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U.N. Biodiversity Conference Signals Growing Emphasis on Private Sector Action on Nature Conservation and Restoration in 2023

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On December 19, 2022, the United Nations Biodiversity Conference (COP15) [concluded](#) with the Global Biodiversity Framework (GBF), an ambitious agreement intended to guide global action on biodiversity and nature through 2030. Negotiated by 188 participating governments, which did not include the U.S., it outlines four broad goals and 23 targets for halting and reversing nature loss by the end of the decade. Below, we explore the ambitions of the GBF and other recent developments – including stakeholder pressures, disclosure tools and investment opportunities – that appear poised to influence private sector actions on emerging nature-related issues heading into 2023.

The International Community Is Increasing Its Focus on Nature

The GBF has been [compared](#) to the Paris Climate Agreement for its scope and international significance, and it signals a growing consensus around the [threat](#) of biodiversity and nature loss – as distinct from climate change more broadly – to the world economy. Although the goals of the GBF, like those of the Paris Agreement, are non-binding, they could herald major changes to future investment priorities and policymaking.

COP15 [featured](#) the U.N. Convention on Biological Diversity (CBD)'s first-ever Finance and Biodiversity Day, underscoring a growing focus on the private sector's role in

combatting nature loss. Following high-profile announcements of international support for increased nature-related financing and transparency at the [G20 Summit](#) and [COP27](#), COP15 is widely seen to represent a new chapter in global cooperation on nature-related issues.¹

The Global Biodiversity Framework

The GBF contains four overarching goals:

- **Goal A:** to conserve and restore natural ecosystems, slow extinction and preserve genetic diversity by 2050;
- **Goal B:** to sustainably use, manage and value nature's contributions to people;
- **Goal C:** to ensure fair and equitable benefit-sharing from the use of natural capital; and
- **Goal D:** to equitably distribute the resources required to implement the GBF.

Among the GBF's 23 targets are aspirations to (i) restore 30% of critical biodiversity areas by 2030, (ii) require private entities to disclose biodiversity risks and dependencies in their investments, operations and supply chains, (iii) reduce pollution from pesticides and plastic, (iv) phase out public incentives that harm biodiversity, (v) meet human needs through the sustainable and equitable use of natural capital and (vi) mobilize at least \$200 billion per year to implement biodiversity action strategies – including \$20 billion to developing countries by 2025 and \$30 billion by 2030.

Investors and Regulators Are Pushing for Nature-Related Assessments and Disclosures

The GBF comes amid growing stakeholder pressure for private entities to increase their understanding and transparency on nature-related financial risks to operations and investments.

Investor Action

Biodiversity is one of the fastest-growing ESG themes in global capital markets.² As investors accelerate efforts to understand and mitigate risk tied to biodiversity impacts and dependencies, corporate engagement initiatives targeting biodiversity-related issues have gained prominence. For example:

- The Nature Action 100 engagement initiative, modeled as a nature-focused equivalent to the influential [Climate Action 100+](#), “soft-launched” during COP15 with 11 initial supporters and more than 120 other investors considering participating. The Finance for Biodiversity Pledge (F4B), comprising 111 investors representing more than \$16 trillion, has similarly [prioritized](#) engagement with companies on nature issues.³
- The International Corporate Governance Network has [called](#) on its members to publicly commit to science-based, nature-related targets and to combat biodiversity loss through investment stewardship.
- Certain asset managers such as BlackRock are increasingly [reflecting](#) the heightened focus on biodiversity in their active ownership and voting policies.⁴
- Multiple nature-focused shareholder proposals have been filed for 2023, including [seeking](#) reports on achieving deforestation-free commodity supply chains and [calling](#) to vote against board members due to similar supply chain concerns.

Regulatory Developments: Europe

Pursuant to the European Green Deal and its 2030 Biodiversity Strategy, the European Union is implementing a number of policies aimed at preserving and restoring biodiversity and other forms of natural capital, including:

- February 2022’s [proposal](#) for the Corporate Sustainability Due Diligence Directive, which would cover large EU and non-EU companies in the bloc and, among other priorities, establish a due diligence duty for companies to account for negative biodiversity impacts in their operations and supply chains;⁵
- June 2022’s [proposal](#) for a Nature Restoration Law, which aims to enable the recovery of biodiversity resources by requiring EU member states to submit long-term, whole-economy nature restoration plans to the European Commission;
- December 2022’s [EU Regulation](#) on deforestation-free supply chains, which will require that companies placing certain agricultural products in the EU market conduct strict due diligence to ensure their supply chains are deforestation-free and products are produced legally;
- The EU Taxonomy Regulation – an EU-wide classification system enacted to steer green investments towards activities essential to achieving the goals of the European Green Deal – which includes the protection and restoration of biodiversity and ecosystems as one of its six objectives;
- The EU Sustainable Finance Disclosure Regulation, which requires entities with “dark green” sustainable investment objectives within their remits to report on activities negatively affecting biodiversity-sensitive areas; and

- The EU Corporate Sustainability Reporting Directive (CSRD), which will require additional nature-related risk and impact disclosures for corporates.⁶

Regulatory Developments: United States

Unlike the EU, the U.S. is not currently developing major new federal laws or regulations concerning the assessment and/or mitigation of biodiversity-related impacts, dependencies and risks.⁷ Nevertheless, in 2022, the Biden administration [released](#) a commitment to develop natural capital accounting procedures for federal decision-making and a \$25 billion roadmap for [funding](#) nature-based solutions.⁸ The Department of the Interior is also [working](#) to advance President Biden’s vision to [protect](#) 30% of American lands and waters by 2030, and states such as California, New York, Utah, Vermont and Washington also took steps in 2022 to [support](#) this “30x30” goal.

Solutions Are Emerging for Nature-Related Assessments and Disclosures

Target 15 of the GBF [encourages](#) governments to institute nature-related reporting requirements for large, transnational companies and financial institutions by 2030, an ambition [supported](#) by a group of more than 330 businesses with combined revenues of over \$1.5 trillion.

Though nature-related disclosure regulation remains relatively limited outside the EU, several voluntary tools and frameworks were launched in 2022 for private entities to assess and report nature-related risks, impacts and opportunities,⁹ including the Taskforce on Nature-related Financial Disclosures (TNFD), [modeled](#) on the Task Force on Climate-related Financial Disclosures (TCFD). The TNFD’s draft Framework for Nature-related Risk Management and Disclosures – similar to that of the TCFD – [sets out](#) four core categories of recommended disclosures: (1) Governance, (2) Strategy, (3) Risk & Impact Management and (4) Metrics & Targets.¹⁰

To complement the work of the TNFD,¹¹ several organizations have released guidance on specific disclosure categories within the TNFD Framework, including:

- ***Integrating nature into business strategy***: In December 2022, the World Business Counsel for Sustainable Development [published](#) a roadmap of goals and objectives for nature-positive corporate strategy, and the Finance for Biodiversity Foundation

(FBF) [released](#) a guide for integrating nature into financial institutions' investment strategies.

- **Identifying nature-related risks and dependencies:** In January 2023, S&P and the U.N. Environment Programme [released](#) an investor-focused methodology for analyzing companies' impacts and dependencies on nature. Additionally, the Science Based Targets Network (SBTN) has [issued](#) draft guidance on assessing companies' financially material nature-related issues and supply chain footprints, and the Partnership for Biodiversity Accounting Financials (PBAF) has [released](#) a draft standard for financial institutions to assess the risks posed to their portfolios by nature loss.
- **Collecting asset-specific biodiversity data:** In March 2022, the European Commission [published](#) a guide on biodiversity data sources for private entities, and in October 2022 the FBF [released](#) a similar guide specifically for financial institutions. Additionally, [MSCI](#), [ISS](#) and the [World Wildlife Fund](#) have recently launched tools to help investors identify biodiversity and/or deforestation risks in their portfolios.
- **Setting nature-related targets:** Following its initial guidance on [setting](#) science-based targets for nature, the SBTN [plans](#) to release further technical guidance for nature-related target-setting in early 2023.

There are reputational and legal risks to making nature-based disclosures; the lack of consensus in nature-related reporting has led to accusations of vagueness and "greenwashing," and a coalition of 220 NGOs [issued](#) an open letter in October 2022 expressing concerns that the TNFD's work could lead companies to overemphasize their green credentials. The TNFD [plans](#) to add greater specificity on nature-related metrics, supply chain assessments and sector-specific disclosures before its Framework is finalized in September 2023.

Investors Are Seeking Opportunities in Natural Capital

In order to meet the high-level goals of the GBF, the U.N. [estimates](#) that annual global investment in nature must at least double to \$384 billion by 2025. Although private capital [represents](#) only 17% of current nature-focused investment, corporates and financial institutions are increasingly seeing opportunities in the space to pursue both market returns and nature-related organizational goals.¹² The U.N. has [encouraged](#) private actors to seek "nature positive" investments, and the GBF's Target 19 specifically [outlines](#) several strategies that have seen greater private sector adoption and financial flows in recent years.

Fixed-income instruments

Despite a decline in 2022 consistent with broader trends, the global market for sustainability-focused debt has [grown](#) significantly in the past decade, with issuances centering primarily on energy-related projects and goals. However, products focused specifically on biodiversity and natural capital have seen mounting attention from investors in tandem with a heightened emphasis on nature-related risks and opportunities.

Many significant nature-focused issuances in recent years had at least one public-sector participant, such as Belize's \$364 million [debt-for-nature blue bond](#) or the World Bank's \$150 million [wildlife conservation bond](#). However, some companies such as [Klabin](#), [Anglo American](#) and [Pernod Ricard](#) have recently issued sustainability-linked bonds with proceeds tied to activities to conserve biodiversity and other forms of natural capital.

Following on its earlier Green Bond and Green Loan Principles, in November 2022 the IFC [published](#) guidance for issuing biodiversity-focused debt instruments. Currently, about 10% of the nearly \$3 trillion market for sustainable bonds [features](#) biodiversity among the uses of proceeds.

Biodiversity crediting mechanisms

Another financial concept seeing growing investor attention is voluntary biodiversity credits and offsets.¹³ They currently lack the market size, maturity or standardization¹⁴ of carbon credits, their climate-focused counterpart.¹⁵ However, large voluntary carbon market standard-setters such as [Verra](#) and [Plan Vivo](#) are developing standards for voluntary biodiversity credits, and COP15 saw the [launch](#) of the U.N.-supported Biodiversity Credit Alliance – which intends to establish Global Biodiversity Credit Principles – and the [release](#) of a consultation from the World Economic Forum (WEF) on fundamental considerations for the emerging biodiversity credit markets.¹⁶ In December 2022, the [U.N. Development Programme](#) and the [WEF](#) endorsed biodiversity credits as a critical tool for driving investment in nature, and the market may see rising interest from companies and financial institutions seeking to pursue nature-related goals and strategies.

Blended finance

COP15 featured specific public funding pledges from governments such as the EU, U.S., UK, Australia, Canada and Germany, as well as the [creation](#) of a U.N.-administered

Global Biodiversity Framework Fund to provide concessional capital for blended finance opportunities. Although only a small proportion of global blended finance is currently [allocated](#) toward nature-focused transactions, investors such as [HSBC](#) and [Mirova](#) have recently launched blended finance vehicles focused on nature conservation and restoration.

Impact fund strategies

The impact investing market has [grown](#) to represent more than \$1.1 trillion in assets under management in 2022, and Target 19 of the GBF specifically highlights impact funds as useful vehicles for advancing global conservation goals. 2022 saw the launch of several nature-focused impact funds and strategies, including from [Stafford Capital Partners](#), [Manulife](#), Schrodgers' [Akaria Natural Capital](#), and HSBC and Pollination's [Climate Asset Management](#).¹⁷ Investment strategies and impact priorities include the creation or acquisition of biodiverse forest lands, commercial crop pollination, carbon credit generation with biodiversity co-benefits, coral reef preservation and restoration, and nature-based climate adaptation solutions. Nature-focused strategies have also seen recent support from some of the world's largest asset owners – including [CPP](#) and [Temasek](#) – with StepStone [predicting](#) growing LP interest in the space as nature becomes a “core ESG consideration and a destination for institutional capital.”

Looking Ahead

The developments surveyed above illustrate the rising prominence of biodiversity and nature as a discrete area of focus among global policymakers, investors and corporates. As understanding of the relationship between natural capital and financial markets continues to grow, businesses may experience greater pressure from investors, regulators and other stakeholders to disclose their nature-related risks and impacts and to set goals in line with the ambitions of the GBF.

1. International conservation policy goals have existed since 2002, when Parties to the CBD, which do not include the U.S., [committed](#) themselves to achieving, by 2010, a “significant reduction of the current rate of biodiversity loss at the global, regional and national level as a contribution to poverty alleviation and to the benefit of all life on Earth.” However, only six out of the 20 [2010 Biodiversity Target](#) goals were “[partially achieved](#),” and nations missed key targets for combating biodiversity loss in economically important and critically threatened ecosystems. ↩

2. An April 2022 survey of investors representing more than \$20 trillion in assets [found](#) that over half plan to make biodiversity a core strategy by 2024. Major sustainable investing groups, which have previously focused primarily on climate change as the “E” pillar of ESG, have introduced multiple high-profile initiatives and pledges focused on

biodiversity in recent months. For example, the \$130 trillion Glasgow Financial Alliance for Net Zero's November 2022 climate transition planning guidance for members [stresses](#) the importance of integrating nature into investment strategies, and on December 13, 2022, investors representing over \$24 trillion [released](#) a statement in support of the GBF. Furthermore, on January 9, 2023, the U.N. Principles for Responsible Investment (PRI) [launched](#) its annual investor-focused policy forecast, which for the first time included an integration of both nature and climate policy scenarios. [↔](#)

3. More broadly, F4B signatories have [pledged](#) to protect biodiversity through collaboration, engagement, impact assessment and target setting – and to publicly report on these actions by 2025. [↔](#)

4. In its updated 2023 investment stewardship policies, BlackRock [encourages](#) portfolio companies to “consider reporting on nature-related factors, given the growing materiality of these issues for many businesses.” Furthermore, in its 2023 proxy voting guidelines, BlackRock [states](#) that – for companies with material exposure to nature-related risks – it will consider a company’s disclosures on its “reliance and use of natural capital, including appropriate risk oversight and relevant metrics and targets” in the assessment of applicable shareholder proposals. Both documents reference the work of the TNFD as potentially useful for companies seeking to make nature-related disclosures. [↔](#)

5. For more information on the CSDDD, see our March 2022 Kirkland Alert, “[European Commission Publishes Proposed Law Requiring Value Chain Human Rights and Environmental Due Diligence.](#)” [↔](#)

6. The CSRD also significantly expands the number of companies subject to the EU’s sustainability reporting framework, including by sweeping in certain non-EU companies. Application of the CSRD is scheduled to take place in four stages between 2024 and 2028. [↔](#)

7. Traditional environmental and wildlife protection laws and regulations – such as the Endangered Species Act and the National Environmental Policy Act – continue to evolve as scientific understanding of biodiversity increases. [↔](#)

8. The commitment and roadmap was followed by [an agreement with Australia](#) to cooperate on a common approach to natural capital accounting. [↔](#)

9. More than 7,700 corporates have already [reported](#) on biodiversity through CDP’s widely used corporate disclosure platform, with nearly half of respondents incorporating biodiversity into their business strategy. [↔](#)

10. For more information on the TNFD’s recommendations and other tools for nature-related disclosure, see our May 2022 blog post, “[New Framework Announced for Assessing and Reporting Nature-Related Financial Risks.](#)” [↔](#)

11. The TNFD Framework is designed to align with the goals of the GBF and to be complementary and interoperable with existing and emerging nature-related standards. In December 2022, the widely used Global Reporting Initiative (GRI) [announced](#) a “major update” to its biodiversity reporting standard, and the IFRS Foundation’s International

Sustainability Standards Board (ISSB) [announced](#) that it will be making “incremental enhancements” to its [flagship climate disclosure standard](#) to include nature-related disclosures. Both the GRI and ISSB standards will be informed by the work of the TNFD. [↩](#)

12. In its December 2022 “State of Finance for Nature 2022” report, the U.N. Environment Programme [found](#) that private financial flows to nature-focused investments reached \$26 billion in 2022, a 44% increase [from 2021](#). Furthermore, the Paulson Institute has [estimated](#) the market for biodiversity investments could reach as much as \$93 billion by 2030, up from about \$4 billion in 2019. [↩](#)

13. Biodiversity credits generally represent conservation or preservation outcomes, while biodiversity offsets are intended to compensate for damages to biodiversity caused by an organization’s other activities under [relevant regulatory regimes](#). [↩](#)

14. Unlike voluntary carbon credits, biodiversity credits cannot be represented by a uniform unit of measure and rely immensely on geographical factors, making the creation of market standards difficult. Although there is no global market standard for biodiversity credits or offsets, several countries have developed offsetting schemes related to biodiversity. For example, New Zealand, Australia and Colombia have adopted strategies for the production and sale of biodiversity credits and offsets, with units representing habitat protection, avoided ecosystem loss, pest control and conservation of native species. Additionally, a number of wetland mitigation banks have been permitted in the U.S. to provide mitigation credits – generated from the restoration, creation or enhancement of wetlands – that can be purchased by developers or farmers to compensate for unavoidable impacts to wetlands at another location. [↩](#)

15. For more information on emerging standards in the voluntary carbon market, see our August 2022 Kirkland Alert, [“Release of Draft Carbon Credit Principles Underscores Importance of Integrity to Voluntary Carbon Market Ambitions.”](#) [↩](#)

16. The U.N. [estimates](#) the current annual market for biodiversity credits and offsets to be \$1.8 billion – \$2.9 billion and, in January 2023, [projected](#) that the market could grow to as large as \$43 billion by 2050. [↩](#)

17. Recent years have also seen the launch of new nature-focused public investment products, such as Natural Asset Companies (securities [intended](#) to channel investment into the conservation of natural capital) and a [biodiversity-screened](#) ETF from HSBC. [↩](#)

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Suggested Reading

- 22 September 2023 Speaking Engagement American Bar Association's Environmental Transactions Masterclass
- 20 July 2023 In the News CFTC, Private Sector Actions May Aid Carbon Market Integrity
- 20 July 2023 Press Release Kirkland Advises Fremman Capital on Closing €600M Debut Fund

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