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Financing for Biodiverse Futures?

Key Considerations for Financial Institutions to Stop and Reverse Biodiversity Loss

Friends of the Earth United States

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Friends of the Earth
Washington DC
Headquarters

1100 15th St NW, 11th floor,
Washington, D.C., 20005
Phone: 202-783-7400
Fax: 202-783-0444

Contact: redward@foe.org

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Executive Summary

According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services' (IPBES) Global Assessment, nearly one million species are at risk of extinction within the next few decades, in which "human actions threaten more species with global extinction" than ever before.[1] With over 75% of land surface significantly altered by human activities,[2] it is more important than ever to protect ecosystems which are crucial for maintaining biodiversity and regulating the climate.

Banks and financiers play a significant role in both enabling and precluding financing to sectors impacting critical ecosystems. Their financing activities can pose threats to the natural environment, including species extinction and ecosystem loss, which can be irreversible. These same activities can also pose risks to the clients and financiers themselves, including credit risk, market risk, liquidity risk, operational risk, compliance risk, and reputational risk, which financial institutions must address as risk managers. As such, financial institutions need to be proactive, exercise a precautionary approach and ultimately align with global mandates regarding managing the biodiversity crisis.

Adopted during the fifteenth meeting of the Conference of the Parties (COP 15) of the Convention on Biological Diversity, the Global Biodiversity Framework (GBF) requires a "whole-of-society approach" in stopping and reversing biodiversity loss by 2030.[3] Dubbed the "Paris Agreement for Nature"[4], the GBF is an international framework which mandates broad-based action to bring about a transformation in our society's relationship with biodiversity by 2030. Per Target 14, it mandates that "all relevant public and private activities, fiscal and financial flows are aligned with the goals and targets of this framework".[5]

In managing risks associated with the biodiversity crisis, banks and financiers must align with the GBF and develop a biodiversity plan to stop and reverse biodiversity loss, while also protecting Indigenous Peoples and affected communities. Such a plan should require exclusions per the Banks and Biodiversity Initiative[I] so that critical ecosystems and communities are protected from harmful financing. Furthermore, developing a biodiversity plan is a key first step to help financiers meet the changing regulatory environment around biodiversity protection.

An effective, robust biodiversity plan establishes a financier's strategy to address its role in driving biodiversity loss that is triggered or accelerated by its financial portfolio. Stopping and reversing biodiversity loss should be the aim of a credible and comprehensive biodiversity plan, in line with the Global Biodiversity Framework (GBF). This report aims to stimulate discussion by highlighting overarching themes and key considerations which are critical for ensuring banks and financiers develop effective and credible biodiversity plans that stop and reverse biodiversity loss. Biodiversity plans should be treated as a starting point, not an end, and be tailored to fit the institution's business model, operations, and assets.

I Banks & Biodiversity, "About Us," available at: https://banksandbiodiversity.org/about/.

KEY TAKEAWAYS

- **An effective, robust biodiversity plan establishes a financier's strategy to address its role in driving biodiversity loss that is triggered or accelerated by its financial portfolio.** Stopping and reversing biodiversity loss should be the aim of a credible and comprehensive biodiversity plan, in line with the Global Biodiversity Framework (GBF).
- **The financial sector must ensure that institutional policies and business models demonstrate a real commitment to meet the GBF's mandated goals.** Specifically, Target 14 states that host country governments should align relevant financing activities, fiscal, and financial flows with the goals and targets of the framework, which includes the finance sector.
- **As providers of capital, banks and financiers are well positioned to steer financing away from activities which harm biodiversity and the environment.** They must recognize the role they play in driving biodiversity loss and commit to finding sustainable, new pathways and business models that prioritize stopping and reversing biodiversity loss.
- **Banks and financiers are failing to protect biodiversity.** According to an analysis of 13 major international financiers, financial institutions have yet to develop strong protections for critical ecosystems and Indigenous and local communities.
- **Biodiversity plans must acknowledge and correct an institutional bias towards mitigating instead of precluding negative impacts.** Relying primarily on mitigation measures will not solve the biodiversity crisis.
- **In addition to sectoral prohibitions, financiers and banks must prohibit harmful financing that directly or indirectly harms at-risk, critical ecosystems, as they are essential for conserving biodiversity and regulating the climate.** To do this, banks and financial institutions should prohibit harmful direct and indirect financing which may impact the eight proposed No Go areas of the Banks and Biodiversity Initiative.
- **Biodiversity plans must avoid false solutions** such as offset schemes or no net loss approaches. They must also abandon weak voluntary disclosure initiatives, such as the Taskforce for Nature-Related Disclosures (TNFD) as a proxy for managing biodiversity risks. Instead, biodiversity plans should be tailored to ensure that institutional business models and operations demonstrate that they are committed and geared toward stopping and reversing biodiversity loss.

- **Banks have yet to adequately protect critical ecosystems and areas where free, prior, and informed consent (FPIC) have not been obtained,** according to an evaluation of key, standard setting financial institutions.
- **An emerging wave of regulations from France, the European Union, and China are signaling more stringent requirements for the corporate and financial sector regarding protecting biodiversity. These regulations may likely lead to higher costs, non-compliance risks and penalties, and stranded assets.** Developing a biodiversity plan will be a key first step to ensure that financiers are prepared to meet a changing regulatory environment.
- **Financiers should adopt ambitious targets and metrics to ensure ecosystem integrity and prevent further habitat fragmentation, degradation, or deterioration of ecosystem functions.** They should be science based, time-bound, and rooted in overarching goals of halting and reversing biodiversity loss that go beyond merely conserving biodiversity or avoiding adverse impacts. To adequately manage risks and assess progress, financiers should appropriately set its baseline of current biodiversity impacts and rely on high quality data in making assessments.
- **Financiers must measure and report their own biodiversity impacts, and also their clients' biodiversity impacts.** This includes financiers measuring and reporting on the biodiversity impacts of its entire investment portfolio, and publicly reporting on all its impacts and progress, both positive and negative.
- **A biodiversity plan should include implementation and compliance measures.** Bank financing decisions should defer to the best available science, including rejecting transactions or responsibly exiting from deals when needed. Bank staff and board members performance should be measured against their management and contribution to the overall goal of stopping and reversing biodiversity loss.

Introduction

According to the IPBES Global Assessment, nearly one million animal and plant species are at risk of extinction within the next few decades, in which "human actions threaten more species with extinction" than ever before.[6] Between 2010-2015, 32 million hectares of primary or recovering forest were lost across tropical regions, and over 85% of wetlands have disappeared.[7] Nature underpins the world's ability to sustain itself. However, the biodiversity crisis is threatening humanity's ability to "choose alternatives in the face of an uncertain future."[8]

There is increasing scientific consensus on the role that misguided and perverse economic and financial incentives play in driving the biodiversity crisis. IPBES states that, "economic incentives have generally favored expanding economic activity, and often environmental harm, over conservation or restoration," with "harmful economic incentives and policies associated" with sectors such as forestry, mining, fossil fuels, biofuels, livestock, and industrial agriculture, among others.[9]

It is also clear that "incorporating the consideration of the multiple values of ecosystem functions and of nature's contribution to people into economic incentives has, in the economy, been shown to permit better ecological, economic and social outcomes."[10] In its global assessment, **IPBES asserts that "a key component of sustainable pathways is the evolution of global financial and economic systems in...steering away from the current, limited paradigm of economic growth."[11]**

Redirecting finance to stop and reverse biodiversity loss

The failure of the financial sector to adequately account for and address its impact on nature and biodiversity has contributed to and accelerated the biodiversity crisis. Significant land use change, pollution, climate change, and over-exploitation of resources are key drivers of the biodiversity crisis, all of which are direct or indirect impacts of banks financing harmful activities located in critical ecosystems.

As providers of capital, banks and financiers are well positioned to steer financing away from activities which harm biodiversity and the environment. They must recognize the role they play in driving biodiversity loss and commit to finding sustainable, new pathways and business models that prioritize stopping and reversing biodiversity loss. In doing so, financiers and banks can play a critical role in declining or withholding finance to environmentally and socially problematic activities, while simultaneously supporting activities which yield positive impacts on nature and people.

The global community has recognized the urgent need to act on the biodiversity crisis. The GBF was adopted at the fifteenth United Nations (UN) Conference of the Parties to the Convention on Biological Diversity (CBD COP15) in December 2022. Building on the Strategic Plan for Biodiversity 2011-2020, the GBF is meant to establish an ambitious plan for governments to implement broad-based action to bring about a transformation in our society's relationship with biodiversity by 2030.

The GBF aims to reverse the rapid decline in the ability of the world's ecosystems to support life on Earth through a "whole-of-society approach," where all sectors and actors are actively engaged in addressing biodiversity loss, restoring ecosystems, and protecting Indigenous Peoples' rights. **Via Target 14, the GBF explicitly calls for aligning "all relevant public and private activities, fiscal and financial flows with the goals and targets of this framework".[12]**

The GBF is prompting regulators from France, European Union, and China to require greater oversight of the finance sector to meet the GBF's goal of stopping and reversing biodiversity loss. **Developing a biodiversity plan will be a key first step to ensure that financiers are prepared to meet the global biodiversity challenge, as well as the changing regulatory environment.**

Report Scope and Objective

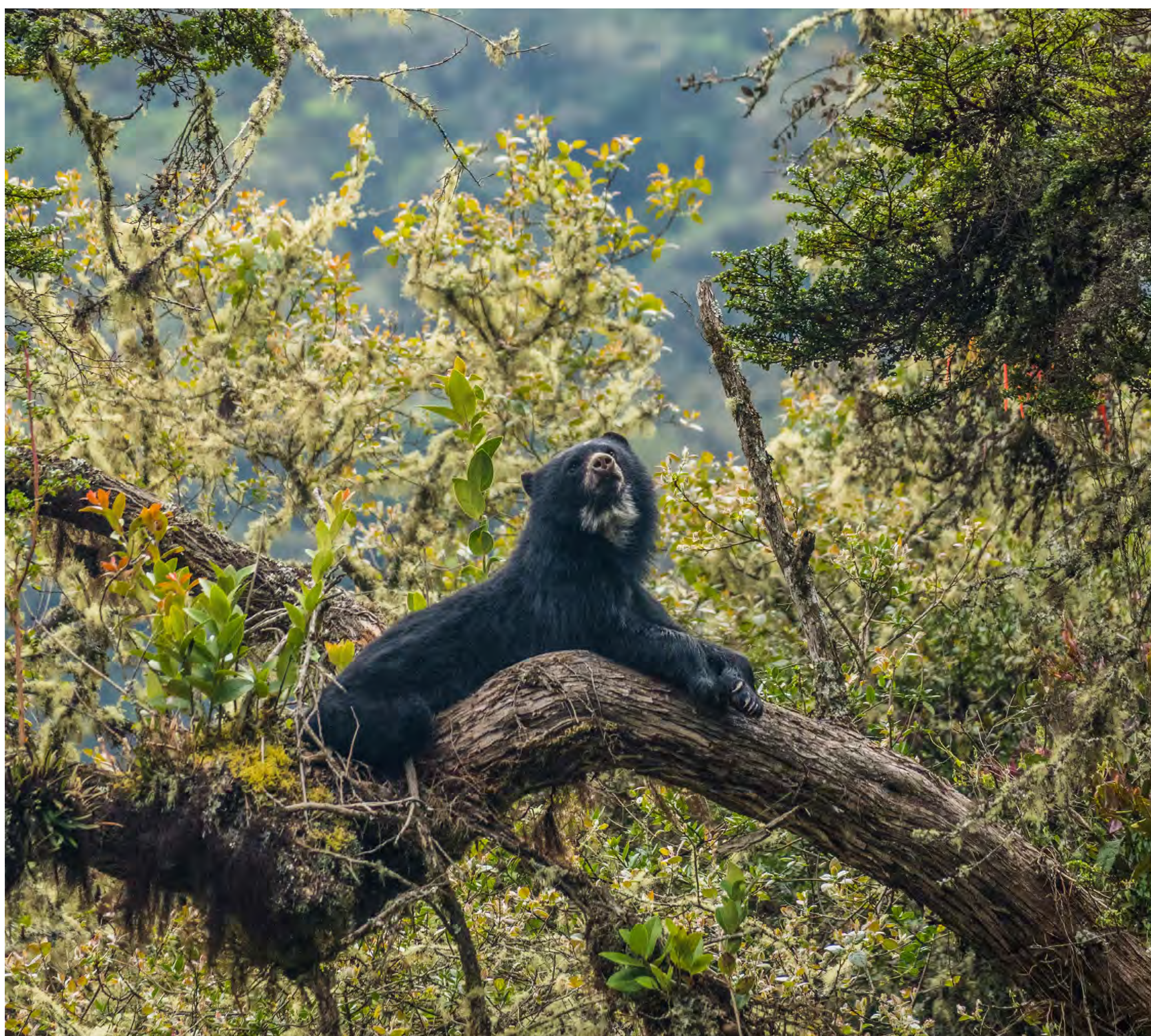
According to the GBF, "urgent action" must be taken by 2030 to "halt and reverse biodiversity loss to put nature on a path to recovery for the benefit of people and planet by conserving and sustainably using biodiversity".[13, 14]

The IPBES Global Assessment and the Global Biodiversity Framework reflect a critical global consensus on the need to stop and reverse biodiversity loss. Banks and financiers have an obligation under this mandate to develop an effective, robust biodiversity plan to manage and reduce their biodiversity impacts.

This report describes key considerations that banks and financiers should account for when developing a biodiversity plan to actively measure, manage, and operationalize biodiversity targets and strategies in their financial portfolios. Biodiversity plans should be treated as a starting point, not an end, and be tailored to fit the institution's business model, operations, and assets. This report does not aim to be comprehensive in cataloging all

aspects of developing a biodiversity plan, or all aspects of how a financier may drive biodiversity loss. It instead aims to stimulate discussion by highlighting key, overarching themes and considerations.

This report primarily discusses harmful biodiversity impacts caused by land use change and harmful industrial, extractive sectors. Although not directly discussed in this report, banks and financiers must also assess their financial support of activities involving the use of toxic chemicals, synthetic agrochemicals, hazardous materials, and the potential introduction of invasive species as these are also significant drivers of biodiversity loss.



Developing an effective biodiversity plan fit for purpose

To date, the financial sector writ large has yet to align with the GBF's goal in stopping and reversing biodiversity loss. Given the urgency of the biodiversity crisis, banks and financiers should swiftly develop, operationalize, and implement biodiversity goals and policies into practice.

An effective, robust biodiversity plan establishes a financier's strategy to address its role in driving biodiversity loss, with the overarching purpose of stopping and reversing biodiversity loss triggered or accelerated by its financial portfolio. Stopping and reversing biodiversity loss should be the aim of a credible and comprehensive biodiversity plan, in line with the Global Biodiversity Framework.

There is a current lack of clear and practical guidance for the development and implementation of strong biodiversity plans among financial institutions. Where biodiversity strategies or transition plans do exist, there are diverging, inconsistent approaches to how financial institutions assess biodiversity impacts and set targets. Furthermore, while some financial institutions may have standalone policies on biodiversity, Indigenous Peoples, or human rights, bank policies rarely acknowledge or address the overlap in risk management or impacts. Significantly, there is also a lack of clarity in how banks stimulate and engage corporate clients to address their role in managing biodiversity impacts.

Traditionally, banks and financiers have over-relied on mitigation measures to lackluster effect. **While mitigation can lessen negative impacts, they cannot absolve a project of harmful impacts.** This is particularly the case when financing has gone to supporting sectors operating in critical ecosystems, or to clients with well-known records of negative impacts and human rights abuses. **As such, it is important for biodiversity plans to acknowledge and correct an institutional bias towards mitigating instead of precluding negative impacts. Relying primarily on mitigation measures will not solve the biodiversity crisis.** Banks and financiers must exclude financing to activities and sectors which negatively impact critical ecosystems to safeguard biodiversity and disrupt business as usual.

Key considerations when developing biodiversity plans

Robust and effective biodiversity plans are a critical tool for financiers to reduce their exposure to biodiversity and ecosystem risks, and for doing their part to halt and reverse biodiversity loss. At minimum, biodiversity plans should address the institution's ambition, action, and impact.

Based on engagement with more than a dozen public and private banks from December 2023 – August 2024,[II] this report explores key considerations in ensuring that biodiversity plans are fit for purpose in reducing biodiversity loss, and ultimately in restoring nature. Banks and financiers should incorporate the following key considerations are reflected in their biodiversity plans:

1. **Establishing ambitious targets and metrics**

- Is stopping and reversing biodiversity loss stated as the explicit, overarching goal of the biodiversity plan?
- Is the biodiversity plan in line with the mandate of Target 14 to align public and private financial flows to stopping and reversing biodiversity loss by 2030, instead of simply conserving biodiversity?
- Does the biodiversity plan establish clear targets for identifying and transitioning bank financed activities away from those that negatively impact critical ecosystems?
- Do biodiversity targets establish concrete dates for transitioning away from harmful sectors which accelerate or cause biodiversity loss? Do biodiversity targets measure the institution's progress in stopping, reversing, and ultimately, restoring biodiversity via its investment portfolio?
- Does meeting biodiversity targets rely on the use of biodiversity offsets and net loss approaches? If so, are there viable strategies to meet biodiversity targets without the use of biodiversity offsets and net loss approaches?
- Does the biodiversity plan require forest-risk companies to adopt and implement a No Deforestation, No Peat, No Exploitation (NDPE) policy that sets a clear, time-bound plan to achieve zero deforestation across supply chains and company groups by a target date of 2025, with reference to prior cut-off dates for specific commodities in particular geographies?
- Is the biodiversity plan based on a no loss, instead of a net loss approach?
- Does the biodiversity plan set forth clear definitions of key terms and concepts, if not already defined in safeguard documents? These include biodiversity finance, critical habitat, natural habitat, and modified habitat, among others.

2. **Prioritizing biodiversity in risk management and client engagement**

- Does the biodiversity plan outline specific exclusion, investment, and engagement strategies for managing biodiversity risks?
- Does the biodiversity plan provide guidance on how to phase out financial support to clients with a record of environmental, social, and human rights abuses, in order to transition a financial portfolio away from sectors and activities which drive biodiversity loss?
- Does the biodiversity plan recognize and recommend the use of No Go and exclusion areas as a risk management strategy?

II In December 2023, 98 civil society organizations published an open letter calling upon banks globally to produce and publish a transition plan that is aligned with the goals and targets of the GBF and Paris Agreement, by October 2024. The letter reached 100s of private and public banks internationally. Led by Friends of the Earth U.S., the organizations have engaged dozens of financial institutions throughout 2024 on the steps they are taking to develop and implement biodiversity plans. See "98 civil society organizations call upon all banks globally to produce and publish a transition plan to stop and reverse the biodiversity crisis," Banks & Biodiversity, available at: https://banksandbiodiversity.org/96-civil-society-organizations-call-upon-all-banks-globally-to-produce-and-publish-a-transition-plan-to-stop-and-reverse-the-biodiversity-crisis/.

- Does the biodiversity plan provide guidance on how relevant departments and staff can better coordinate in identifying and declining high-risk clients and activities?

3. Establishing and requiring accurate measuring and reporting processes

- Does the biodiversity plan require assessing and publicly reporting an institution's double materiality on biodiversity?
- Does the biodiversity plan identify potential physical, legal, regulatory, compliance, reputational, or transition risks associated with biodiversity loss in an institution's current financial portfolio? Does the biodiversity plan outline concrete steps to track and manage those risks?
- Does the biodiversity plan provide guidance on how to account for inherent nuances when collecting and reviewing biodiversity data? In other words, does the biodiversity plan outline strategies based on a precautionary approach for managing situations where there is insufficient data to make an informed decisions, or circumstances where it is unfeasible to calculate the value of natural resources or ecosystem functions (e.g. clean air, water, soil, etc.) into economic terms?
- Does the biodiversity plan set clear guidance on establishing relevant baseline metrics?
- Does the biodiversity plan reject relying on inadequate, voluntary disclosure schemes, such as the TNFD?
- Does the biodiversity plan provide guidance on how to assess client provided data, which may be flawed?

4. Acknowledging the importance of governance and institutional accountability

Does the biodiversity plan explicitly reference the need for stronger cross-team coordination in decision making?

- Are relevant environmental and biodiversity specialists empowered internally to intervene, and if necessary, to veto or reject proposals which cause negative biodiversity impacts?
- Are relevant environmental and biodiversity specialists within the institution empowered to make recommendations independently, based on science and not shareholder interests?
- Does the biodiversity plan reference the need for metrics and incentives for bank staff and board members to meet institutional biodiversity targets?
- Does the biodiversity plan acknowledge the need to make complaint and accountability mechanisms accessible, transparent, and open in order to understand and address its biodiversity impacts to affected communities in real time?

5. Harmonizing institutional goals

- Has the financial institution considered how a biodiversity plan complements, and does not conflict with its climate transition plan?
- Does the biodiversity plan acknowledge the importance of upholding Indigenous Peoples rights? Has the financial institution developed an Indigenous Peoples policy?
- Does the biodiversity plan explicitly commit to upholding Indigenous Peoples rights and fostering a Just Transition?
- Does the biodiversity transition plan acknowledge the need for clients to require and implement Free, Prior, Informed Consent (FPIC) in order to respect and allow Indigenous Peoples' right to self determination, as codified in the UN Declaration on the Rights of Indigenous Peoples (UNDRIP)?
- Does the biodiversity plan acknowledge how FPIC can be used as a best practice in engaging with local communities?

1. Establishing ambitious targets and metrics

The global biodiversity crisis necessitates, if not demands, the financial sector to evolve. A key first step in doing so is establishing ambitious targets which are commensurate to the global crisis. Without ambitious, time-bound targets, the financial sector will hinder, and may even preclude, efforts to restore biodiversity. As such, biodiversity targets should actively support the GBF goals and targets. This is in line with Target 14 of the GBF which mandates that "all relevant public and private activities, fiscal and financial flows are aligned with the goals and targets of this framework,"[15] which includes the GBF's overarching goal of stopping and reversing biodiversity loss. Biodiversity plan targets should be science-based, time-bound, and include short- and long-term scenarios.

Ambitious targets should be rooted in the overarching goal of halting and reversing biodiversity loss, as well as corollary targets and metrics to ensure financiers are aligned with key milestones of the GBF.

> The GBF sets 2030 as a key milestone in achieving global targets, such as halting "human induced extinction of known threatened species", reducing "pollution risks and the negative impact of pollution from all sources", and "aligning all relevant public and private activities, and fiscal and financial flows with the goals and targets of this framework."[16]

Furthermore, financiers must fully incorporate and reflect ambitious biodiversity targets across their business models, operations, and assets.

SPECIES ASSESSED VS. GLOBAL SPECIES

147,517
Species Assessed by IUCN Red List of Threatened Species

10-30 milion
Estimate Species Globally

9,852,483 - 29,852,483
Species Remaining to be Assessed

While the IUCN has made progress in achieving its programmatic goal of assessing a total of 160,000 species, this number is just a fraction of existing global species. For the vast majority of global species, it is still unknown whether and to what extent they are threatened.

Disconnecting from the underlying drivers of biodiversity loss

Halting and reversing biodiversity loss should be the fundamental, overarching target of a biodiversity plan. **Biodiversity targets should go beyond weak commitments which aim to merely conserve biodiversity or avoid adverse impacts.**

Setting ambitious targets requires banks and financiers to identify and address how an institution can eventually disconnect from supporting well-established drivers of biodiversity loss, such as significant land use changes, over-exploitation of resources, pollution, and climate change. Banks and financiers involved in sectors associated with high-risk, negative environmental or biodiversity impacts, such as mining, logging, palm oil, pulp and paper, soy, corn, cattle, and infrastructure, among others, should establish limits on financing to these sectors to minimize the risks and impacts associated with the expansion of these sectors. Banks and financiers should take particular care in setting targets and metrics for measuring and ultimately reducing pollution and the use of toxic chemicals associated with financed activities.

Banks and financiers should also develop clear, time-bound targets to phase out sectors well known for driving systemic environmental, social, climate, and biodiversity impacts. Sectors and activities include fossil fuels, large scale industrial agriculture, and deforestation, large-scale biomass, and more. This is especially relevant for sectors whose expansion historically involves the encroachment upon intact ecosystems, particularly forests.

In these instances, financiers should adopt robust standards such as those outlined by the Accountability Framework Initiative, to which forest-risk companies should adhere or face exclusion by the financier.[17] Any such financing standard should require all forest-risk companies to adopt and implement a No Deforestation, No Peat, No Exploitation (NDPE) policy that sets a clear, time-bound plan to achieve zero deforestation across supply chains and company groups by a target date of 2025, with reference to prior cut-off dates for specific commodities in particular geographies.

For example, many companies have committed to No Deforestation for soy in the Brazilian Cerrado by target date 2025, with a widely recognized cut-off date of 2020—meaning, after 2025, such a company may not source soy grown in the Cerrado on land deforested after 2020. Financiers should adopt the cutoff date that is widely considered to be best practice as it relates to the specific commodity and the specific geography.

Prioritizing no loss approaches

Setting ambitious biodiversity targets requires taking no loss, not no net loss, approaches. Targets based on no net loss inherently rely on unviable offset schemes. While net loss and offset approaches may seem to address negative biodiversity impacts, in practice they do not stop biodiversity loss as they still allow ill-conceived activities to proceed in at-risk ecosystems. Furthermore, **developing targets based on net loss approaches are not ambitious, as they do not address the GBF goal of not only stopping, but also reversing biodiversity. Effectively, a net loss approach ignores the equally important need to *restore* biodiversity.** To truly set ambitious targets, banks must ensure targets address stopping *and* reversing biodiversity loss, instead of merely "offsetting" harmful impacts. To date, only the European Investment Bank (EIB) has adopted a no loss approach to assessing significant impacts and risks affecting biodiversity and ecosystems.[18]

Unfortunately, however, few banks have developed biodiversity policies which reference the GBF or the global mandate to stop and reverse biodiversity loss since the GBF was adopted in 2022; in the case of multilateral banks which have

updated their policies since then, the GBF is not referenced. For instance, the African Development Bank (AfDB) revised its safeguards in 2023, but does not reference the GBF. At the time of writing, the Asian Development Bank (ADB) and European Bank for Reconstruction and Development (EBRD) are in the process of revising their environmental and social safeguards.[III] However, the ADB does not reference the GBF in its draft policy. Although the EBRD does reference the GBF once in the draft safeguards, it does not explicitly include the GBF goal of stopping and reversing biodiversity loss in its Environmental and Social Requirement 6 on biodiversity conservation, despite its intention to achieve "the goals of the Global Biodiversity Framework."[19] As their policies have not yet been finalized, however, there is still an opportunity for the ADB and EBRD to correct this omission.

Ensuring ecosystem integrity

In establishing high ambition, banks and financiers should develop targets to ensure ecosystem integrity, as halting and reversing biodiversity loss fundamentally requires the preservation and restoration of critical ecosystems. Ensuring ecosystem integrity is needed for biodiversity to survive and thrive as part of a functional, healthy ecosystem. The Convention on Biological Development (CBD) supports this concept and defines an ecosystem approach as "a strategy for the integrated management of land, water and living resources that promotes conservation and sustainable use in an equitable way."[20]

Taking an ecosystem-wide approach is crucial due to the complex web of interdependent plants, animals, and micro-organisms that collectively play critical roles in providing key ecosystem functions such as regulating the climate, as well as maintaining soil, water, and air quality. This approach was adopted at CBD COP2 in 1995 and remains a central principle in CBD implementation. The concept integrates ecological, economic, and social factors affecting a particular ecosystem as defined by ecological, not political boundaries.

Ensuring ecosystem integrity is critical to avoid habitat fragmentation, which contributes to biodiversity loss and the loss of ecosystem functions. Evaluating impacts on the broader ecosystem, instead of only a project site, is especially relevant as the impacts of bank supported activities often extend beyond a project's proposed footprint. While there is much scientific literature dedicated to the importance of maintaining ecosystem integrity and ecosystem functions, there is often little reference in bank policies to ensure ecosystem integrity.

A robust biodiversity plan should include targets to maintain *and* restore ecosystem integrity, so that banks and financiers do not drive further habitat fragmentation and degradation or deterioration of ecosystem functions.

Defining key terms

Banks and financiers should clarify how they define "biodiversity finance." In recent discourse, "biodiversity finance" is often loosely used to refer to financing associated with achieving positive biodiversity outcomes. **However, it is important for banks to consistently use a clear definition, as this will have cascading impacts on how financiers perceive, measure, and assess its related progress. Biodiversity finance can refer to specific financial products used to proactively achieve specific biodiversity outcomes, or just refer to financed activities in which environmental or biodiversity safeguards have been applied.**

There are multiple definitions of biodiversity financing, including those from the

III The analysis of the ADB's policy herein is based on the bank's 2009 Safeguard Policy Statement and the EBRD's policy here is based on the bank's 2019 Environmental and Social Policy.

International Finance Corporation (IFC) and The Biodiversity Finance Initiative (BIOFIN), among others. For instance, the IFC defines biodiversity finance as finance which meets five specific criteria,[21] whereas BIOFIN generically defines biodiversity finance as "private and public financial resources used to conserve and restore biodiversity, investments in commercial activities that produce positive biodiversity outcomes and the value of the transactions in biodiversity-related markets".[22] Banks and financiers should establish their interpretation of key terms so that corresponding targets, key performance indicators, and strategies are appropriately developed and reflected.

In another example, various financiers define critical habitats, natural habitats, and modified habitats differently. These definitions are important as bank policies have varying degrees of protection for each kind of habitat, with critical habitats typically enjoying the most protections.

An assessment of 10 public financiers and the Equator Principles biodiversity policies conducted by Friends of the U.S. (FOE U.S.) and Profundo showed that nearly half of the institutions mention that critical habitat is a subset of natural and modified habitat, though fail to further define them or to provide specific thresholds. **Although most agree that critical habitat are areas of high biodiversity value, a review of the specific definitions of critical habitats from the institutions vary in scope and comprehensiveness.**

For instance, the Inter-American Development Bank's (IDB) definition of Critical Habitat includes habitats for vulnerable, near threatened, critically endangered, and endemic species, as well as Key Biodiversity Areas and even World Heritage sites.[23] The IDB's definition of critical habitat precludes clients from implementing any project in critical habitats "unless no viable alternative exists, *and* the project can be done with no measurable adverse impact on biodiversity values or supporting ecological process."[24] Importantly, biodiversity offsets "are not an acceptable mitigation measure in instances of critical habitat."[25]

In contrast, the AfDB definition of Critical Habitat only includes endemic, endangered, and critically endangered species.[26] Notably, Key Biodiversity Areas are not classified as Critical Habitat but are protected internationally recognized areas.[27] However, the AfDB still allows for biodiversity offsets in Critical Habitat.[28]

PROTECTIONS FOR ENDEMIC AND THREATENED SPECIES

TYPE	AfDB	ADB	AIIB	EBRD	EIB	IDB	IFC	MIGA	DFC	WB	EP
Endemic	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Endangered	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Critically endangered	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Near Threatened	No	No	No	No	No	Yes	No	No	No	No	No
Vulnerable	No	No	No	No	No	Yes	No	No	Yes	No	No
KBA	Yes	No	No	No	Yes	Yes	Yes	Yes	No	Yes	Yes

Public financiers and the Equator Principles protections for threatened species vary, resulting in differing levels of protection. Significantly, only the Inter-American Development Bank protects more than critically endangered species, including near threatened, vulnerable species, and Key Biodiversity Areas. While all banks offer protections for endemic, endangered, and critically endangered species, few banks protect near threatened or vulnerable species. IDB is ahead of its peers in establishing biodiversity safeguards which protect endemic and threatened species, and prohibit biodiversity offsets in Critical Habitat.

Biodiversity Offsets – Avoiding False Solutions

In addressing their impacts in driving the biodiversity crisis, financial institutions and banks must avoid "false solutions" which include mechanisms or schemes that rely on commodifying or the financialization of nature. These include biodiversity offsets and net loss approaches, which may result in land grabbing, negative social impacts, and ecosystem destruction. Unfortunately, many bank policies allow for these false solutions.

With 75% of the world's land mass already significantly altered,[29] it is crucial that the finance sector does not contribute to the destruction of the world's remaining intact, critical ecosystems. As a mitigation measure, biodiversity offsets have not been effective in progressing biodiversity loss. **Offsetting is typically justified as a "last resort" of the mitigation hierarchy; however, it is associated with a dismal track record.[30] This is because the destruction of critical habitat can occur before a project developer has designed or even demonstrated that the biodiversity offset is operational, let alone effective.** Offsets have allowed project sponsors to avoid their responsibility in preventing harmful biodiversity impacts. In addition, biodiversity offsets do not account for the cultural significance of a given place.

These conceptual flaws are exacerbated by the lack of consistency and clarity on what impacts can be "offsetable", as well as a dearth of guidance and clarity on common definitions, methodologies, or metrics of how to establish supposed "net gains" or "net losses". **Most important, an offset approach does not actually address the underlying drivers of biodiversity loss, as negative impacts are intended to be "offset", instead of reducing or eliminating the actual drivers of biodiversity loss. To stop and reverse biodiversity loss, banks should avoid false solutions like offsets and net loss approaches, and instead adopt "no loss" policies that protect critical habitat and threatened species.**

Currently, the IDB does not accept biodiversity offsets as mitigation measures in critical habitat,[31] and the EIB similarly does not allow them in critical habitat.[32] Both bank policies demonstrate that it is possible for financiers to take such an approach.

Palm oil plantations and other industrial agro-commodities are a leading source of deforestation.

2. Prioritizing biodiversity in risk management and client engagement strategies

Once ambitious goals which align with the GBF are established, an effective biodiversity plan should identify actionable strategies. These can include:

- **Excluding** activities, clients, or sectors known to have negative biodiversity impacts
- **Investing** in activities which concretely contribute to conserving and restoring biodiversity and nature
- **Engaging** clients or actors to improve their biodiversity and environmental impacts

Excluding activities, clients, and sectors with a known record of causing or triggering negative biodiversity impacts from receiving financing is perhaps the simplest and most effective means of contributing to global biodiversity protection. This is because risks are effectively eliminated by precluding finance. Existing data and research show how certain high-risk sectors pose consistently high environmental, social, biodiversity, and climate risks, even despite the use of mitigation measures. For instance, fossil fuel financing is long known to cause pollution and climate change, but also triggers intense social backlash due to environmental and climate concerns, as well as human rights abuses. These risks have in turn led to a wave of financiers excluding various forms of fossil fuel financing.

Adopting No Go areas

The adoption of exclusion areas, either as part of a bank or financier's risk management framework or exclusion list, is an example of an immediate, actionable strategy to stop biodiversity loss. It is critical that banks and financiers draw a firm line in excluding financing which may degrade or open the world's last remaining intact, critical ecosystems for further development. In addition to sectoral prohibitions, financiers and banks must prohibit financing that directly or indirectly harms at-risk, critical ecosystems as they are essential for conserving biodiversity and regulating the climate.

Endorsed by over 100 civil society organizations and scientists, **the Banks and Biodiversity Initiative has proposed eight areas which should be off limits to harmful financing.**[33] Proposed Banks and Biodiversity No Go areas include internationally and nationally recognized areas, free flowing rivers, intact primary and vulnerable secondary forests, habitats with threatened and endemic species, as well as Key Biodiversity Areas. Given the strong correlation between Indigenous Peoples and biodiversity protection, financiers should also prohibit financing activities that violates the rights of Indigenous Peoples. Financiers must also prohibit support for projects and activities that have not secured free, prior, informed consent (FPIC) from Indigenous Peoples and local communities.

We note that financing for some activities in these areas may be necessary and positive, such as for sustainable tourism or low impact human activities. **However, it is important for banks and financiers to exclude harmful financing to these areas by default, unless it can be proven at the outset that such activities will not harm or destroy ecosystem functions or ecosystem integrity. For all activities located outside of No Go areas, banks and financiers should still conduct rigorous risk assessment and due diligence.**

An exclusionary approach is consistent with the financial sector's practice of institutional Exclusion Lists for sensitive areas and industries. There is growing momentum for public and private banks in adopting exclusion areas. Although there is still room for improvement, Bank of America, Uni-Credit, and Mizuho have developed Arctic exclusions; other financiers have developed exclusions for the Amazon.[34] Following campaigning from Indigenous groups, several banks have recognized the risk involved in oil and gas exploitation in the Amazon. In 2021, BNP Paribas, Credit Suisse, and ING committed to exclude new Ecuadorian Amazon oil from their trading activities, while Société Generale committed to exclude oil from the Ecuadorian Amazon, citing the importance of protecting biodiversity in the region.[35] BNP Paribas has since made further commitments to exclude financing for any oil and gas companies with operations in the Amazon, with some exceptions.[36]

Engaging Clients to Reduce and Eliminate Biodiversity Risks

Engaging clients or actors to improve their biodiversity performance is one way for banks and financiers to have a multiplier effect in reversing biodiversity loss. Biodiversity plans should outline strategies for how banks should engage with clients in fostering and requiring them to do their part in stopping and reversing biodiversity loss.

It is important for financiers to engage their clients in all phases of financing, but perhaps the most important phase is during the beginning of the client relationship. Banks and financiers should be clear in their expectations for clients to manage their biodiversity impacts. These include the need for a client to develop its own biodiversity plan, to create biodiversity risk management documents, as well

as the bank or financier creating accountability mechanisms (such as through contractual clauses or financial mechanisms) to ensure clients can meet biodiversity targets.

There can be significant financial and non-financial risks for a bank to finance a client with a longstanding record of environmental failings and human rights abuses. Even if a bank may not be formally tied to a project, it may still face scrutiny if project developers themselves are controversial, especially if banks and financiers have provided financing to those clients or developers in the past. For example, 12 banks, including JP Morgan, Barclays, BNP Paribas, Credit Agricole, and Société Generale[37] that have provided financing to the oil giant, Total, have faced pressure for failing to hold a client accountable for repeated negative biodiversity, environmental, social, and climate impacts in places like Myanmar, Russia, Uganda, and Tanzania; these banks have also faced calls for them to divest or distance themselves from the company.[38]

Banks and financiers should therefore consider the historic environmental and human rights records of clients as a potential screening tool for financing. They should also reflect on thresholds for blacklisting clients from future financing due to a repeated, documented pattern of violating environmental and social obligations.

A client's record in this regard speaks to its ability and credibility to manage such risks in future activities. A biodiversity plan should set forth expectations and a plan for engaging with clients with a record of controversy.

Assessing the Use of No Go areas in the International Finance Sector

There is growing momentum among financiers and banks in adopting exclusionary policies for critical ecosystems, such as the Arctic, Amazon, and protected areas, among others. The Banks and Biodiversity Initiative is a civil society coalition which calls on banks and financiers to adopt eight No Go areas, including internationally and nationally protected areas, habitats with threatened and endemic species, intact primary and vulnerable secondary forests, free flowing rivers, at risk marine and coastland ecosystems, iconic transboundary ecosystems, and areas where FPIC has not been obtained.[39]

Endorsed by over 100 civil society organizations and scientists, the Banks and Biodiversity No Go areas represent some of the world's most vulnerable areas in need of immediate protection.

AREA 1:
Areas recognized by international conventionsand agreements including but not limited to the Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity, or other international bodies such as UNESCO (Biosphere Reserves, UNESCO Global Geoparks, etc.) or Food and Agricultural Organization (vulnerable marine ecosystems), International Maritime Organization (particularly sensitive areas), IUCN Designated Areas (Categories IA – VI)

AREA 2:
Nature, wilderness, archaeological, paleontological and other protected areas that are nationally or sub-nationally recognized and protected by law or other regulations/ policies; this includes sites which may be located in or overlap with formally, informally, or traditionally held conserved areas such as Indigenous and community conserved areas (ICCA), Indigenous Territories (ITs) or public lands not yet demarcated

AREA 3:
Habitats with endemic or threatened species, including Key Biodiversity Areas

AREA 4:
Intact primary forests and vulnerable, secondary forest ecosystems, including but not limited to boreal, temperate, and tropical forest landscapes

AREA 5:
Free-flowing rivers, defined as bodies of water whose flow and connectivity remain largely unaffected by human activities

AREA 6:
Protected or at-risk marine or coastland ecosystems, including mangrove forests, wetlands, reef systems, and those located in formally, informally, or traditionally held areas, Indigenous Territories (ITs), or public lands not yet demarcated, or Indigenous and community conserved areas (ICCA)

AREA 7:
Any Indigenous Peoples and Community Conserved Territories and Areas (ICCAs), community-based conservation areas, formally, informally, traditionally, customarily held resources or areas, Indigenous Territories, sacred sites and/ or land with ancestral significance to local and Indigenous communities' areas **where the free, prior, informed consent (FPIC) of Indigenous and Local Communities have not been obtained**

AREA 8:
Iconic Ecosystems, defined as ecosystems with unique, superlative natural, biodiversity, and/or cultural value which may sprawl across state boundaries, and thus may not be wholly or officially recognized or protected by host countries or international bodies. Examples include but are not limited to the Amazon, the Arctic, among other at-risk ecosystems

According to an analysis conducted by FOE U.S. and Profundo, there is an opportunity for banks and financiers to better utilize the Banks and Biodiversity No Go areas as a risk management tool in protecting biodiversity and people. To stop and reverse biodiversity loss, it is critical that banks and financiers exclude these areas from harmful financing, as they reflect critical ecosystems necessary for maintaining biodiversity and regulating the climate.

Our assessment reviewed the policies of the Asian Development Bank (ADB), African Development Bank (AfDB), Asian Infrastructure Investment Bank (AIIB), China Development Bank (CDB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Equator Principles (EPs), the Export-Import Bank of China (China ExIm), Inter-American Development Bank (IDB), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), U.S. Development Finance Corporation (US DFC), and the World Bank (WB). These institutions were selected based on their size and influence in the development finance landscape.

Our assessment shows that while most institutions have established some exclusion areas for biodiverse areas, coverage remains inadequate and uneven. In an analysis of 10 public financiers, two public Chinese financiers, and the Equator Principles, **our analysis found that no bank has developed adequate policies to protect critical, biodiverse ecosystems, as well as Indigenous Peoples and local communities.** In general, the analysis found serious gaps in policies to safeguard primary forests, free-flowing rivers, marine and coastal ecosystems, Indigenous Peoples' rights, and iconic ecosystems.

SPECIFIC FINDINGS INCLUDE:

- While many banks offer protections to internationally and nationally protected areas, nearly all allow harmful financing to move forward in these areas through the use of offsets and exceptions, which led to inadequate scores in this area. Only the DFC provided strong protections to World Heritage sites and IUCN category areas IA-VI. However, all banks still scored inadequately due to the lack of strong protections for internationally recognized areas writ large, including Ramsar sites, UNESCO Man Biosphere Reserves, among others.[IV] Only the US DFC provided strong protections to nationally recognized areas.
- The EIB and US DFC have policies which explicitly protect some primary forests, but do not address vulnerable secondary forests.[40] Other bank policies are either limited[V] or not public.
- The AfDB and US DFC have policies which offer protections for free-flowing rivers.[41] Unfortunately, other policies fail to address them.
- The EIB offers some protections for at-risk marine and coastland ecosystems—for example, by prohibiting financing related to unsustainable activities located in select areas or protecting mangrove forests, wetlands, and reef systems.[42]
- While most of the banks have language regarding Indigenous Peoples, the use of free, prior, informed consent (FPIC) is not typically required, or if so, under certain circumstances.[43] The IFC requires FPIC of "Affected Communities of Indigenous Peoples" under specific circumstances, while the AfDB requires FPIC of "highly vulnerable rural minorities" (HVRM) in certain circumstances. In the case of AfDB, HVRM include

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IV See "Protecting Biodiversity From Harmful Financing: No Go areas for the International Banking Sector, Briefing Paper 01, Internationally recognized areas, Friends of the Earth United States, December 2022, available at: https://banksandbiodiversity.org/new-briefing-paper-urges-banks-and-financiers-to-make-internationally-recognized-areas-off-limits-to-harmful-financing/ (No Go area 1 covers several key international conventions and agreements that include, but is not limited to: Bonn Convention, Ramsar Convention, World Heritage Convention, Convention on Biological Diversity, The United Nations Educational, Scientific and Cultural Organization (UNESCO) Biosphere Reserves, UNESCO Global Geoparks, Food and Agricultural Organization recognized vulnerable marine ecosystems, International Maritime Organization recognized particularly sensitive areas, and IUCN Designated Areas (Categories IA – VI).); See "World Heritage Forever? How banks can protect the world's most iconic cultural and natural sites," Friends of the Earth United States, July 2021, available at https://foe.org/resources/banks-can-protect-iconic-sites/.

V See e.g., "Environmental and Social Framework," Asian Infrastructure Investment Bank, February 2016, pp, 79-80, available at: https://www.aiib.org/en/policies-strategies/_download/environment-framework/AIIB-Environmental-and-Social-Framework_ESF-November-2022-final.pdf; "Safeguard Policy Statement," Asian Development Bank, June 2009, pp. 76, available at: https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf; "Integrated Safeguards System," African Development Bank Group, 2023, pp. 42, available at: https://acrobat.adobe.com/id/urn:aaid:sc:va6c2:f5d9c3bc-f5da-4311-9514-2f287ca26cca (AfDB and AIIB policies only address logging operations in primary forests. The ADB policy restricts the use of logging equipment in unmanaged primary tropical rainforests but does not address broader activities and impacts on primary and vulnerable secondary forests.).

those "of whom are referred to as 'indigenous peoples' by their national legislation", which is why the analysis includes HVRM policies in the bank's score on this issue.[44] Regrettably, however, no bank policy extends FPIC to local communities,[45] where FPIC should be used as a best practice in conducting community consultations.

- Notably, Chinese policy banks, China Development Bank and China ExIm, do not have any publicly available policies related to exclusion areas, or information regarding areas where financing should be withheld due to environmental or social reasons. Regrettably, this led to a failing score across all areas.
- This assessment demonstrates that banks and financiers have yet to develop strong protections for biodiverse, critical ecosystems, Indigenous Peoples, and local communities. However, it also means there is still opportunity for banks and financiers to improve and expand protections for biodiverse areas.

Criteria and Methodology

CRITERIA	SCORING	VALUE
1. Do bank policies prohibit financing which harms internationally recognized areas? 2. Do bank policies prohibit financing which harm nationally recognized areas? 3.Do bank policies prohibit financing which harms Key Biodiversity Areas and habitats with near threatened, vulnerable, endangered, critically endangered, and endemic species? 4. Do bank policies prohibit financing which harms primary forests and vulnerable secondary forests? 5. Do bank policies prohibit financing which harms free flowing rivers? 6. Do bank policies prohibit financing which harms at-risk or protected marine and coastland ecosystems? 7. Do bank policies prohibit financing to areas where free, prior, informed consent of Indigenous Peoples and local communities have not been obtained? 8. Do bank policies prohibit financing which may harm iconic, transboundary ecosystems?	Yes = 2 points Partially = 1 points No = 0 points	**Strong (4 points):** Bank policies prohibit financing which harm No Go areas **Inadequate (2 points):** Bank policies partially prohibit financing which may harm No Go area **Failing (0 points):** Bank policies are weak, rely on offset or net loss schemes, or do not explicitly prohibit financing which harm No Go areas

Summary of scores

	1 Int'l protected areas	2 Nationally protected areas	3 Habitats with endemic or threatened species, incl. KBA	4 Primary Forests and Vulnerable, Secondary Forests	5 Free - flowing rivers	6 Protected or at-risk marine or coastland ecosystems	7 Indigenous Peoples and community conserved territories and areas	8 Iconic, trans-boundary ecosystems
US DFC	2	4	2	2	2	0	0	0
WB	2	2	2	0	0	0	2	0
AfDB	0	0	2	0	2	0	2	0
EIB	2	2	2	2	0	2	2	0
IFC	2	2	2	0	0	0	2	0
MIGA	2	2	2	0	0	0	2	0
EP	2	2	2	0	0	0	2	0
IDB	2	2	2	0	0	0	2	0
EBRD[VI]	2	2	2	0	0	0	2	0
AIIB	2	2	2	0	0	0	0	0
ADB[VII]	2	2	2	0	0	0	0	0
CDB	0	0	0	0	0	0	0	0
China Exim	0	0	0	0	0	0	0	0

VI At the time of publication, the EBRD is undergoing a safeguards review. The current safeguards were used in the assessment.

VII At the time of publication, the ADB is undergoing a safeguards review. The current safeguards were used in the assessment.

Policy Applicability to Direct and Indirect Financing

In terms of policy applicability to both direct and indirect financing, there is wide variability among the evaluated financiers.

For instance, the US DFC provides the widest breadth of the application of environmental and social policies to all projects as they cover all financing through insurance, reinsurance, direct loans, or investment guarantees.[46] In contrast, the IFC's Performance Standards on Environmental and Social Sustainability apply to all direct financing, but not to indirect financing where a client is a financial intermediary. The IFC policy's application depends upon the type of investment, use of proceeds, and risk level associated with the financial institution's portfolio and incorporate relevant principles, but not all.[47] The Equator Principles policies expect "non-designated" countries to comply with the IFC Performance Standards as opposed to "designated" countries where those high-income countries are presumed to have more robust environmental and social governance systems than poorer countries.[48]

In another example, the World Bank's policies only apply to indirect financing of projects with financial intermediaries if it is the sole provider of the financing. If other financial institutions are involved, then the World Bank may rely on the requirements set by those institutions.[49] This means that policies with lower standards may be applied in these instances.

For China Development Bank and China Exim, there are no publicly available policies which outline whether their environmental or social related policies apply to both direct and indirect financing. The Green Finance Guidelines, published by Chinese bank regulators in 2022, do set forth an expectation that Chinese banks and insurers must "identify, monitor, prevent, and control ESG risks in their business activities" of any "bank credit customer", "customers who have taken out ESG risk related insurances", and "party/parties seeking financing for an insurance fund entity's investment project".[50] However, with the lack of publicly available bank policies from CDB and China Exim, they received a zero score.

Summary of scores in regards to policy application to direct and indirect financing

CRITERIA	SCORING	VALUE
Do the bank policies apply to all direct financing? Do the bank policies apply to all indirect financing?	Yes = 4 points Partially = 2 points No = 0 points	**Strong (4 points):** Bank policies apply to all direct financing
		Inadequate (2 points): Bank policies partially apply to all direct bank financing
		Failing (0 points): Bank policies are weak or do not apply to all direct bank financing

FINANCIAL INSTITUTION	DIRECT FINANCING	INDIRECT FINANCING
US DFC	4	4
ADB	4	4
IFC	4	2
EIB	2	2
MIGA	NA	2
WB	2	2
AIIB	2	2
EP[VIII]	2	NA
IDB	2	2
EBRD	2	2
AfDB	2	0
CDB	0	0
China Exim	0	0

VIII Indirect financing does not apply to the Equator Principles, as they are only applied to bridge loans and project related finance.

3. Establishing and requiring accurate measuring and reporting processes

Banks and financiers must be aware, understand, and react to their biodiversity impacts. To understand the scope and impact of an institution in protecting biodiversity, it is important to ensure and establish accurate measuring and reporting methodologies. **Financiers should measure and report on the biodiversity impacts of not only its own footprint, but more importantly, should measure and assess its clients' biodiversity impacts, as well as the institution's broader investment portfolios**. This includes:

- Measuring and assessing a financing institution's own biodiversity impacts
- Measuring and assessing its client's biodiversity impacts, including supply chains
- Measuring and assessing investment portfolio, which may include indirect financing, financial intermediaries, and institutional investments

An effective biodiversity plan should take these into account and ensure that findings are made public. Doing so enhances accountability and transparency in keeping institutions on track in meeting biodiversity targets.

Furthermore, an effective biodiversity plan should commit to managing and assessing the double materiality of biodiversity. It is important for banks and financiers to understand the specific impacts of their financed activities, and how those specific impacts in turn drive broader, negative impacts on biodiversity, the environment, and their business model. Banks and financiers are exposed to material risks of biodiversity loss in two ways – first, in terms of directly driving or exacerbating negative biodiversity impacts caused by financed activities; and second, in terms of how such financed activities contribute to and drive the broader, systemic biodiversity loss (such as land use change, pollution, climate change, and over-exploitation of natural resources), which in turn impacts the long-term sustainability of sectors or areas in which a financier may invest. As such, banks must track and measure not only the impacts of their financed activities, but the cumulative and broader impacts of how financing such activities are further driving biodiversity loss and thus potentially impacting their business model.

> Using a double materiality framework to assess risk and impact is important as it enables institutions to understand the short- and long-term impacts of their lending, not only in terms of protecting biodiversity, but also the sustainability of their financial portfolios.

For instance, physical or dependency risks caused by the disruption or destruction of ecosystem functions can result in gaps in a supply chain. An example includes how certain sectors are directly dependent on nature, such as crop production and forest related industries.

Moreover, using a double materiality framework can help banks and financiers fully understand their risks and impacts, and thus make better decisions, in addressing the systemic underlying threats facing biodiversity and nature. **An effective biodiversity plan should highlight the need to assess its double materiality and to use those findings to adjust and shift finance away from sectors and clients contributing to biodiversity loss.** Banks and finan-

ciers should also publish their findings to promote accountability and transparency.

There are also regulatory risks as governments move to produce legislation to tackle biodiversity loss. Like investments in fossil fuels, investments in high-risk sectors, particularly forest-related ones, may face higher costs or lead to stranded assets. For instance, the proposed European Union (EU) Deforestation Law may restrict investments and lending for some sectors and allows only deforestation-free and legal products (e.g., cattle, cocoa, coffee, oil palm, soya, and wood) into the EU market.[51]

Efforts to establish and implement a biodiversity plan will help banks and financial institutions ensure compliance with other, emerging government efforts to protect biodiversity, the environment, and human rights, as well as implement the GBF. For example, French law requires companies to perform due diligence to identify and prevent environmental and rights-related risks.[52] The EU has also introduced mandatory sustainability reporting, including for banks and insurance companies from 2025 onward.[53] The EU reporting standard covers biodiversity and ecosystems specifying disclosures that should enable users to understand the compatibility of the undertaking's strategy and business model concerning relevant local, national, and global public policy targets on biodiversity and ecosystems, including the GBF.[54]

China's Biodiversity Conservation Strategy and Action Plan directs all sectors to achieve the goals of the GBF, including the financial sector.[55] According to Priority 5 in the Action Plan, financial institutions are encouraged "to incorporate biodiversity into project investment and financing decisions." Priority 26 calls on embedding biodiversity considerations into China's Green Finance policy systems and "gradually reforming and phasing out policy measures that are detrimental to biodiversity". Furthermore, China has adopted the Green Finance Guidelines for Banking and Insurance Industries which requires Chinese banks and insurers to restrict credit from clients with records of serious violations and major environmental and social risks.[56]

Nuances associated with measuring biodiversity impacts

A biodiversity plan should acknowledge and offer guidance on the nuances associated with measuring biodiversity impacts. Measuring biodiversity impacts can be challenging, if not impossible at times, as translating the inherent value of clean water, air, soil, and other resources into economic terms is a paradoxical exercise.

Banks and financiers should be aware and accept that certain aspects of biodi-

versity and nature are simply unquantifiable, and in those cases, take a precautionary approach. Although many biodiversity assessment frameworks have been developed, it is important for institutions to be aware that no methodology is fully comprehensive and use science-based assessment methodologies to measure biodiversity risks and impacts.

For instance, a review of various biodiversity assessment methodologies found that no single methodology performed well on assessing all biodiversity related criteria, though some methods performed better or worse for specific criteria. Furthermore, biodiversity related criteria may not always consider other key aspects such as ecosystem integrity, ecosystem functions, or ecosystem intactness. This is further complicated by the fact that key terms may have different definitions in different methods. According to the review, "baseline" can often be defined in various ways. For instance, one method defines it as the present situation; another defines it as a specific year, while yet another defines it as the situation before a company's activities. Fourteen of the reviewed methods did not offer specific guidance on what year or time should be considered the baseline.[57]

Banks and financiers should draw from science-based frameworks in measuring biodiversity impacts and consult with independent biodiversity and other related experts. The fact that various assessment methodologies may yield different findings should encourage banks and financiers to gather all relevant information and be aware of these nuances. **An effective biodiversity plan should prominently note this tension and offer guidance on how banks and financiers should navigate this challenge by taking a precautionary approach when sufficient information to make an informed decision is not available.**

A biodiversity plan should also establish and confirm its own set of standard definitions and methodologies in measuring, and thus managing, biodiversity impacts for both the bank and its clients. At minimum, banks and financiers should root its biodiversity targets and key performance indicators on a baseline of its current biodiversity impacts, as well as those of its clients and associated supply chains, and investment portfolios. Banks and financiers should then use those measures to assess and monitor current and future progress.

Ensuring high quality data to properly assess risk and impacts

In addition, banks and financiers should be aware of the complexities of determining whether data is high or low quality when understanding and assessing risks and impacts. **An effective biodiversity plan should offer guidance on how bank staff should identify high quality data versus incomplete or poor-quality data.** It should also recognize where data gaps may exist and encourage a precautionary approach in those cases.

For instance, several databases have emerged as globally authoritative sources of information that the financial sector can use to identify species at risk of extinction, threatened ecosystems, and globally significant sites for biodiversity conservation. Examples include the International Union for Conservation of Nature (IUCN) Red List of Threatened Species, the IUCN Red List of Ecosystems, the World Database on Protected Areas, the World Database of Key Biodiversity Areas, and for regional sites that do not meet global Key Biodiversity Area Criteria, BirdLife's Datazone on Important Bird and Biodiversity Areas.

As with various biodiversity assessment methodologies, no single tool or database contains all relevant biodiversity information for banks, as each was developed with its own set of discrete objectives and scope. Although the Integrated Biodiversity Assessment Tool (IBAT) consolidates many data sources, banks and financiers should follow good

practice by cross-referencing biodiversity risks with other relevant environmental and social risks. For instance, biodiversity related tools will not provide information on potential social risks associated with Indigenous Peoples or local communities. It is also possible that many areas of the world still lack sufficient research and knowledge to make informed financing decisions. As such, although the use of biodiversity tools and datasets are an important starting point when undertaking environmental and biodiversity assessments, banks and financiers should be aware that they should not be used as a proxy or an end point in due diligence processes.

Furthermore, when working with clients operating in high-risk sectors or regions, an effective biodiversity plan should acknowledge and offer guidance on how to screen out poor quality data provided by clients.

Client provided data may be flawed, and so it is important for a biodiversity plan to highlight this challenge and provide guidance on how to address such situations so that bank staff are able to make informed, science-based decisions.

The Koukoutamba Dam would partially flood the Moyen Bafing National Park and degrade or destroy the habitats of the hippopotamus, a Vulnerable Species, according to the IUCN's Red List.

Avoiding Ineffective Initiatives: The Taskforce on Nature-related Financial Disclosures

The TNFD was announced in July 2020 and formally launched in September 2023 with the aim of providing decision makers in business and capital markets with better information through corporate reporting on nature to improve enterprise and portfolio risk management. It is a voluntary framework for financiers to report on nature-related issues.[58]

While the TNFD describes itself as a solution to the biodiversity crisis, the framework does not align with the GBF, specifically Target 15. The framework was developed by a corporate task force which included no representative from governments, academia, civil society, or rights holding groups. Substantively, the **TNDF's baseline recommendations do not require businesses to disclose all negative impacts on biodiversity, but only information that is financially "material"—that is, risks are only reported if they may impact the financial interests of its financial backers, unless national laws require otherwise. This approach is weaker than memorialized in law in the European Union, for example, and obscures the full impact of an institution on biodiversity.**

Furthermore, **the TNFD does not require participants to report and disclose negative impacts to communities or their grievances.** The TNFD relies on non-standardized methodologies, which makes independent verification challenging and produces data that is incoherent and cannot be compared. Moreover, given the voluntary nature of the TNFD guidance, investors cannot even enjoy its promised benefits. **Under the guidance, it is at the participant's discretion which data to disclose and the methodology under which it gathers that data, making it impossible for independent auditors and others to verify the veracity of the data or compare with others.**

Critics and civil society organizations have described TNFD as an exercise in greenwashing, stating, for example: "TNFD not only fails to adequately measure nature-related risks, but it also creates opportunities for corporations to actively obscure their biodiversity-related impacts while avoiding accountability to frontline communities. Instead of bringing market or regulatory forces to bear, TNFD promotes greenwashing — benefiting corporations while sidelining the frontline communities in search of real solutions."[59]

4. Acknowledging the importance of governance and accountability

An effective biodiversity plan should acknowledge the importance of governance and accountability. **To meet biodiversity targets, banks and financiers will need to ensure that internal governance systems not only allow, but actively foster the ability of relevant departments and staff to identify, raise, evaluate, and address biodiversity related risks.**

A biodiversity plan should explicitly acknowledge the need for internal governance and institutional accountability systems in identifying and addressing biodiversity risks that are flagged from internal departments and external actors. Without complementary governance systems and accountability mechanisms, it is unlikely banks and financiers will be able to meet their biodiversity targets.

An effective governance system can anticipate and address potential conflicts among different departments. Given each department's unique focus, divisions hold different views of the benefits or drawbacks of supporting project financing, bonds, or other financial assets. This is the most evident in cases where investing in a project, client, or asset may yield high financial returns, but may cause or trigger serious, if not irreparable environmental, social, or biodiversity impacts.

Empowering relevant bank staff to manage biodiversity risks

Banks and financiers should be explicit that on a day-to-day level, stopping and reversing biodiversity loss requires all departments to prioritize and defer to science-based decisions of how proposed financing may negatively impact the environment and biodiversity. Priorities must go beyond returns on investments. Banks and financiers should revise approvals process so that internal environmental and biodiversity experts have

clear, adequate, and independent authority to identify problematic proposals, and if needed, reject them.

If banks and financiers are serious about meeting their biodiversity targets, then they must require environmental and biodiversity specialists to make recommendations and intervene in problematic cases. **This requires relevant environmental and biodiversity specialists to be appropriately staffed and enabled to make recommendations based on the best available science, rather than the interest of shareholders.** A biodiversity plan should provide guidance on how banks and financiers can empower staff to reject, or veto proposed activities that are deemed to have negative environmental and biodiversity impacts. This also means rejecting or vetoing problematic activities without internal pressure to approve financing based on unrealistic or unfeasible mitigation strategies.

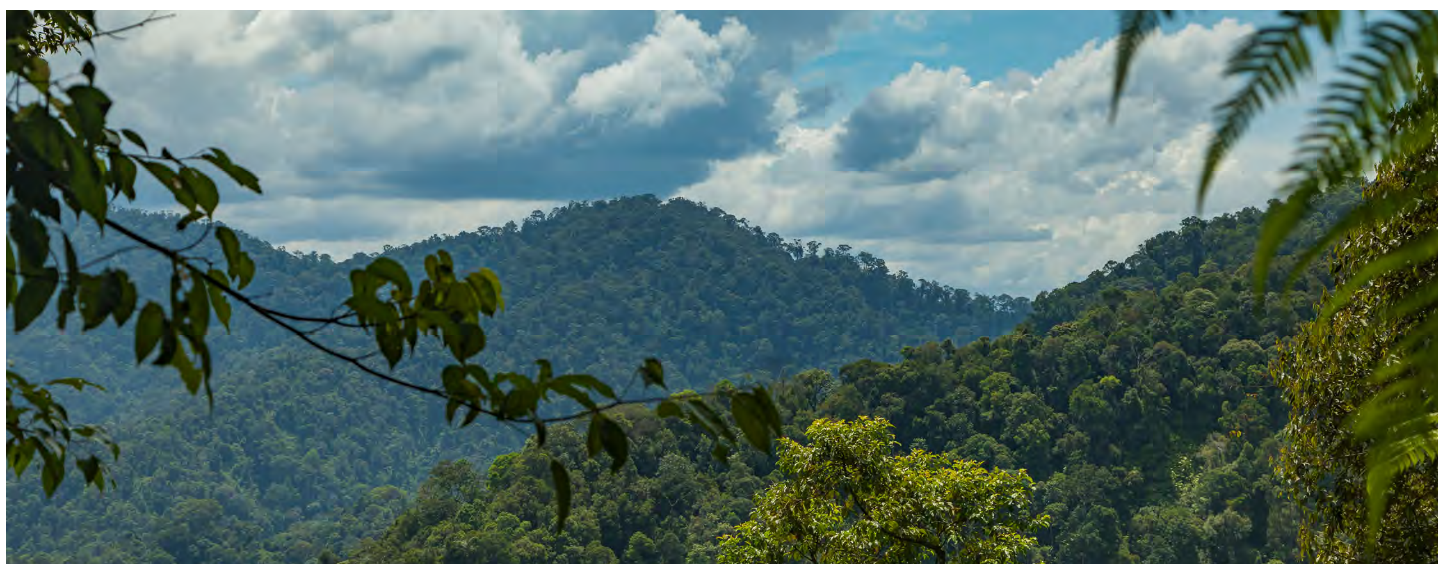
Assessing staff and board performance

In referencing the need for a clear governance system to prioritize biodiversity issues in a biodiversity plan, **banks and financiers should establish explicit metrics for staff and board members' performance based on their management and contribution to the overall goal of stopping and reversing biodiversity loss.** Doing so is critical as the effective implementation of a biodiversity plan is unlikely without proper, corresponding internal incentives.

> Regarding board reviews, biodiversity metrics should assess whether the board has made tangible progress in reducing the institution's impact on biodiversity loss, as well as meeting concrete targets targets in phasing out of problematic sectors, such as fossil fuels, large scale industrial agriculture, deforestation, among others.

While a biodiversity plan may not be the appropriate policy document to establish performance metrics for staff and the board, it should nonetheless explicitly reference the need for it to inspire relevant changes across the institution.

Interestingly, Chinese green finance policies are increasingly referencing the need for banks and insurers to develop appropriate internal systems to foster green finance performance. According to the Green Finance Guidelines, banks and insurers shall establish "reward and



The Batang Toru ecosystem consists of untouched, primary tropical forest. Due to its inaccessibility and remoteness, it is now one of the last wild jungles in Sumatra.

penalty mechanisms, apply the incentive and disciplinary measures, improve due diligence and waiver mechanisms, and ensure that green finance work is carried out sustainably and effectively".[60] Where "violations are found," banks and insurers are expected to investigate whom to hold accountable.[61] By referencing the need for banks to evaluate staff performance in meeting biodiversity targets, biodiversity plans can complement and strengthen parallel efforts to improve accountability across the institution.

Making accountability mechanisms accessible

Banks and financiers will be better able to meet biodiversity targets using accessible complaint mechanisms and institutional accountability mechanisms. **Given the urgency of the biodiversity crisis, it is important to have developed, if not already implemented, complaint mechanisms which can receive, absorb, and direct information from affected communities and the public to relevant departments in real time.** Banks and financiers should ensure that complaint mechanisms protect the security of complainants so as to prevent retaliation. This is especially critical for financed activities which are actively causing negative environmental, social, and biodiversity impacts.

Similarly, while complaint mechanisms are important for fostering accountability in the short-term, banks and financiers should strengthen institutional accountability mechanisms. **Accountability mechanisms should ensure that banks and financiers are prepared to examine, assess, and correct failures in their approach to managing environmental, social, and biodiversity risks.** While a biodiversity plan is not the appropriate document to define, develop, or elaborate on complaint or institutional accountability mechanisms, it is important for a biodiversity plan to reinforce the need to develop or strengthen such mechanisms to be aware of an institution's positive and negative impacts, and thus progress in meeting its biodiversity goals.

5. Harmonizing institutional goals

The GBF clearly states that to fulfill the goals and targets of the framework, efforts to halt and reverse biodiversity loss must simultaneously meet other global societal goals and build on relevant multilateral agreements among states. As such, a biodiversity plan must complement key cross-cutting concerns, such as climate change, human rights, Indigenous Peoples' rights, public health, and poverty —all recognized throughout the GBF.

Designing an organization's policy targets so that they intentionally reinforce one another will allow financiers to optimize the "co-benefits and synergies of finance targeting the biodiversity and climate crises," as stated in the Framework's Target 19. As such, banks and financiers should harmonize their overarching institutional goals so that they are aligned, complementary, and simultaneous, and do not inadvertently conflict. This is especially relevant as many of the underlying drivers of biodiversity loss and climate overlap, such as land use change, pollution, and over-exploitation of resources.

A biodiversity plan's efficacy will be increased by acknowledging and referencing an institution's broader commitments of stopping climate change, respecting Indigenous Peoples' rights, and fostering a Just Transition. Overarching institutional commitments and goals must be aligned to be effective, as doing so will enable financiers to foresee and address potential conflicts among cross-cutting issues.

Aligning biodiversity and climate targets

An example of potential conflicts between cross-cutting issues are those related to biodiversity and climate strategies. Narrowly focused climate strategies may over-emphasize carbon reduction mechanisms while ignoring associated negative impacts on biodiversity. Importantly, sectors which depend on forest commodities should be carefully viewed with both a climate and biodiversity lens, given the significance of forests to conserving biodiversity and regulating the climate.

For instance, tree planting programs often overstate climate benefits while downplaying, if not ignoring, negative biodiversity impacts. This is because large scale tree planting often converts native grasslands or ecosystems for artificial tree plantations or takes place in non-forested areas and thus increases the risk of wildfire. Protecting existing forests and ecosystems has been found to be much more effective in stopping climate change and biodiversity loss than tree planting.[62]

In another example, biomass should not be seen as a climate solution as it is a source of forest degradation and is not carbon neutral. Treating biomass energy as a renewable resource is often based on the assumption that burning trees is carbon-neutral since trees can grow back and replace the ones that have been chopped down and burned. However, this assumption does not account for any fossil fuel emissions involved in the process of growing, processing, and transporting wood, let alone the climate impacts of burning biomass and the inherent delay in waiting for trees to regrow and recapture their maximum carbon storage potential. Neither does it account for the fact that logged forests are frequently replaced with monoculture tree plantations that store far less carbon.

In practice, banks and financiers should ensure that key policy or roadmap documents explicitly reference each other and outline processes with deliberate intervention points so that potential conflicts in biodiversity and climate strategies can be flagged and addressed. This requires banks and financiers to develop robust climate transition plans that align with the Paris Agreement, so that biodiversity and climate strategies and plans are actively aligned and mutually reinforcing.

Overarching considerations for aligning with the GBF and Paris Agreement

- Prioritize the end of financial services to actors whose supply chains or operations within any part of their business are profoundly linked to conversion of critical ecosystems, heavy climate impact, or violation of Indigenous Peoples' rights.
- Ensure the implementation of robust environmental and human rights due diligence that eliminates harmful financing, which impact No Go areas and exclusion areas, at minimum.[63] Policies and procedures should adhere to the UN Guiding Principles on Business and Human Rights.[64] The rights of Indigenous Peoples, women, and local communities should be respected and prioritized, while banks should also ensure that policies and procedures protect and prioritize the human rights of impacted communities. Any bank policy scope should apply to the "corporate group"[65] as defined by the Accountability Framework Initiative.
- Ensure that climate goals and strategies are complementary to and do not conflict with biodiversity targets.

On the first anniversary of the GBF in December 2023, 98 civil society organizations from around the world called on all banks to produce and publish a biodiversity plan that is aligned with the goals and targets of the GBF and the Paris Agreement by October 2024.[66]

Reinforcing the rights of Indigenous Peoples and affected communities

Although climate change and biodiversity loss share many of the same drivers, they also share solutions. Strengthening the rights of Indigenous Peoples is a concrete alternative to business as usual.

Strengthening the rights of Indigenous Peoples has been repeatedly found to be an effective means of conserving biodiversity and critical ecosystems. It is increasingly clear that **protecting the rights of Indigenous Peoples is protecting biodiversity**. Studies have shown ancestral and Indigenous Peoples' knowledge of marine shellfish gardens "can address diminishing marine resources and declining marine biodiversity while achieving local and global food security."[67] In another example, a report by Food and Agriculture Organization of the United Nations found that the lands of Indigenous Peoples "hold more carbon, their forests are denser, and the biodiversity in their forests is greater than in forests managed by others."[68]

However, according to IPBES, "lands of indigenous peoples are becoming islands of biological and cultural diversity surrounded by areas in which nature has further deteriorated" due to "in part to legal *and* illegal territory reductions."[69] **Increasing industrial and economic pressures are threatening the ability of Indigenous Peoples to secure or maintain land tenure, which in turn further erodes local biodiversity and intact ecosystems with regional and global consequences.**

As 36% of the world's remaining intact forests also overlap with Indigenous territories,[70] protecting the rights of Indigenous Peoples will have cascading effects on climate. The Intergovernmental Panel on Climate Change has further echoed the finding that Indigenous Peoples play a "key role" managing lands sustainably and reducing deforestation.[71] This finding shows that Indigenous Peoples are critical in the global fight to stop both climate change and biodiversity loss.

Banks and financiers should invest in supporting Indigenous and local communities to realize sustainable modes of development that are tailored to their local circumstances, instead of those promoted by large corporate actors or host country governments. As Indigenous Peoples are often "invisible" within the economic system, it is important that the financial sector follow the lead of Indigenous groups in understanding and supporting their vision of development.[72]

> A biodiversity plan should acknowledge the importance of Indigenous Peoples in preserving critical ecosystems with high biodiversity and climate regulatory value, as well as recognize the legitimacy of Indigenous Peoples choosing their own development paths.

If not already developed, **banks and financiers should develop policies to fulfill their responsibility to uphold Indigenous Peoples' rights that are rooted their right to self-determination, and particularly their right to FPIC—an established international human rights standard.**

Prioritizing a Just Transition

Banks should acknowledge how adopting principles for a Just Transition is critical for achieving biodiversity targets when creating a biodiversity plan. Gains in biodiversity or climate should not come at the expense of others. **According to the Just Transition Alliance, a Just Transition is one in which "a healthy economy and a clean environment can and should co-exist. The process for achieving this vision should be a fair one that should not cost workers or community residents their health, environment, jobs, or economic assets."[73]**

One key condition for ensuring a Just Transition is to pivot from an extractive economy to a regenerative economy. For financiers, this means prioritizing the ecological and social well-being of communities in support of sustainable development. It requires promoting the regeneration of resources, instead of their extraction. In addition, a truly Just Transition upholds the right to self-determination, in which communities can choose their own development paths and exercise their right to participate in decisions which impact their lives. Financiers should meaningfully engage and consult with affected communities *or step back* so that community-led development can occur from the bottom up.

Within the context of a biodiversity plan, strategies for achieving biodiversity and climate targets must account for the social impacts of affected communities so that no one is left behind in a transition to a greener, more biodiverse future. Investing in activities which contribute concretely to biodiversity conservation and Indigenous empowerment is a strategy which should be used to transition banks and financiers toward stopping biodiversity loss and restoring it in a just, equitable manner. These should allow the most affected communities the most say. This means that banks and financiers must shift their business model from a passive approach of receiving proposals from clients, and instead to an active approach where banks and financiers seek out proposals for investments from communities themselves.

Indigenous Peoples in the Amazon have long protested increasing oil expansion due to its serious, and sometimes irrevocable, negative environmental, social, cultural, and climate impacts.

CASE STUDIES:

The Lamu Coal Plant and the East African Crude Oil Pipeline

The following case studies point to the need for banks and financiers to take biodiversity impacts more seriously, and the potential fallout from downplaying or ignoring these risks.

In 2015, Industrial and Commercial Bank of China (ICBC) found itself at the center of an international controversy regarding its financing of the 1050 MW Lamu coal plant in Kenya.[74] Proposed as Kenya's first coal plant, the project would be located near Lamu Old Town, a World Heritage site known as the cradle of Swahili civilization. If built, the coal plant would have degraded the integrity of the World Heritage site due to water and air pollution, as well as caused negative impacts to the local marine and coral ecosystems[75].

Due to the negative impacts, local communities opposed development of the coal plant, and filed lawsuits against the Kenyan government for failing to comply with host country law in ensuring a credible, participative environmental impact assessment for the project.[76] In 2018, the issue of potential pollution impacts on Lamu Old Town was even raised by the World Heritage Committee, which called on the Kenyan government to provide additional studies on the coal plant's pollution impacts.[77]

Despite sending several letters of concern to ICBC, Save Lamu, a local community organization, did not receive a response. **Given the opposition of local communities and Save Lamu, as well as the controversy surrounding the potential degradation of a World Heritage site, ICBC withdrew from the coal project in 2020.[78]** The withdrawal came after years of delays and attempts to mitigate project risks. Given the inherent negative impacts of coal, it became clear that no mitigation strategies could adequately address the project's high environmental, biodiversity, social, and climate risks.

In another example, **the East African Crude Oil Pipeline (EACOP) exemplifies the danger of failing to consider the short- and long-term biodiversity impacts of banks' financing.** Developed by French oil company Total and China National Offshore Oil Corporation (CNOOC), the 1,445-kilometer pipeline is proposed to transport 216,000 barrels of oil a day from the oil fields of western Uganda to the Tanzanian coast.[79]

To date, the USD $3 billion project has yet to reach financial close, though Standard Bank and the Industrial and Commercial Bank of China (ICBC) have signed on as financial advisors.[80] Due to concerns that China ExIm and the China Export & Credit Insurance Corporation (Sinosure) will support the project, local and international groups have called on the financiers to reject the project in light of the myriad of environmental, social, biodiversity, and climate impacts.[81] Already, oil extraction is destroying Uganda's Murchison Falls National Park, and the proposed pipeline route would cross or impact 2,000 square kilometers of protected wildlife habitats, including national parks, game reserves, biodiversity areas, Ecologically or Biologically Significant Marine Areas (EBSAs), Marine Protected Areas (MPAs), mangrove forests, and coral reefs.[82]

Instead of bringing development, the project is impoverishing impacted communities due to conflicts related to loss of livelihoods, resettlement, and compensation. Human rights organizations have documented increased militarization and abuse of local communities with increasing concern that the project is triggering a broader crackdown against environmental defenders.[83] When burned, the oil carried through the pipeline will add an estimated 34 million tons of carbon to the atmosphere each year – equivalent to the annual emissions of Denmark.[84]

Banks which may be associated with EACOP have already been the subject of intense scrutiny, with calls for financiers to publicly distance themselves from the project. To date, 27 financiers have pledged to not finance the pipeline.[85]

In both these examples, banks and financiers faced local and international controversy for supporting projects with negative biodiversity, environmental, social, and climate impacts. They illustrate the importance of avoiding financing certain high-risk sectors, such as fossil fuels; **they also reflect the fundamental inability to fully mitigate climate and biodiversity risks in light of the global climate and biodiversity crisis.**

In the Lamu coal plant case, the failure of the bank to adequately assess risk at the outset led to years

of delay and reputational damage despite clear red flags, such as the project site's proximity to a World Heritage site, negative impacts on biodiverse coastal ecosystems, lack of compliance with host country law, and opposition from local communities.

In the case of EACOP, it reflects the dangers of ignoring public calls for banks to withdraw from harmful projects, as reputational risks are increasingly concentrated on the remaining financiers. It also demonstrates the reputational risks of providing finance to clients involved in controversial, high-risk projects, as many financiers were compelled to explain their financial relationships with project developers, Total and CNOOC. If financiers choose to support EACOP despite the project's red flags, banks would be exposed to high operational, reputational, and legal risks.[86] As a USD $3 billion project, banks and financiers which make the mistake of failing to adequately assess, if not ignoring, these project risks may face financial losses caused by delays, protests, and lawsuits.[87] While some financiers may have a high risk tolerance, both the Lamu and EACOP cases illustrate that some risks simply cannot be mitigated and should be avoided altogether.

Murchison Falls National Park is one of Uganda's most popular tourist destinations. However, oil extraction for the East African Crude Oil Pipeline is damaging the park, which is known for its elephants, crocodiles, hippos, giraffes, and many other iconic species.

Conclusion

Banks and financiers face increasing risks from biodiversity and ecosystem impacts that clients' direct activities and value chains may entail. They can avoid and mitigate these risks by redirecting financing away from activities that harm biodiversity and the environment, and instead toward those that restore and reverse biodiversity loss. Banks and financiers must develop and implement immediate strategies to find new pathways and business models that prioritize stopping and reversing biodiversity loss, per the GBF by 2030. As an initial step, banks and financiers must develop an effective, robust biodiversity plan. By doing so, financial institutions will be better equipped to measure, manage, and operationalize biodiversity goals and strategies to meaningfully address their role in driving the various social and environmental crises threatening people and the planet.

APPENDIX 1:

Additional Context on Bank Scoring for No Go areas

FINANCIAL INSTITUTION	SCORING NARRATIVE
Asian Development Bank (ADB)	The ADB received partial scores for No Go areas 1, 2, and 3. It received no scores in No Go areas 4, 5, 6, 7, or 8.[88] For No Go area 1, ADB protects Ramsar Convention, the World Heritage Convention and the IUCN Designated Areas, but not internationally recognized areas writ large. The bank allows harmful activities to proceed in these areas with the use of biodiversity offsets. This resulted in a partial score. For No Go area 2, ADB recognizes legally protected areas and requires a borrower client to: a) act in a manner consistent with defined protected area management plans; b) consult protected area sponsors and managers, local communities, and other key stakeholders on the proposed project; and c) implement additional programs, as appropriate, to promote and enhance the conservation aims of the protected area. ADB allows for biodiversity offsets, resulting in a partial score. For No Go area 3, ADB explicitly prohibits financing related to unsustainable activities in habitats with endemic, endangered or critically endangered species, but not near-threatened, vulnerable species, and KBAs. A project may not be implemented in areas of critical habitat. However, these protections are undermined by the allowance for biodiversity offsets. For No Go areas 4, 5, 6, 7, and 8, ADB does not protect primary forests or vulnerable, secondary forest ecosystems and does not safeguard forests beyond logging-related activities in primary tropical forests or old-growth forests. It does not protect free-flowing rivers or protected at-risk marine or coastland ecosystems. Its current policy is limited to fishing practices. ADB does not require FPIC for Indigenous Peoples and local communities. ADB also does not protect iconic transboundary ecosystems. The ADB's demonstrates a strong commitment to applying its policy to direct and indirect financing. For direct financing, policies apply to investment projects funded by loans, grants, and other means such as equity and guarantees. For indirect financing, the policy applies to subprojects receiving its funding through credit lines, loans, equity, guarantees, or other financing instruments. This led to full points for policy applicability to direct and indirect financing.

African Development Bank (AfDB)	The AfDB scored no points for No Go area 1, 2, 4, 6 and 8. The AfDB scored partial points for No Go areas 3, 5, and 7. [89] For No Go area 1, the bank received no points as it does not offer any protections for internationally recognized areas. For No Go area 2, the AfDB does not offer protections for nationally protected areas, resulting in no points. For No Go area 3, AfDB protects habitats with endemic, critically endangered, or endangered species, as they are categorized as critical habitat. These protections are undermined by the potential use of biodiversity offsets and policy exceptions. The bank does not protect near threatened and vulnerable species, or KBAs. This resulted in a partial score. For No Go area 4, AfDB has no policy on activities that may take place in primary forests and vulnerable, secondary forest ecosystems areas. It does not offer protections for primary and vulnerable secondary forests beyond logging, resulting in zero points. For No Go area 5, AfDB prohibits financing related to unsustainable activities located in free-flowing rivers but allows harmful activities to proceed through the use of biodiversity offsets, resulting in a partial score. For No Go area 7, AfDB requires FPIC of "highly vulnerable rural minorities" (HVRM)—those "of whom are referred to as 'indigenous peoples' by their national legislation" in certain circumstances but does not extend FPIC to local communities, resulting in a partial score. For No Go area 6 and 8, AfDB does not safeguard protected or at-risk marine or coastland ecosystems or iconic ecosystems. AfDB applies its policy to direct financing, except in short-term emergency relief operations. AfDB does not apply its policy to all indirect financing services as this depends upon how the bank's financing is used by the financial intermediary. This resulted in a partial and zero points, respectively, for the bank in applying safeguards to direct and indirect financing.

Asian Infrastructure Investment Bank (AIIB)	The AIIB scored partial points for No Go areas 1, 2, and 3. It did not score points for No Go areas 4, 5, 6, 7, and 8.[90] For No Go area 1, although the AIIB's Environmental and Social Exclusion List (ESEL) prohibits knowingly financing activities which contravene the World Heritage Convention, Ramsar Convention, Bonn Convention, and the Convention on Biological Diversity, its policy allows for potential exceptions. For instance, the AIIB allows for the standards of co-financiers to be applied, which may lead to a dilution of protections. Furthermore, there is potential abuse of discretion in assessing risk in project risk categorizations. This is problematic as only Category A, and not Category B or C projects, are fully assessed on their environmental and social impacts. For Category B projects, the AIIB allows for "other similar Bank-approved documentation" to substitute for an environmental and social impact assessment, management plan, or management planning framework. This enables potentially inadequate, arbitrary assessments to be considered as valid. Biodiversity offsets are also allowed, which enable harmful activities to proceed in critical ecosystems. For No Go area 2, AIIB policy includes a commitment to prohibit financing related to unsustainable activities located in any nationally recognized areas – defined as legally protected or designated for protection. However, the commitment is undermined by the use of net loss approaches and biodiversity offsets. For No Go area 3, AIIB policy offers protections for endemic, endangered, and critically endangered species. Unfortunately, the policy does not protect near-threatened and vulnerable species, or KBAs. Furthermore, the bank's allowance for biodiversity offsets undermines these protections. For No Go areas 4, 5, 6, 7, and 8, the bank scored no points. The bank only prohibits logging in primary tropical moist forests and old growth forests. It does not protect all primary or vulnerable secondary forests. Regarding free-flowing rivers, bank policy primarily focuses on dam construction, instead of protecting flow and connectivity of rivers. There was no language regarding No Go areas 6 and 8, regarding protected and at-risk marine and coastland ecosystems and iconic, transboundary ecosystems. For No Go area 7, the AIIB only requires free, prior, informed *consultation*, not consent. Free, prior, informed consultation is significantly weaker than free, prior, informed consent. AIIB partially applies its policy to all direct financing services. In co-financing projects, the AIIB will apply the co-financier's standards when the AIIB is not the "lead financier," which may entail less stringent requirements. The AIIB partially applies its policy to indirect financing services and requires the exclusion of activities listed in its Environmental and Social Exclusion List (ESEL). It also applies its Environmental and Social Standards (ESSs) to Higher Risk Activities, though this requirement may be waived if it finds that the financial intermediary is effectively assessing and managing risks to a "satisfactory level." This led to a partial score for direct and indirect financing, respectively.
China Development Bank	China Development Bank (CDB) received no scores across the board. Regrettably, no publicly available information is available on the bank's specific policies for biodiverse areas, or exclusions areas. As there are no publicly available information on CDB's environmental and social policies, there is also no information on the applicability of its policies to direct or indirect financing.

China Export-Import Bank (China Ex-Im)	China Ex-Im received no scores across the board. While the bank has published general environmental policies, unfortunately there is no publicly available information regarding the bank's specific policies for biodiverse areas, or exclusion areas. As there are no publicly available information on China Ex-Im environmental and social policies, there is also no information on the applicability of its policies to direct or indirect financing.
The European Bank on Reconstruction and Development (EBRD)	The EBRD received partial scores for No Go area 1, 2, 3, and 7. It received no points for No Go areas 4, 5, 6, and 8.[91] For No Go area 1, the EBRD protects Ramsar sites, World Heritage sites, and UNESCO Biosphere Reserves, and IUCN Designated Areas – Categories IA-VI. However, the bank does not protect internationally recognized sites writ large. These protections are also weakened due to potential abuse of discretion in categorizing the risk profile of projects, leading to exemptions and incomplete environmental and social assessments for activities deemed lower than Category A, and impacting internationally recognized areas. For No Go area 2, EBRD received a partial score as activities impacting nationally protected areas may still proceed using biodiversity offsets. For No Go area 3, EBRD protects endemic, endangered, and critically endangered species. However, it does not protect near threatened or vulnerable species, or KBAs. However, these protections are ultimately undermined by the allowance for biodiversity offsets, leading to a partial score. For No Go areas 4, 5, 6, and 8, the bank scored no points as there were no references for protecting primary and vulnerable secondary forests, free flowing rivers, marine and at-risk coastland ecosystems, and iconic, transboundary ecosystems. For No Go area 7, the EBRD requires FPIC in certain conditions, including cases where activities impact customary lands and resources, cause relocation, or affects Indigenous Peoples' use of customary resources. However, FPIC is not required as a best practice for engaging with local communities, leading to a partial score. When co-financing projects with direct financing with other financial institutions and bilateral development institutions, the EBRD relies on the application of the co-financier's standards, which may lead to less stringent requirements. For indirect financing, the EBRD's policy applies to projects with "particularly high environmental and social risks", as detailed in an appendix. This resulted in a partial score for its applicability of standards to direct and indirect financing.

European Investment Bank (EIB)	The EIB received partial scores for No Go areas 1, 2, 3, 4, 6, and 7. It received no scores for No Go areas 5 and 8.[92] For No Go area 1, EIB protects Ramsar sites, UNESCO Natural World Heritage sites, UNESCO Man-and-Biosphere Reserves and IUCN Red List of Threatened Species. However, it does not protect internationally recognized areas writ large, resulting in a partial score. For No Go area 2, the EIB differentiates requirements for projects located in EU, EFTA, Candidate and potential Candidate countries, and all other countries. For EU, EFTA, Candidate and potential Candidate countries, the bank requires borrowers to conduct an Appropriate Assessment and demonstrate that the project will not “significantly affect the achievement or maintenance of good ecological and chemical status” of the area. However, the requirements are lower for projects outside the EU, EFTA, Candidate, and potential Candidate countries. This resulted in a partial score. For No Go areas 3 and 6, EIB received partial scores. The bank offers protections for habitats with endemic, critically endangered and endangered species; however, it does not include near-threatened and vulnerable species. Protections for KBAs and protected or at-risk marine or coastland ecosystems are limited to projects in the EU, European Free Trade Association countries (Iceland, Liechtenstein, Norway, and Switzerland), and Candidate and potential Candidate countries. This resulted in a partial score. For No Go area 4, EIB protects primary forests. However, it does not protect vulnerable or secondary forest ecosystems, or tropical forests, leading to a partial score. For No Go area 7, the EIB requires FPIC from Indigenous communities, but not from local communities, earning it a partial score. For No Go areas 5 and 8, EIB received no scores given that it does not have policies covering free-flowing rivers nor iconic, transboundary ecosystems. EIB appears to apply its policy to its direct financing services; however, it is unclear whether the Environmental and Social Safeguard Framework (ESSF) applies when EIB engages in co-financing with other international financial institutions. While EIB applies its policies to a range of indirect financing services, there is no established mechanism to adequately assess the environmental and social risks associated with other financiers. Only sub-projects with high ES risks are referred to the EIB for review and approval. This led to partial scores for policy applicability to direct and indirect financing.

Equator Principles (EP)	EP received partial scores for No Go areas 1, 2, and 7. It received no scores for No Go area 4, 5, 6, and 8. The EP references the IFC FC Performance Standards.[93] For No Go area 1, EP protects Ramsar Convention, the World Heritage Convention, and the UNESCO Biosphere Reserves, but does not protect internationally recognized areas. It also allows for harmful activities to proceed through the use of biodiversity offsets, resulting in a partial score. For No Go area 2, EP protect some nationally recognized areas and there are protections where projects may significantly impact critical cultural heritage; however, these protections are undermined by allowing the use of biodiversity offsets, resulting in a partial score. For No Go area 3, EP protects habitats with Endemic, Critically Endangered and Endangered species as well as KBAs; they do not protect Near Threatened and Vulnerable species. These protections are undermined by an allowance on biodiversity offsets, resulting in a partial score. For No Go areas 4, 5, 6, and 8, EP does not have a policy to protect primary forests and vulnerable, secondary forest ecosystems, free-flowing rivers, protected or at-risk marine or coastland ecosystems, or iconic, transboundary ecosystems. Thus no points were awarded. For No Go area 7, while the EP requires FPIC of Indigenous Peoples, it does not require FPIC for local communities as a best practice for engaging with communities. This led to a partial score. The EPs apply to specific financial products when supporting new projects under certain circumstances such as the total project capital costs, specific criteria regarding project-related corporate loans, bridge loans, and specific criterial for project-related refinance and project-related acquisition finance. The EPs do not apply to indirect financing. However, the lack of applicability to financing beyond project support is a longstanding critique of the Equator Principles.

Inter-American Development Bank (IDB)	The IDB received partial scores for No Go areas 1, 2, 3, and 7. It received no scores for No Go areas 4, 5, 6, and 8.[94] For No Go area 1, IDB received a partial score as they offer some protections for Ramsar sites, World Heritage sites, UNESCO Man Biosphere Reserves, UNESCO Global Geoparks, and IUCN designated areas – categories IA-VI. They did not receive a full score as it does not protect internationally recognized areas writ large, and allows for exceptions for activities to continue in these areas. For No Go area 2 and 3, IDB protects nationally recognized areas as critical habitat. Although it possesses the highest level of protections for threatened and endemic species, it received partial score in these areas as it allows for a net loss approach of "no net reduction" of critically endangered and endangered species. Also, a timeframe for borrowers to establish no net loss is determined based on a case-by-case basis, instead of ensuring no loss in perpetuity. However, it should be noted that the IDB is still a leader in prohibiting biodiversity offsets in critical habitat. For No Go area 4, 5, 6, and 8 no scores were awarded. IDB policies do not reference protections for primary and vulnerable secondary forests, free flowing rivers, or at-risk marine and coastland ecosystems. The IDB does not offer protections for iconic, transboundary ecosystems, such as the Amazon. For No Go area 7, IDB received a partial score. IDB allows for FPIC for Indigenous communities but does not require FPIC as a best practice for engaging with local communities. IDB applies its policy to direct financing services, except for operations under the Contingent Credit Facility for Natural Disaster and Public Health Emergencies (CCF) and the Immediate Response Facility for Emergencies Caused by Natural and Unexpected Disasters. In cases of indirect financing, IDB applies its policy to Technical Assistance Projects. For projects involving financial intermediaries, the IDB applies its full exclusion list but does not strictly apply its policy. This resulted in a partial score for policy applicability to direct and indirect financing.
International Finance Corporation	IFC received partial scores for No Go areas 1, 2, 3, and 7. IFC received no scores on No Go areas 4, 5, 6, and 8.[95] For No Go area 1, IFC only offers protections for Ramsar sites, World Heritage sites, and UNESCO Biosphere Reserves. It does not protect internationally recognized areas writ large. For No Go areas 2 and 3, IFC Performance Standards prohibit financing which harm legally protected areas, as well as habitats with endemic, critically endangered, and endangered species, as well as KBAs. However, the prohibition is weakened by the use of biodiversity offsets and net loss approaches. There are no protections for near-threatened or vulnerable species. These led to a partial score for these areas. For No Go area 4, 5, 6, and 8, there is no language in the IFC Performance Standards regarding these ecosystems. This led to no points awarded for these areas. For No Go area 7, IFC does require FPIC for Indigenous Peoples. However, FPIC is not required for affected communities, resulting in a partial score. IFC's policy applies to the entire scope of its direct financing services. For the policy's application in indirect financing, there are some exceptions for financial intermediaries. The requirements and scope of the policy application depends upon the type of investment, use of proceeds, and risk level associated with the financial intermediary's portfolio. This led to full points for policy applicability for direct financing, but a partial score for indirect financing.

Multilateral Investment Guarantee Agency (MIGA)	MIGA received partial scores for No Go areas 1, 2, 3, and 7. It received no scores for No Go areas 4, 5, 6, and 8.[96] For No Go area 1, MIGA protects Ramsar Convention, the World Heritage Convention and the UNESCO Biosphere Reserves; however, it does not offer protections for internationally recognized areas writ large. It also allows for harmful activities to proceed through the use of biodiversity offsets. For No Go areas 2, MIGA prohibits financing related to unsustainable activities in some of the nationally recognized areas. However, these protections are undermined by the allowance for biodiversity offsets, leading to a partial score. For No Go area 3, MIGA prohibits financing in habitats with Endemic, Critically Endangered and Endangered species as well as KBAs. However, there is no protection for Near-Threatened and Vulnerable species, leading to a partial score. For No Go areas 4, 5, 6, and 8, MIGA received no scores. It does not have a policy to protect primary forests and vulnerable, secondary forest ecosystems, free-flowing rivers, protected or at-risk marine or coastland ecosystems, or iconic, transboundary ecosystems. For No Go area 7, MIGA prohibits financing unsustainable activities in territories conserved by Indigenous Peoples without obtaining their FPIC in the following circumstances: (1) Impacts on Lands and Natural Resources Subject to Traditional Ownership or Under Customary Use; (2) Relocation of Indigenous Peoples from Lands and Natural Resources Subject to Traditional Ownership or Under Customary Use and (3) Impacts on Critical Cultural Heritage. However, the same level of protection is not extended to affected local communities, which are only subject to informed consultation and participation. As a result, they received a partial score. MIGA does not provide direct financing. MIGA applies a significant part of its policy to all indirect financing; however, it does not apply the policy to advisory or technical assistance, resulting in a partial score.

United States International Development Finance Corporation (US DFC)	DFC received partial scores for No Go areas 1, 2, 3, 4, 5, and 6. It received no scores for No Go areas 7 and 8.[97] For No Go area 1, DFC protects Ramsar Convention, the World Heritage Convention, Convention on Biological Diversity, UNESCO Man-and-Biosphere Reserves, UNESCO Global Geoparks, and IUCN Designated Areas. The policy accounts for direct and indirect project impacts per its definition of areas of influence, which includes impacts associated with a project. However, it does not protect internationally recognized areas writ large, such as UNESCO Biosphere Reserves or Geoparks. This resulted in a partial score. For No Go area 2, DFC prohibits financing to areas listed on the United Nations List of National Parks and Protected Areas "unless it can be demonstrated through an environmental and social assessment that the Project (i) will not result in the degradation of the protected area; and (ii) will produce positive environmental and social benefits". Nationally protected areas are identified based on IUCN categories of Strict Nature Reserve/Wilderness Areas, National Parks, Natural Monuments, and Habitat/Species Management Areas. The protections also extend to areas of cultural significance. The protections are based on the bank's categorical exclusion list. As such, it received full points. For No Go area 3, DFC protects critical habitats with endemic, or endangered species. The DFC's policy prohibits the conversion "degradation of Critical Habitat unless it can be demonstrated though a Biodiversity Action Plan (as defined by IFC Performance Standard 6) that efforts to avoid, minimize, rehabilitate, or restore the habitat will ensure no net loss of threatened or endangered species." However, the policy does not include near threatened or vulnerable species and KBAs; it also encourages a net loss, instead of a no loss approach. As a result, it received a partial score. For No Go area 4, DFC provides protection to primary temperate/boreal forests but does not protect tropical primary forests or vulnerable or secondary forest ecosystems. As such, it received a partial score. For No Go area 5, DFC provides protection in the construction of dams, but does not offer protections to activities which may impact free-flowing rivers, resulting in a partial score. For No Go area 6, DFC does not protect at-risk marine or coastal ecosystems, resulting in no points awarded. DFC received no scores for No Go areas 7 and 8 as it does not require FPIC for Indigenous Peoples and local communities, nor does it protect iconic transboundary ecosystems. DFC has a strong commitment to applying its policy without exceptions to direct and indirect financing. DFC applies its policy to the entire scope of direct and indirect financing services. DFC policy specifies that the environmental and social requirements apply to all projects supported through insurance, reinsurance, direct loans, or investment guarantees. This led to full points for policy applicability to direct and indirect financing.

World Bank	The World Bank received partial scores for No Go areas 1, 2, 3, and 7. It received no scores for No Go areas 4, 5, 6, and 8.[98] For No Go area 1, the World Bank only offers some protections of Ramsar sites, World Heritage sites, and UNESCO Man Biosphere Reserves, and does not cover internationally recognized sites writ large. These protections are undermined by the potential abuse of discretion when classifying projects and their risk level, as protections are afforded based on project risk classification. For No Go area 2, the World Bank does offer protections to nationally recognized areas. However, these protections are diluted by the allowance for biodiversity offsets and net loss approaches. For No Go area 3, the World Bank protects critically endangered species, endangered species, endemic species, and KBAs. However, it does not offer protections for near-threatened and vulnerable species. Also, the World Bank allows for the use of biodiversity offsets, which lowered its score. For No Go area 4, 5, and 6, no points were awarded, as there were no specific protections for primary and vulnerable secondary forests, free-flowing rivers, or protected or at-risk marine or coastland ecosystems. For No Go area 7, the bank received a partial score as it requires borrowers to obtain FPIC from Indigenous communities. However, the requirement for FPIC is undermined as it only applies in certain circumstances. For instance, FPIC is required only in cases where adverse impacts may occur. Instead, FPIC should always be required for cases where any impacts may occur to Indigenous communities, whether positive or negative. Furthermore, FPIC does not apply to affected communities. For No Go area 8, there is no reference in WB policies related to the protection of iconic, transboundary ecosystems such as the Arctic or Amazon. The World Bank applies its policy to a significant part of its direct, investment project financing. It does not apply to development policy lending or Program-for-Results Financing, project that may include technical assistance and abide by different environmental and social requirements. World Bank policy is applied to projects involving a financial intermediary if the World Bank is the only institution providing finance. Where there are other institutions involved, the World Bank may apply the requirements of another institution. This may result in the application of lower policy standards. This resulted in a partial score for policy applicability to direct and indirect financing.

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Friends of the Earth US
Washington DC
1100 15th St NW, 11th floor,
Washington, D.C., 20005
Phone: 202-783-7400
Fax: 202-783-0444

Contact: redward@foe.org
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