as well as SLM Partners' use of the IRIS+ framework. Using recognised standards can give assurance to investors that the stated impact has been assessed using trustworthy, science-based methodologies and can help protect against the risk of greenwashing.

Diverse investment opportunities:

The case studies highlight a diverse range of investment vehicles and strategies tailored to Nature investing. From listed funds like the ASN Biodiversity Fund, to private equity strategies like Tikehau Capital's Regenerative Agriculture Strategy, investors have a spectrum of options to align their portfolios with Nature. Furthermore, the case studies emphasise that investing in Nature extends beyond traditional Nature-based solutions. Investors can also focus on enabling technologies, as demonstrated by Tikehau Capital's investment in Biobest. Building a Nature-positive economy will require innovative corporates developing enabling solutions to address environmental challenges, offering significant opportunities for investors to drive the transition.

Long-term commitment:

Restoring ecosystems and improving biodiversity outcomes typically require long-term commitment from investors. CAM's Nature Based Carbon Strategy underscores the importance of patience and persistence in pursuing Nature benefits over time. Institutional investors may consider closed-end structures and extended investment horizons in order to realise impactful outcomes.

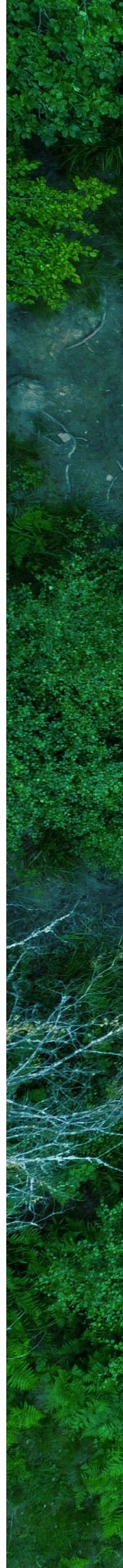
Risk mitigation and return expectations:

Investing in Nature-focused strategies often involves navigating unique risks associated with emerging markets and nascent sectors. For example, the Mirova Sustainable Ocean Fund leverages USAID loan guarantees and convertible debt for downside protection.



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Part 4: Beyond investing

By showcasing the opportunities for investment in Nature across asset classes, as well as guidance on how to assess those investment opportunities, this Guide aims to support investors in mobilising finance towards the goals set out in the GBF.

In addition to investing, however, there are other steps investors can take to drive the system change needed to reverse the global decline in natural capital stocks and ecosystem services.

The following examples illustrate how investors can play a significant role in helping achieve global Nature targets.

WORKING IN COLLABORATION

Investors and asset owners can play a crucial role in driving transparency, advocacy, and tangible action to address Nature's decline. However, it is essential to recognise the immense challenges ahead. Just as with global efforts for decarbonisation, the task of preserving and restoring Nature requires significant dedication and patience. The difficulty is compounded by the complexity of biodiversity issues, making it imperative to approach collaborative efforts realistically. While numerous initiatives have taken steps by creating fora for financial institutions to endorse calls to action, it is crucial to acknowledge that this alone will not suffice. Mere endorsements or pledges, as we have seen with Net Zero initiatives, often fall short in translating into meaningful impact. Nevertheless, these initiatives present starting points for engagement and pave the way for more substantial actions.

Financial sector initiatives

- **Finance for Biodiversity Foundation Pledge** - 163 financial institutions with over €21.7 trillion of assets, have called on global leaders to reverse Nature loss this decade. By signing the Pledge, financial institutions commit to protecting and restoring biodiversity through their investments, through collaboration and knowledge sharing, engaging with corporates, assessing impacts, setting targets and reporting publicly before 2025.⁷⁹
- **Glasgow Financial Alliance for Net Zero (GFANZ)** - a coalition of financial institutions committed to transitioning the global economy to net-zero greenhouse gas emissions. GFANZ identifies four key financing strategies essential to this transition: financing entities that develop and scale climate solutions (including Nature-based solutions like regenerative agriculture), entities which are already aligned to a 1.5°C pathway, those that are committed to transitioning in line with 1.5°C-aligned pathways, and financing the managed phase-out of high-emitting physical assets.⁸⁰
- **Net-Zero Asset Owners Alliance** - an Alliance of asset owners formed to transition member portfolios to net-zero GHG emissions by 2050, consistent with a maximum temperature rise of 1.5°C. Members advocate for and engage on, corporate and industry action and public policies for a low-carbon transition of economic sectors.⁸¹
- **Sustainable Markets Initiative (SMI)** - a CEO-led global organisation, which seeks to leverage the collective power and influence of the private sector across industry, finance and countries to develop and scale solutions to address the climate and biodiversity crisis, aligning to SDG and NDC goals.⁸²
- **Investor Policy Dialogue on Deforestation (IPDD)** - a collaborative, investor-led initiative which engages with public agencies and industry associations on the issue of deforestation.⁸³
- **Finance Sector Deforestation Action (FSDA) Initiative** - a group of 36 financial institutions committed to eliminating agricultural commodity-driven deforestation risks from their investment and lending portfolios by 2025.⁸⁴
- **Nature Action 100** - a global investor initiative engaging corporates in key sectors which are deemed to be systemically important to reversing Nature and biodiversity loss. The initiative maps sectoral pathways for driving greater corporate ambition, coordinates engagements between investors and corporates and tracks the progress of corporates against key benchmark indicators for Nature.⁸⁵

⁷⁹ [Finance For Biodiversity Foundation.](#)

⁸⁰ [Financial Institution Net-Zero Transition Plans \(2022\). Fundamentals, Recommendations and Guidance. Glasgow Financial Alliance for Net Zero.](#)

⁸¹ [UN-convened Net-Zero Asset Owner Alliance.](#)

⁸² [Sustainable Markets Initiative.](#)

⁸³ [Investor Policy Dialogue on Deforestation \(IPDD\) Initiative.](#)

⁸⁴ [The Finance Sector Deforestation Action \(FSDA\) Initiative.](#)

⁸⁵ [Nature Action 100.](#)



- **Spring** - a Principles for Responsible Investment stewardship initiative for Nature. The initiative convenes institutional investors to use their influence to halt and reverse global biodiversity loss by 2030. The initiative's investor statement outlines expectations of investee corporates to set and progress against biodiversity targets across their supply chains.⁸⁶

Government initiatives

- **Forest, Agriculture & Commodity Trade (FACT) Dialogue** - a government-to-government dialogue bringing together 30 of the largest producer and consumer countries of internationally traded agricultural commodities. The Dialogue aims to protect forests and other ecosystems and promote sustainable trade and development, while at the same time addressing the climate and biodiversity crises. The FACT Dialogue Roadmap emphasises four key thematic areas: support for smallholders, traceability and transparency, research, development and innovation, and trade and markets.⁸⁷
- **Forest and Climate Leaders Partnership (FCLP)** - governments with partners committed to expanding and maintaining high-level political leadership on forests, land use and climate, to work together to implement solutions that reduce forest loss, increase restoration, and support sustainable development, and ensure accountability for the pledges that have been made.⁸⁸

Policy and advocacy

Investors can focus on policy and advocacy work to accelerate private sector participation in delivering on the global Nature objectives. These can include:

- Calling for ambitious national action on protection, conservation and monitoring systems aligned with the GBF at the state and federal level.
- Advocating for the aligning of public and private economic incentives by phasing out subsidies with unintended negative consequences - such as those for agriculture that impact negatively on biodiversity.
- Advocating for mandatory disclosures of Nature-related impacts, dependencies and risks such as through the TNFD, as well as disclosure on social impacts and outcomes.
- Debt-for-Nature swaps involve restructuring a country's sovereign debt in exchange for the debtor's investment in domestic conservation activities.

Reporting and disclosure

By requiring disclosures from investee corporates, investors and asset owners can ensure that the market for natural capital investments grows in a high-integrity manner. Disclosures can be from a variety of sources and these can include:

- **Taskforce on Nature-related Financial Disclosures (TNFD)** - a risk management and disclosure framework for organisations to report and act on evolving Nature-related risks, which aims to support a shift in global financial flows towards Nature-positive outcomes.⁸⁹
- **Partnership for Biodiversity Accounting Financials Standard (PBAF Standard)** - a standard for financial institutions to measure the impacts of loans and investments on biodiversity, to measure and take targeted action at reversing these negative impacts, and to protect and restore biodiversity.⁹⁰
- **Science-Based Targets Network (SBTN)** - investors can require investee corporates to set science-based targets to assess environmental impacts, reduce negative impacts and increase positive impacts for Nature and people.⁹¹
- **Deforestation Free Finance** - investors can tackle commodity-driven deforestation by implementing Deforestation Free Finance's Roadmap to eliminate deforestation from portfolios within 4 years of beginning the roadmap.⁹²
- **Partnership for Carbon Accounting Financials - (PCAF)** - investors can implement the Global GHG Accounting Standard for the Financial Industry, developed by PCAF through a global partnership of financial institutions committed to harmonised and transparent greenhouse gas accounting.⁹³

⁸⁶ Spring: A PRI stewardship initiative for Nature.

⁸⁷ Forest, Agriculture and Commodity Trade (FACT) Dialogue.

⁸⁸ The Forest and Climate Leaders' Partnership.

⁸⁹ The Taskforce on Nature-related Financial Disclosures.

⁹⁰ Partnership for Biodiversity Accounting Financials Standard.

⁹¹ Science Based Targets Network.

⁹² Deforestation-Free Finance.

⁹³ Partnership for Carbon Accounting Financials.

4: BEYOND INVESTING

- **Biodiversity Footprint for Financial Institutions (BFFI) (Netherlands only)** - Developed in conjunction with seven Dutch financial institutions, the BFFI is a tool that measures the impact of FIs on biodiversity, allowing participating institutions to take the biodiversity impact of their investments into account when making investment decisions.⁹⁴
- **Carbon Disclosure Project (CDP)** - a disclosure system for investors, corporates, cities, states and regions to manage their environmental impacts. Investors can request environmental information from their portfolio companies and use it to inform their engagement. Investors can also themselves disclose to the CDP on financed environmental impact.⁹⁵

ENGAGEMENT

Engagement with portfolio companies presents a tangible opportunity for investors to promote a deeper understanding of Nature risks and dependencies. It also gives investors the opportunity to encourage scaling of positive practices or product offerings, which can help protect and restore biodiversity.

Key areas of focus include:

1. **Supply Chains:** Sectors like agriculture, food and beverages, forestry, household products, and cosmetics are directly dependent on healthy levels of biodiversity and well-functioning ecosystems. Disruptions to ecosystem services pose direct challenges to sourcing raw materials, necessitating a proactive approach from corporates to protect and restore the ecosystems on which they depend.
2. **Consumers:** Sustainability and transparency are increasingly being prioritised by consumers in their purchasing decisions. As awareness of biodiversity loss grows, it becomes another factor influencing consumer preferences and brand loyalty. Corporates can proactively engage with their customer base to show how they are responding to and attempting to mitigate Nature degradation.
3. **Market Opportunities:** Embracing Nature-positive solutions can lead to significant business opportunities, with projections suggesting the creation of millions of jobs and trillions of dollars in revenue by 2030.⁹⁶ Getting ahead of this curve by understanding the corporate's current relationship with Nature will empower organisations to develop more sustainable operations, products and supply chains that contribute to the protection and restoration of biodiversity.
4. **Policy and Legal Landscape:** Regulatory measures related to biodiversity are on the rise, driven by global initiatives like the GBF and local considerations such as concerns over water quality. Corporates failing to address Nature concerns face not only regulatory scrutiny but also litigation risks, as seen in past incidents like the Deepwater Horizon oil spill.

⁹⁴ Biodiversity Footprint for Financial Institutions.

⁹⁵ CDP

⁹⁶ World Economic Forum (2020). [New Nature Economy Report II: The Future of Nature and Business](#)



SPOTLIGHT ON DEFORESTATION

Forests play a critical role in supporting a climate equilibrium through sequestering and storing carbon. Beyond this, forests also provide multiple other benefits including temperature and rainfall regulation, flood alleviation, livelihoods, and are home to 80% of the world's terrestrial biodiversity. Every year, however, 10 million hectares of land are deforested, mainly for commercial and subsistence agriculture. Preventing deforestation is therefore critical to meet climate and Nature targets in a socially just way.

Ways in which investors can address deforestation globally in the short term:

- Require due diligence and corporate disclosure on deforestation exposure.
- Require management plans across investments in their portfolios.
- Call for widespread application of these diligence and disclosure requirements by regulators.
- Engage governments and regulators to develop rigorous, international standards for impact measurements.
- Build partnerships with public agencies and/or development financial institutions to create blended finance approaches to crowd-in further private sector capital into nature.
- Provide finance or technical assistance to existing programmes, encourage information sharing and make connections between projects addressing deforestation.

In summary, we urge readers to consider, promote and play a part in realising the opportunities that Nature presents as an asset class at both a firm level and/or an industry level. Starting a conversation can plant the seeds of ideas in decision-makers' minds and can create impact and progress towards a Nature-positive future. The NCIA is committed to mobilising investment into natural capital assets and we welcome new members who feel their goals are aligned with ours.

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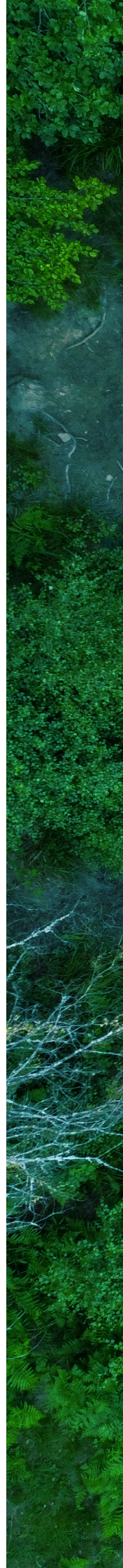
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