



# A guide to action on nature

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Securing our natural world

## Foreword

The role of the insurance and long-term savings industry is to protect people from the greatest risks that they face, both today and into the future. The ABI's Purpose and Strategy places protecting people and planet at the heart of our work.

With half of global GDP dependent on nature, the business case for action is clear. With nature in decline, both here in the UK and internationally, the need for that action is urgent. The unprecedented [Kunming-Montreal Global Biodiversity Framework](#), agreed by 196 UN member states in December 2022, provides us with a framework and imperative to prioritise nature.

Therefore, I am proud that this Guide to Action on Nature provides a toolkit for how we can work together as a sector to protect and enhance this vital resource.

When we launched our Climate Change Roadmap in 2021, we acknowledged the important role we have in addressing the causes of climate change and protecting people from the risks it poses. Our efforts to reduce emissions will not succeed if we do not also protect nature. Nature is already doing what we hope technology might be able to do in the future – capturing and storing carbon. It also provides our food, water, clean air and raw materials, and is proven to be essential to our health and wellbeing.

Nature is critical to our members and their customers – from the economic value it provides to our pension investments, the practical role it plays in absorbing some of the risks posed by flooding and heatwaves and the benefits it offers to human health. Everyone benefits from nature.

However, the science that we use to understand nature is often complex and can vary in different geographies. For that reason, specific action to address the risk and promote action has proven challenging for many businesses. This Guide aims to help everyone in the sector understand their own impact, manage risks and prioritise actions.



It contains an assessment of the regulatory and policy initiatives shaping this work, a toolkit of core and supporting actions, case studies of work already being undertaken by our members and – importantly – our assessment of the key actions Government can push to help us do more. With the Government's updated [Green Finance Strategy](#) including a commitment to making the economy 'nature-positive' and to driving new nature markets, this Guide places our sector at the heart of this work.

We have worked with leaders from across the ABI's member firms to develop this Guide, with many also providing the case studies we include. We have also consulted experts in the field to provide suggestions and feedback. I would like to thank the WWF, the Woodland Trust, the Cambridge Institute for Sustainability Leadership, Earthwatch and the Green Finance Institute for their time and support. I hope we will continue to work together to make the actions we recommend a reality. I also want to thank Rebecca Lea and Will McDonald for co-authoring the Guide.

I hope everyone in the sector will find this Guide useful and that it results in a step-change in how we protect and enhance the environment on which we all depend.

A handwritten signature in black ink, appearing to be 'HG', with a long horizontal line extending to the right.

**Hannah Gurga**  
ABI Director General

# Executive summary

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This Guide provides a framework for the insurance and long-term savings industry to consider nature-related risks and opportunities, and develop a strategy for action on nature

## The case for action on nature

Nature loss and declining biodiversity represents an existential threat to life on earth. Degradation of our ‘natural capital’<sup>1</sup> is already harming businesses and preventing economic growth. \$44 trillion of economic value generation annually (half of the global GDP) is directly dependent on nature.<sup>2</sup>

This Guide aims to address this with a framework through which the insurance and long-term savings sector can understand the issue, consider the risks and opportunities and develop a strategy for action.

Nature provides food, water and essential raw materials. It protects us from extreme weather and heat. Less pollution will reduce disease, while more access to nature improves physical and mental wellbeing.

**We know that nature is in decline** – both internationally and here in the UK. This is caused by climate change, land-use change, over-exploitation, pollution and invasive species.

**We are committed to protecting the environment.** In 2021, ABI members developed our [Climate Change Roadmap](#), which includes short-term 2025 and 2030 milestones on the way to long-term Net zero targets. Net zero cannot be achieved with innovation and new technologies alone. We need nature to absorb carbon from the atmosphere and provide resilience.

Yet, while there are direct links to net zero and nature, there are lots of ways in which protecting nature is different. It is **location-specific**, more **complex to measure** and involves a range of **sometimes competing interests**.

For those reasons, many businesses have not found it easy to understand their reliance on nature when assessing risks or to recognise nature’s importance to their business strategies.



**70%** drop in global wildlife populations



**85%** of global wetlands have disappeared



**41%** of UK species have declined



**84%** of UK rivers are not in good ecological health



**26%** of UK mammals at risk of extinction

<sup>1</sup> A full glossary of the terminology used to describe nature and biodiversity is provided at the end of this guide.

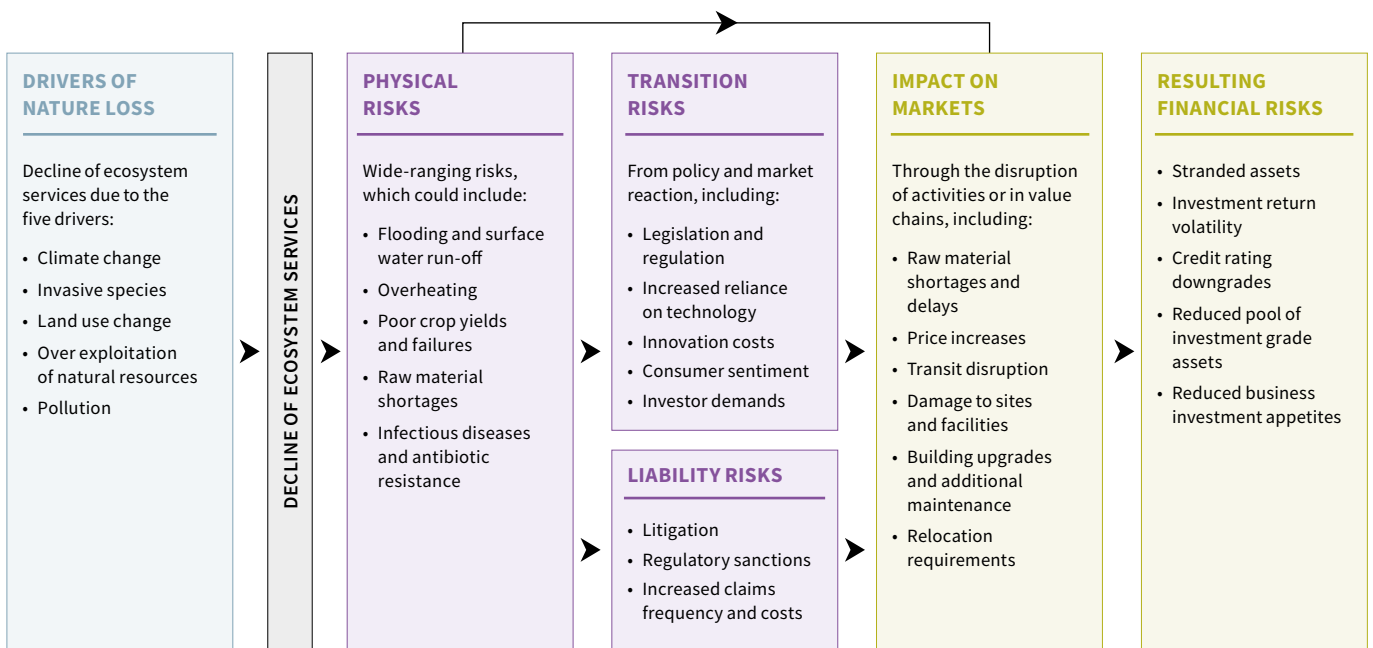
<sup>2</sup> Research by the World Economic Forum, based on 2019 World Bank Data – WEF, [New Nature Rising: Why The Crisis Engulfing Nature Matters For Business and the Economy](#), January 2020, p.13

## Understanding nature risks

Nature loss exposes the homes and businesses that ABI members protect across the UK to a wide range of risks, which in turn will impact markets and financial performance, as the figure<sup>3</sup> below sets out.

**Figure 2: How do the drivers of nature loss lead to financial risks?**

Information based on the Cambridge Institute for Sustainability Leadership Handbook for Nature-related Financial Risks



With an annual \$200 billion nature funding gap<sup>4</sup> to be filled and demand for new ways to protect natural capital, risks can create opportunity for innovative insurance and long-term savings providers.

Combined with evidence that UK citizens want to see more done to protect nature in their areas, growing demands from employees that their work matches their values and the need to protect human health, that creates a compelling case for us to act.

<sup>3</sup> Figure 2: How do the drivers of nature loss lead to financial risks? Analysis based on the [Cambridge Institute for Sustainability Leadership Handbook for Nature-related Financial Risks](#).

<sup>4</sup> The Global Biodiversity Framework agreed at COP15 calls for the mobilisation of at least US\$200bn per year by 2030.

## The drivers of change: External factors shaping the nature agenda

As awareness of the scale of the nature crisis we face grows, we are seeing these issues adopted into the legislative and regulatory frameworks used to address climate change, both internationally and in the UK. **There are four main drivers of change**, which are both increasing the pressure on our members to act, while also making it easier for them to do so.



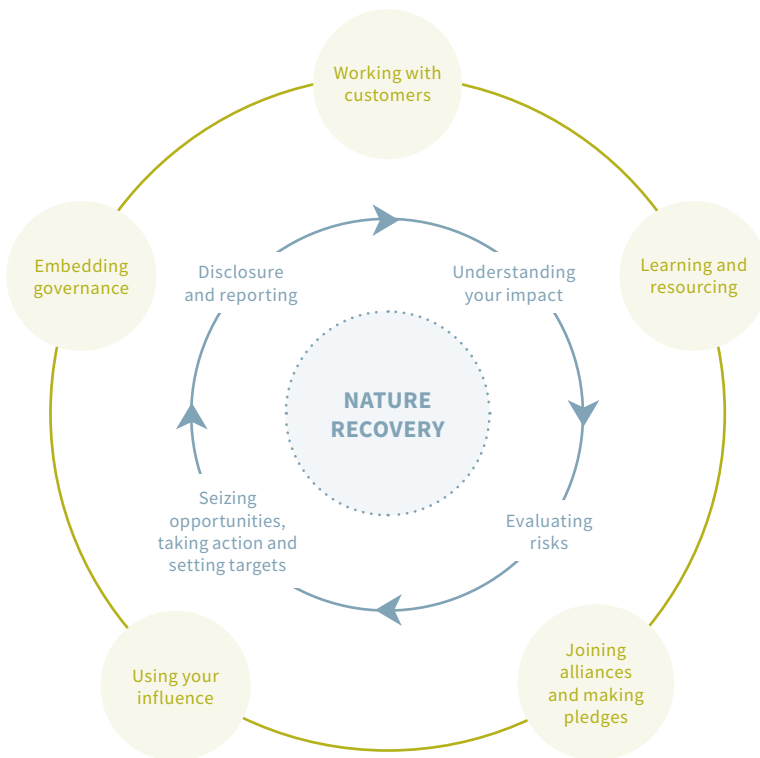
## How our members can act

This Guide sets out a detailed framework for how insurance and long-term savings providers can develop their own strategies for nature.

Although there are already a range of case studies of leadership from across our members detailed in the report, we recognise that for many businesses, they need to know where to start.

Therefore, this Guide is based on **four core actions** that should be at the heart of any nature strategy, around which a number of supporting activities can help maximise your impact. (See diagram below)

**Figure 6: Core actions in a virtuous circle**  
Core actions are represented by blue arrows and supporting actions are shown in green circles.



### Common-sense starting points for businesses beginning to develop their strategy:

- 1 Identify which **external organisations** you will lean on
- 2 Design a **heatmap** as an early estimation and use this to decide your focus areas
- 3 Set up an **internal working group** from across your business
- 4 Agree your **guiding principles**, including scope, governance and accountability
- 5 Look at examples of **best practice** from ‘early movers’ in the sector
- 6 Identify the **tools** you will use, including risk analysis and datasets
- 7 Agree a plan for the first year and include any **knowledge, resource or data gaps** you have
- 8 Build on your heatmap by identifying **areas of highest likely impact** across your business
- 9 **Revisit plans and ambition levels** on an ongoing basis given changing landscapes

## Opportunities for action

This Guide sets out steps to take across all the four core actions and supporting activities in detail. There are already a number of opportunities for our members to act, and these will expand further as this agenda becomes more mature:

APPROACH	EXAMPLE ACTIONS
<p><b>1. Incentivising</b> nature-positive behaviours with clients and customers</p>	<ul style="list-style-type: none"> <li>• Educating and incentivising insurance customers to take actions that reduce nature risk</li> <li>• Giving advice on adaptation resilience (such as how to protect buildings from flooding or heat waves)</li> </ul>
<p><b>2. Innovating</b> in asset protection (including insurance cover for natural infrastructure)</p>	<ul style="list-style-type: none"> <li>• Insurance for providers and users of nature-positive credits</li> <li>• Innovations in ecosystem insurance (specialised cover for environmentally significant sites, reflecting associated revenue streams such as tourism and hospitality)</li> </ul>
<p><b>3. Financing</b> through capital flows and, where appropriate, carbon credits and offsetting</p>	<ul style="list-style-type: none"> <li>• Scaling up investment in nature-positive businesses or projects, alongside targets to reduce nature-damaging activities</li> <li>• Underwriting or investing in sustainable or green bonds</li> <li>• Investing in high integrity nature-positive credits and voluntary carbon offsetting markets</li> </ul>
<p><b>4. Extending</b> net zero strategies into nature-positive strategies and actions</p>	<ul style="list-style-type: none"> <li>• Review net zero targets and transition plans for biodiversity impact</li> <li>• Ensure any carbon credits have a biodiversity co-benefit</li> <li>• Acknowledge, communicate and address potential trade-offs and synergies between net zero and biodiversity actions</li> </ul>
<p><b>5. Collaborating</b> with governments, industry and other stakeholders</p>	<ul style="list-style-type: none"> <li>• Work with industry peers, academic experts and other stakeholders to improve datasets, evaluate actions and share best practice</li> <li>• Use this enhanced evidence base to advocate for policy and regulatory change</li> </ul>



## Where do we go from here?

### Partnership with Government, regulators and the wider economy

The following actions will enable our sector to do more and support wider efforts to protect nature:

- 1 Place nature at the centre of climate adaptation** – nature is vital to making society more resilient to the impacts of climate change, and the Government’s forthcoming work on adaptation finance should include a strong focus on nature-based solutions.
- 2 Finalise the UK Green Taxonomy** – clear definitions of environmentally sustainable investments within a clear and economy-wide taxonomy will drive investment towards water management, pollution prevention and the restoration of biodiversity and ecosystems.
- 3 Introduce regulation for voluntary carbon offsetting and carbon credits** – robust and trustworthy ‘voluntary carbon markets’ can provide private finance for nature and biodiversity projects, while also allowing companies to account for the carbon emissions they have not been able to reduce.
- 4 Consult on how to adopt nature into financial reporting and disclosures** – with the Taskforce on Nature-related Financial Disclosures (TNFD) close to completing its final recommendations and the International Sustainability Standards Board (ISSB) having indicated that it will adopt this into its framework, the UK must decide how it will approach nature and biodiversity reporting to maintain its status as a leading market for sustainable finance.
- 5 Invest in skills and expertise** – this investment should include enforcing environmental laws and standards, enhancing the quality of data and evidence that investors will use to make decisions and training employees across the different sectors that can have the most impact in driving a just transition to a nature positive society.



Challenges on this scale require a new era of partnership between business and governments across the UK. We are committed to working collaboratively to tackle these challenges and make society more resilient.

## ABI and Industry next steps

This Guide is designed to help our members develop their own strategies to protect nature. We will continue to help our members advance this agenda through the following four key action areas:

- 1 Collaboration and Sharing Best Practice** – with the services we provide for our members (including our committees and working groups, our programme of ‘Climate Clinics’ and disseminating information) and through our role in organisations like ClimateWise and the PRA/FCA Climate Financial Risk Forum (CFRF), we will focus on identifying the most effective targets, metrics and frameworks for our members to use to drive change and evaluate what actions have the most impact.
- 2 Engage with government on the Green Finance Strategy** – this will include a focus on unlocking members’ investment in assets which simultaneously contribute to both climate and nature-positive solutions. We will also engage with the government’s planned work on fiduciary duties as well as the next steps on the government’s Nature Markets Framework.
- 3 Consumer Advice** – we will work with members to identify where during customer journeys we can provide advice on adopting ‘nature positive’ behaviours and using nature to protect properties from extreme weather or improve health outcomes.
- 4 Environmental Crime** – we will consider where our sector’s existing expertise on tackling fraud, financial crime or conducting due diligence on supply chains for issues like modern slavery can be applied to better address illegal deforestation, pollution and other forms of environmental crime.

**We will report publicly on progress on the issues outlined in this Guide and in particular on these four action areas in 12 months’ time.**

### ABOUT US

**The Association of British Insurers (ABI) is the voice of the UK’s world-leading insurance and long-term savings industry.**

A productive and inclusive sector, our industry supports towns and cities across Britain in building back a balanced and innovative economy, employing over 350,000 individuals in high-skilled, lifelong careers, two-thirds of whom are outside of London.

Our members manage investments of £1.6 trillion, pay over £17.2 billion in taxes to the Government and support communities and businesses across the UK by enabling trade, risk-taking, investment and innovation.

Our industry is also a global success story, the largest sector in Europe and the fourth largest in the world. The ABI represents over 200 member companies, including most household names and specialist providers, giving peace of mind to customers across the UK.

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## The case for action on nature

## What are the risks and opportunities posed by nature and biodiversity degradation to the insurance and long-term savings business models?

Nature and biodiversity loss is one of the most crucial issues facing society. Loss of biodiversity and degradation of nature present existential threats to life on Earth and long-term systemic risks which impact all geographies, sectors and communities.

This demands the attention of financial services – not least because an estimated \$44 trillion<sup>5</sup> of annual economic value generation (half of the global GDP) is directly at stake. This urgency is increasingly reflected in an ever-growing international consensus, and particularly by the growing prominence of the annual United Nations (UN) conferences of parties (COPs) on both climate change and biodiversity.

Nature will be crucial to climate change adaptation and resilience: the UN has recognised the intrinsic link between climate change and biodiversity, describing<sup>6</sup> biodiversity as “*our strongest natural defence against climate change*”. For instance, by protecting natural coastal habitats to reduce the impact of extreme weather which might otherwise cause widespread flooding or coastal erosion.

Industrial and technological action alone cannot deliver the level of carbon reduction required. We need to protect or enhance existing natural ‘carbon sinks’ like forests and wetlands in order to absorb carbon from the atmosphere.

Integrated action on climate change and nature loss is therefore needed – as recognised in the UK government’s 2030 strategic framework<sup>7</sup> for international climate and nature action. Further, in HMT’s recent Strategic Steer to the UK Infrastructure Bank (UKIB), the Chancellor noted the significant scope for nature based solutions to contribute to UKIB’s objectives of tackling climate change and supporting regional and local economic growth<sup>8</sup>, and in March 2023 UKIB announced<sup>9</sup> its intention to commit £12 million to support an innovative nature restoration project in the Scottish Highlands and Islands with the aim of “*stimulating natural capital markets, and helping to tackle climate change, boost biodiversity, and deliver benefits to the local community*”.



We need to protect or enhance existing natural ‘carbon sinks’ like forests and wetlands in order to absorb carbon from the atmosphere.

5 [www3.weforum.org/docs/WEF\\_New\\_Nature\\_Economy\\_Report\\_2020.pdf](https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf)

6 [www.un.org/en/climatechange/science/climate-issues/biodiversity](https://www.un.org/en/climatechange/science/climate-issues/biodiversity)

7 [Strategic-framework-for-international-climate-and-nature-action.pdf](https://www.un.org/en/climatechange/science/climate-issues/biodiversity)

8 [www.ukib.org.uk/sites/default/files/2022-11/Natural-capital-discussion-paper.pdf](https://www.ukib.org.uk/sites/default/files/2022-11/Natural-capital-discussion-paper.pdf)

9 [www.ukib.org.uk/news/uk-infrastructure-bank-announces-first-natural-capital-transaction](https://www.ukib.org.uk/news/uk-infrastructure-bank-announces-first-natural-capital-transaction)

Beyond the direct economic value derived from nature, it also improves our health and wellbeing. The World Health Organisation (WHO) has warned<sup>10</sup> that climate change and deforestation are leading to increasing outbreaks of deadly microscopic diseases.

During the Covid-19 pandemic, research<sup>11</sup> found that spending time outdoors has been one of the key factors enabling people to cope with the stress of the Covid-19 pandemic. Although further research is needed, a growing body of evidence suggests that simply enjoying nature benefits your brain and body – from improved immune systems to reduced risk of chronic disease<sup>12</sup>.

That's in addition to the more obvious health impacts linked to pollution, such as the 28,000-36,000 deaths caused by air pollution in the UK each year.<sup>13</sup> In a 2023 report, the Environment Agency found that *“Equality of access to, and connection with, a healthy natural environment would save billions of pounds in healthcare costs and reduced economic activity every year.”*<sup>14</sup>

In combination, nature's economic value, role in combatting climate change and benefit to health represents a strong business case for action. However, despite this, a recent report<sup>15</sup> by the European Union Business and Biodiversity Platform found that: *“At the moment, biodiversity is too abstract for most stakeholders in the finance sector to incorporate it into their core business, and develop products to invest in biodiversity or opportunities deriving from it.”*

The Insurance and Long-term saving sector has already made significant progress on climate change. Through ABI's [Climate Change Roadmap](#), our members have committed to climate change targets and goals, including to achieve net-zero emissions by 2050, with an interim milestone of net-zero scope 1 and 2 emissions by 2025.

However, nature has not always been integrated into these climate change strategies.

This Guide aims to address this. This chapter looks at:

- **what we mean by “nature” and “biodiversity”**
- **setting out the true scale of the current nature crisis**
- **causes of the nature crisis**
- **explaining the impact of nature biodiversity on our economy**
- **how this differs to our understanding of and approach to climate change**
- **why insurers and long-term savings firms should act**

### What we mean by “nature” and “biodiversity”

Biodiversity is the part of nature that is alive and includes every living thing on Earth. Measurements of biodiversity reflect the range of different species co-existing on the planet.<sup>16</sup> Nature meanwhile is all life on Earth (i.e. biodiversity), together with the geology, water, climate and all other inanimate components that make up our planet. While these are technically two separate terms, in practice (and within this document) they are often used interchangeably.

**Technical definitions of related terms can be found within the Glossary at the end of this report.**

<sup>10</sup> [www.futurenetzero.com/2023/04/11/climate-change-is-causing-a-jump-in-microscopic-diseases](http://www.futurenetzero.com/2023/04/11/climate-change-is-causing-a-jump-in-microscopic-diseases)

<sup>11</sup> [www.mentalhealth.org.uk/sites/default/files/2022-06/MHAW21-Nature-research-report.pdf](http://www.mentalhealth.org.uk/sites/default/files/2022-06/MHAW21-Nature-research-report.pdf)

<sup>12</sup> [www.bbc.co.uk/programmes](http://www.bbc.co.uk/programmes)

<sup>13</sup> [www.gov.uk/government/publications/air-pollution-applying-all-our-health/air-pollution-applying-all-our-health](http://www.gov.uk/government/publications/air-pollution-applying-all-our-health/air-pollution-applying-all-our-health)

<sup>14</sup> [www.gov.uk/government/publications/state-of-the-environment/state-of-the-environment-health-people-and-the-environment#main-findings](http://www.gov.uk/government/publications/state-of-the-environment/state-of-the-environment-health-people-and-the-environment#main-findings)

<sup>15</sup> [ec.europa.eu/environment/archives/business/assets/pdf/sectors/Finance.pdf](http://ec.europa.eu/environment/archives/business/assets/pdf/sectors/Finance.pdf)

<sup>16</sup> [www.cbd.int/idb/activities/difference-biodiversity-nature.pdf](http://www.cbd.int/idb/activities/difference-biodiversity-nature.pdf)

## Setting out the true scale of the current nature crisis

Our natural environments are experiencing unprecedented destruction. If the current trends in biodiversity loss continue, one million animal and plant species will be threatened with extinction<sup>18</sup> – more than at any other point in human history. This trend is so pronounced, some are calling it the sixth mass extinction.<sup>19</sup>

Environments and habitats are in decline. Soil health has deteriorated, and intensive farming has resulted in the loss of flower meadows, hedgerows and trees<sup>20</sup>; plastics are choking our rivers and seas, and by 2050 there could be more plastic in the ocean than fish; only 14% of the UK's rivers are in good ecological health, and every single one fails to meet chemical standards<sup>21</sup>; irreplaceable ecosystems like parts of the Amazon rainforest<sup>22</sup> are turning from carbon sinks into carbon sources due to deforestation; and 85% of wetlands<sup>23</sup>, such as salt marshes and mangrove swamps which absorb large amounts of carbon, have disappeared.

The UK has particular cause for alarm: with only half of our natural biodiversity left, according to the Natural History Museum's Biodiversity Intactness Index<sup>24</sup>, we rank at the very bottom of G7 countries, below 25 of the 27 EU member states, and in the bottom 10% of all countries globally. Since the 1970s, 41% of all UK species studied have declined.<sup>25</sup> 26% of the UK's mammals are at a very real risk of becoming extinct. More than 40 million birds have disappeared from the UK's skies since 1970, according to the Royal Society for the Protection of Birds (RSPB).<sup>26</sup>

For certain key species, the figures are stark. Since the 1950s, hedgehogs (known as an 'indicator species'<sup>27</sup>, showing us if their habitat is healthy) have declined by 95%, turtle

doves by 98% and common toads have by 68%.<sup>28</sup> Of course, baselining nature against 1970 levels says nothing about the state of nature prior to this point; in reality, wildlife populations compared to pre-Industrial levels will have dropped even more dramatically.

This also plays out in urban areas: cities have lost as much as 50% of their "green" garden space over the last two decades, according<sup>29</sup> to Professor Cameron, author of a paper<sup>30</sup> on improving ecosystem services derived from domestic gardens. Trees and vegetation keep us cool by lowering surface and air temperatures (shaded surfaces, for example, may be 11–25°C cooler than the peak temperatures of unshaded materials), absorb rain to prevent flash flooding and provide refuges for wildlife.<sup>31</sup>



### The World Wildlife Fund for Nature (WWF) says:<sup>17</sup>

The climate and nature crises are now more serious than ever before. Since 1970 global wildlife populations – indicators of healthy ecosystems – have plummeted by almost 70%, and the UK itself is in the bottom 10% for biodiversity globally – bottom of the G7 and G20. In 2021 alone, economic loss due to natural catastrophes was US\$270 billion.

The cost of not dealing with the crisis is predicted to be vastly greater than investment in change and solutions.

17 [www.saveourwildisles.org.uk/business](http://www.saveourwildisles.org.uk/business)

18 [nhm.ac.uk/discover/news/2019/may/one-million-animals-and-plants-face-extinction](http://nhm.ac.uk/discover/news/2019/may/one-million-animals-and-plants-face-extinction)

19 [nhm.ac.uk/discover/what-is-mass-extinction-and-are-we-facing-a-sixth-one](http://nhm.ac.uk/discover/what-is-mass-extinction-and-are-we-facing-a-sixth-one)

20 [wwf.org.uk/updates/5-threats-uk-wildlife](http://wwf.org.uk/updates/5-threats-uk-wildlife)

21 [theriverstrust.org/key-issues/state-of-our-rivers](http://theriverstrust.org/key-issues/state-of-our-rivers)

22 [Amazon rainforest](#)

23 [Wetlands](#)

24 [nhm.ac.uk/discover/news/2020/september/uk-has-led-the-world-in-destroying-the-natural-environment](http://nhm.ac.uk/discover/news/2020/september/uk-has-led-the-world-in-destroying-the-natural-environment)

25 [nbn.org.uk/stateofnature2019](http://nbn.org.uk/stateofnature2019)

26 [rspb.org.uk/our-work/rspb-news/news/stories/revive-our-world](http://rspb.org.uk/our-work/rspb-news/news/stories/revive-our-world)

27 [cornwallwildlifetrust.org.uk/blog/james-webb/hedgeblog-why-we-should-be-concerned-about-decline-hedgehogs](http://cornwallwildlifetrust.org.uk/blog/james-webb/hedgeblog-why-we-should-be-concerned-about-decline-hedgehogs)

28 [nhm.ac.uk/discover/news/2019/october/the-state-of-nature-41-percent-of-the-uks-species-have-declined](http://nhm.ac.uk/discover/news/2019/october/the-state-of-nature-41-percent-of-the-uks-species-have-declined)

29 [theguardian.com/environment/2023/apr/20/britons-who-keep-gardens-green-should-get-council-tax-cut](http://theguardian.com/environment/2023/apr/20/britons-who-keep-gardens-green-should-get-council-tax-cut)

30 [doi.org/10.1016/j.ufug.2022](https://doi.org/10.1016/j.ufug.2022)

31 [epa.gov/heatislands/using-trees-and-vegetation-reduce-heat-islands](http://epa.gov/heatislands/using-trees-and-vegetation-reduce-heat-islands)

## Causes of the nature crisis

Though the drivers are complex and multi-faceted, human activity has indisputably caused or accelerated much of the decline.

These drivers can be categorised as follows:

1. **Climate change**, which in turn destabilises ecosystems
2. **Land and sea use change**, such as cutting down a forest to make way for agriculture
3. **Overexploitation of natural resources**, depleting resources faster than they can be replaced, for example overfishing
4. **Pollution** of air, land or water
5. **Invasive species**, where new animals or plants disrupt existing ecosystems, for example Japanese knotweed.<sup>32</sup>

All these drivers can be caused or exacerbated by human economic activity, which is intensifying as the global population and per-capita consumption increases at a rate greater than natural systems can sustain, leading to a decreased natural capital stock per capita.

Today, land use change and the destruction of forests and grasslands for agriculture is the biggest driver of biodiversity loss<sup>33</sup>. Every minute, deforestation destroys a wooded area the size of 27 football pitches worldwide – the equivalent of 200 Hyde Parks every day.



Before the Industrial Revolution, forests covered much more of the UK than they do now.

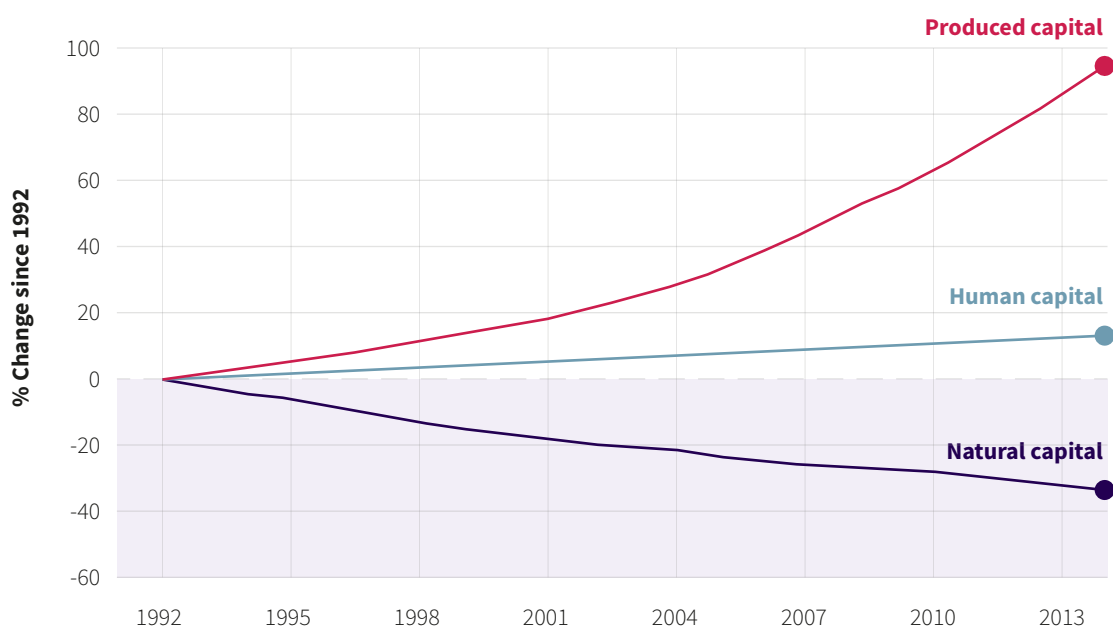
Large areas of wilderness were home to animals and plants which are now a rare sight, or gone completely. Red squirrels, beavers, wolves and bears were once common in the British Isles.

The advent of mass farming, factories, roads, trainlines and urban sprawl has been a death knell for wild places, and it was accelerated by the Industrial Revolution in the nineteenth century. And things are getting worse, not better.

Source: Natural History Museum

**Figure 1: Global capital stocks per capita**

Source: The Dasgupta review/HM Treasury



<sup>32</sup> [www.theguardian.com/environment/2023/may/16/the-war-on-japanese-knotweed](http://www.theguardian.com/environment/2023/may/16/the-war-on-japanese-knotweed)

<sup>33</sup> [www.nhm.ac.uk/discover/news/2022/november/destruction-forests-and-grasslands-biggest-cause-of-biodiversity-loss](http://www.nhm.ac.uk/discover/news/2022/november/destruction-forests-and-grasslands-biggest-cause-of-biodiversity-loss)



Climate change is the second-biggest cause of biodiversity loss at sea, and the fourth-biggest cause on land. Left unchecked, it's likely to play an even greater role in future<sup>34</sup>. While this destruction often happens overseas, much is linked to serving consumers in the UK.

Yet, because nature and ecosystem services are often intangible and invisible – and taken for granted – we've been destroying nature at an unprecedented rate. A 2019 independent review<sup>35</sup> on the economics of biodiversity, by University of Cambridge Professor Sir Partha Dasgupta (commissioned by HM Treasury), described nature as a “blind spot” in economics, with the economic value of nature missed or hidden in business-as-usual transactions. As businesses do not have to pay to access natural resources, but do have the ability to generate profits from their use, this results in overexploitation.

Professor Dasgupta observes that it is difficult to adequately record the use made of natural resources due to the “*three pervasive features – mobility, silence and invisibility*”, and that “*We can no longer afford for it to be absent from accounting systems that dictate national finances, or ignored by economic decision makers.*”<sup>36</sup>

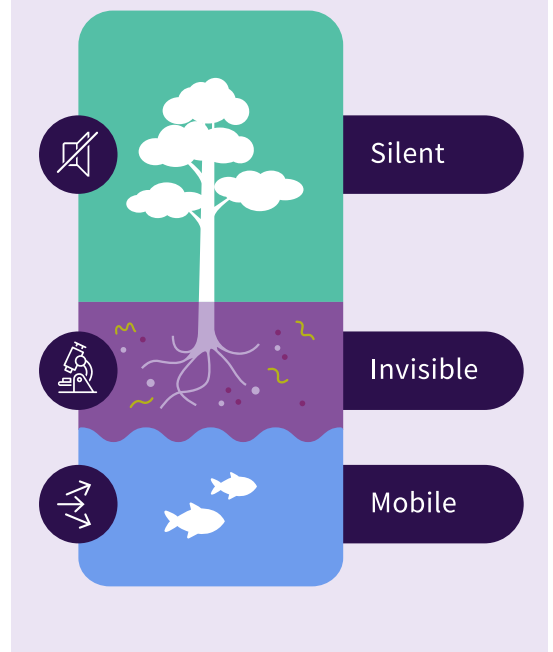
## Explaining the impact of nature and biodiversity on our economy

Human life is entirely dependent on nature to sustain us. Yet we would require 1.6 Earths to maintain the world's current living standards<sup>37</sup>.

Here we explain how nature is built into companies' supply and value chains and affects profitability, even where it is not costed into conventional business models. This chapter draws on the extensive research in the Cambridge Institute for Sustainability Leadership's handbook<sup>38</sup> for nature-related financial risks.

Figure 3, on the next page, set outs how the five drivers of nature and biodiversity loss lead to financial risks, and how this impacts insurance and long-term savings providers.

**Figure 2: Nature's properties**  
Source: The Dasgupta review/HM Treasury



Human life is entirely dependent on nature to sustain us. Yet we would require 1.6 Earths to maintain the world's current living standards.<sup>37</sup>

<sup>34</sup> [nhm.ac.uk/discover/how-are-climate-change-and-biodiversity-loss-linked](https://www.nhm.ac.uk/discover/how-are-climate-change-and-biodiversity-loss-linked)

<sup>35</sup> [gov.uk/government/uploads/system/uploads/attachment\\_data/file/418812/The\\_Economics\\_of\\_Biodiversity\\_The\\_Dasgupta\\_Review\\_Full\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418812/The_Economics_of_Biodiversity_The_Dasgupta_Review_Full_Report.pdf)

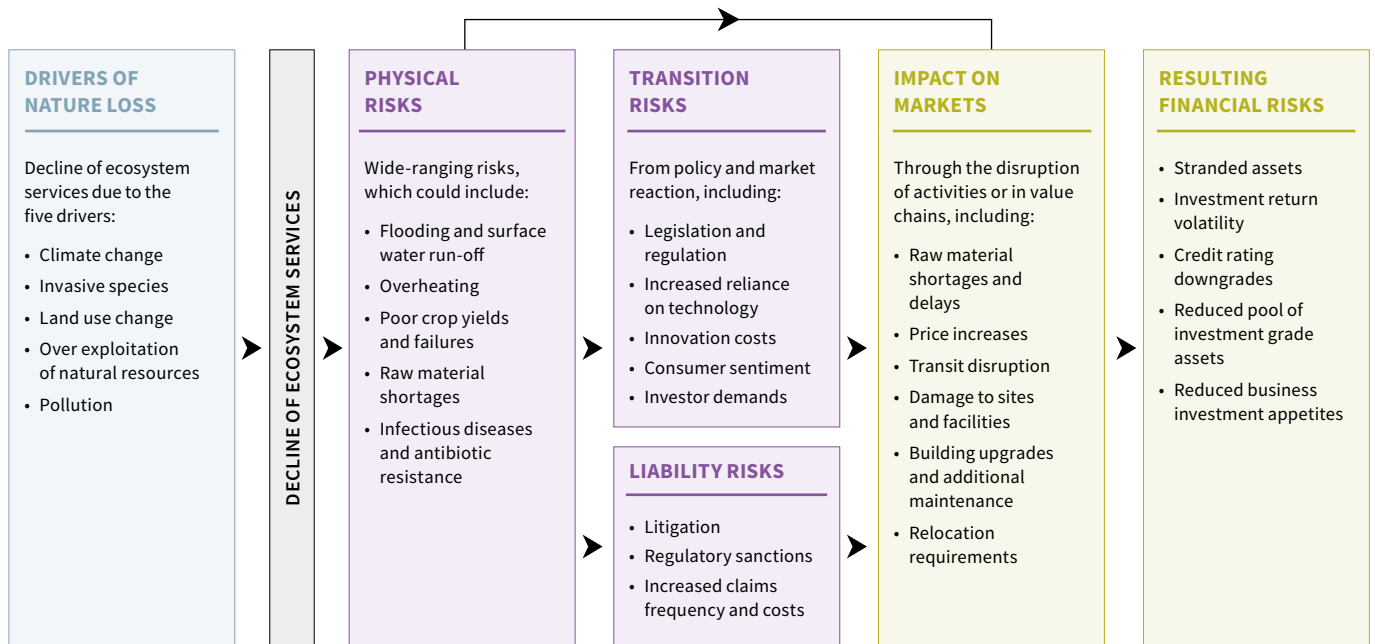
<sup>36</sup> [www.cam.ac.uk/stories/dasguptareview](https://www.cam.ac.uk/stories/dasguptareview)

<sup>37</sup> Dasgupta report

<sup>38</sup> [cisl.cam.ac.uk/system/files/documents/handbook-for-nature-related-financial.pdf](https://cisl.cam.ac.uk/system/files/documents/handbook-for-nature-related-financial.pdf)

**Figure 3: How do the drivers of nature loss lead to financial risks?**

Information based on the Cambridge Institute for Sustainability Leadership Handbook for Nature-related Financial Risks

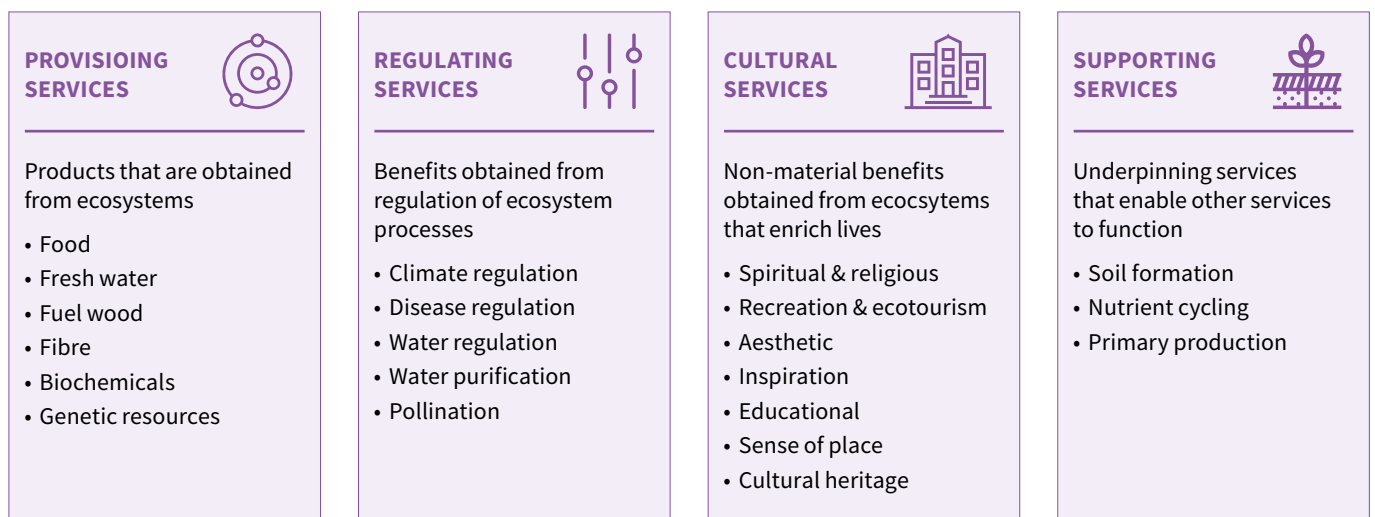


The five drivers of nature loss are causing the decline of “ecosystem services” (the benefits to humans provided by the natural environment and healthy ecosystems).

Simply put, we convert nature into the food we eat, the water we drink, the buildings we live in, and the air we breathe. Whilst some of these “ecosystem services” are renewable through natural processes – for instance, freshwater renews through the water cycle – others are not.

The five drivers of nature loss are causing the decline of “ecosystem services” (the benefits to humans provided by the natural environment and healthy ecosystems).

**Figure 4: Categorising ecosystem services**



This decline of ecosystem services leads to impactful and wide-ranging **physical risks**. For instance, flooding increases as natural coastal mangroves are removed, while crop yields reduce as declining honeybee populations limit pollination.

**Transition risks** will then emerge as regulatory or market policies to protect nature are introduced, affecting the value of assets and potentially leading to stranded assets.

**Liability risks** could arise if litigation is brought by parties experiencing loss or damage from the decline of ecosystem services seek compensation from those they hold responsible. This could result in pay-outs, fines, legal and administrative costs, insurance costs, financing costs, and reputational costs.

Fines for oil spills are an example of this, whilst a recent example<sup>39</sup> saw the world's largest grain trader face allegations about failure to remove deforestation from its Brazilian soya supply chain. Losses may also arise from misleading claims in marketing or company statements (often known as 'greenwashing').

These three risks can affect companies as either acute (event-driven) or chronic (gradually worsening) impacts through disrupting business activities or value chains. In turn, exposure to these companies lead to financial risks, affecting investors and financial services providers.

These transmission mechanisms are already in play, and the resulting financial materiality of biodiversity loss can be quantified<sup>40</sup> by identifying what industries are dependent on nature and then totalling the value of the economic outputs of these industries.

**This methodology estimates that US\$44 trillion of economic value is moderately or highly dependent on nature each year – equating to more than 50% of global GDP. Yet it is possible to argue that in reality 100% of global GDP depends on ecosystem services.<sup>41</sup> As a result, the WEF ranks biodiversity loss as the third most impactful risk facing the global economy, and the fourth most likely to occur.**



## An example of how pollution of rivers leads to financial risks

Agriculture runoff and the release of untreated sewage results in the pollution of rivers and drives biodiversity loss



As a result, the ecosystem services derived from the river are eroded. For instance, populations of marine species based in the river are at risk and cultural benefits e.g. from swimming, water sports and fishing are reduced;



Physical risks therefore arise, for instance as safe freshwater (including drinking water) supplies are eroded;



In response, public outrage to the treatment of rivers results in transition risk as policymakers, regulators and water companies and/or other companies react, for instance in investing to tackle sewage spills;



Simultaneously, liability risks arise as litigation cases are brought in an effort to force action from companies;



These three risks therefore result in the adjustment of activities for companies and potentially lead to pricing changes as some of the costs are passed on to customers;



Consequently, investors are exposed to financial risks, and may wish to in turn act – for instance, they might take the view that these companies make a poor investment as future dividends may not pay out.

<sup>39</sup> [theguardian.com/environment/2023/may/04/cargill-faces-legal-challenge-us-over-brazilian-soya-supply-chain-deforestation](https://theguardian.com/environment/2023/may/04/cargill-faces-legal-challenge-us-over-brazilian-soya-supply-chain-deforestation)

<sup>40</sup> [cisl.cam.ac.uk/resources/sustainable-finance-publications/financial-materiality-briefings](https://cisl.cam.ac.uk/resources/sustainable-finance-publications/financial-materiality-briefings)

<sup>41</sup> The Economics of Ecosystems and Biodiversity Report for Business, 2010

## How this differs to our understanding of and approach to climate change

There are many parallels in our thinking on nature and climate change, including the “physical, transition and liability” terminology used to assess risk and the UN’s mechanism for organising international action through Conferences of Parties (COPs).

But there are several differences that can make nature loss more complicated to understand:

- 1. Location specific:** Whereas CO2 emissions have the same effect regardless of where they are emitted, the impacts of nature loss are localised. Consequently, this requires a broader dataset, which can be challenging to capture.
- 2. More complex to measure:** There is no ‘common currency’ to measure nature’s many different ecosystems. This contrasts to the clear 1.5o C/2050 net-zero targets used for climate change – which have galvanised support from businesses and the public around a common goal. This complexity means there are knowledge and capability gaps on nature, compared to a much better understanding of climate change in recent years..
- 3. Sometimes competing interests:** As different ecosystems are inter-connected, addressing one aspect of nature can have consequences for another aspect due to competing interests for the same resource. For example:
  - reforestation with one type of tree may in fact constitute introducing an invasive species, disrupting the surrounding ecosystem of other species;
  - allowing flooding in an upstream area to protect a more densely populated downstream area may impact nature within the upstream area;
  - opting to not use palm-oil due to the associated deforestation can have unintended consequences<sup>42</sup> as alternative oils with less efficient yields may require more land;
  - multiple potential uses for the same natural resource, some requiring maintaining and renewing the resource while others require some level of depletion.

<sup>42</sup> [zsl.org/about-zsl/policies/sustainability-zsl/palm-oil](https://zsl.org/about-zsl/policies/sustainability-zsl/palm-oil)

## Why insurers and long-term savings firms should act

The Dasgupta review concluded that we must transform institutions and systems – particularly financial systems – to rebalance the supply and demand of nature’s services. There are a number of compelling reasons our members should consider nature of direct relevance to their business models.

**Financial risks:** As set out in Figure 3 above, nature loss poses significant financial risks. This impacts the markets our customers and clients operate in. It is likely to increase flooding, fires and infrastructure disruption. Negative impacts on human health will increase demands on life insurance, health insurance and protection policies.

The impact on our own products and processes could include disruption to our ability to settle claims quickly (as seen when supply chain disruption during the pandemic and as a result of Russia’s invasion of Ukraine increased cost and availability of parts for repairs) and reduce the ability of our clients to manage their risks, resulting in increased claims frequencies. It may also impact the value of investments and the cost of capital.

**Financial opportunities:** Where financial risks exist, so do opportunities to expand your business or out-perform companies who fail to transition. These can come from mitigating and offsetting those risks, but also from addressing the current funding gap for restoring nature.

The Global Biodiversity Framework agreed at COP15 aims to mobilise at least US\$200 billion per year by 2030 to restore and conserve biodiversity, including by encouraging private sector investment and collaboration between different types of financial service providers.

This global agreements offers opportunities for new forms of ‘blended finance’, enabled and encouraged by governments, as well as new financial instruments (such as green bonds, biodiversity offsets and credits), and greater focus on the co-benefits that would come from addressing climate change and nature together.

**Responding to changing consumer attitudes:**

The reputational risks to firms perceived to not be protecting nature are considerable, particularly as this rises up the public and political agenda – for instance, 94% of residents polled<sup>43</sup> by the Local Government Association in 2021 wanted to see more biodiversity in their area.

The FCA's 2022 Financial Lives Survey found that 79% of consumers think businesses have a wider social responsibility than simply to make a profit<sup>44</sup>, and this is reflected in investment decisions: biodiversity has been described<sup>45</sup> by ShareAction as the “*fastest developing ESG theme in global capital markets*”.

**Recruitment and retention:** Likewise, as society focuses more and more attention on nature, employees are likely to exert more pressure on their employers to act and will find those which do so to be more attractive employment prospects, as they look for opportunities that are aligned with their own values. In turn, this is likely to prompt more employees to scrutinise how the investments made through their company pension scheme impact nature.

**Impact on people's health:** There is a link between people's health (both physical and mental) and healthy ecosystems, as was demonstrated during the coronavirus pandemic. People's health and wellbeing is of direct relevance to business models across our sector, including on their need for long-term savings, health and protection insurance and the likelihood of making a travel insurance claim.



<sup>43</sup> [local.gov.uk/about/news/climate-emergency-lga-poll-shows-more-nine-10-residents-support-increased-biodiversity](https://www.local.gov.uk/about/news/climate-emergency-lga-poll-shows-more-nine-10-residents-support-increased-biodiversity)

<sup>44</sup> [fca.org.uk/publication/discussion/dp23-1\\_updated.pdf](https://www.fca.org.uk/publication/discussion/dp23-1_updated.pdf)

<sup>45</sup> Catherine Howarth, ShareAction chief executive, [www.ft.com/content/abbcec95-0154-40cd-83b9-d988bd3271b9](https://www.ft.com/content/abbcec95-0154-40cd-83b9-d988bd3271b9)

# 2

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## The drivers of change: External factors shaping the nature agenda

## What does the current landscape of regulatory, policy and wider societal pressures for action on nature and biodiversity look like, and how might this change in the near future?

All businesses setting out to understand their relationship with nature, including our members, face a rapidly changing world. Actions designed to tackle climate change, such as disclosure standards, that were developed over many years are now being rapidly adapted to include nature.

Previous initiatives to tackle the nature crisis, for example the 2010 Aichi Targets, are widely seen to have failed, with none of the targets met by 2020. This has added to the impetus and sense of urgency.

As with any topic, pressure to act can come from many sources – such as customers, governments, regulators, court decisions and civil society.

As with climate change, there is an opportunity, and business benefits, for our sector to show leadership before top-down, global legislation and regulation is imposed.

In addition to other drivers of action, such as stakeholder or consumer pressure, in this chapter we focus on four key areas where recent and rapid developments are adding to the pressure on companies (and others) to act on nature, but which are also making progress easier to achieve:

- I. **Government action and policy developments**
- II. **Regulatory developments**
- III. **Standards and frameworks**
- IV. **Investors**

This is in addition to the scientific evidence of the nature crisis itself acting as a driver and the integral role that nature plays in our economies, livelihoods, health and wellbeing (see Chapter 1).



Previous initiatives to tackle the nature crisis, for example the 2010 Aichi Targets, are widely seen to have failed, with none of the targets met by 2020.

## I. Government action and policy developments

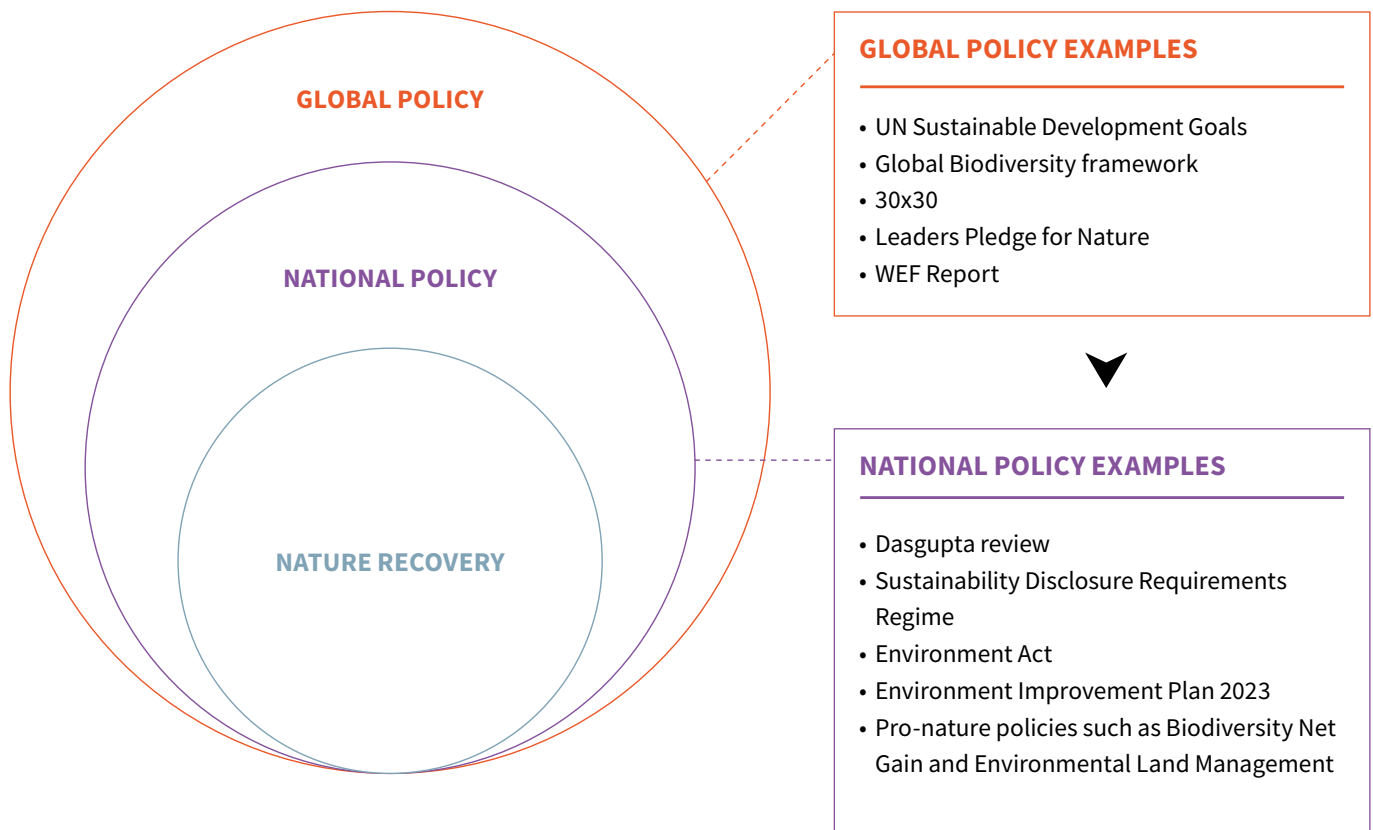
Companies work best within a consistent and evidenced-based framework of policy and regulation. This “market infrastructure” enables firms to plan ahead, design and implement their strategies, allocate resources, align governance and manage risks.

Such a framework for nature has not been available. This restricts how companies can understand their impacts, roles, duties, risks and opportunities. However, this is changing rapidly. Annex 1 gives examples of key policy developments that are driving or will drive changes in many sectors of the economy, either affecting our members directly, or indirectly through their customers and investments. This Annex is not exhaustive and is focused on the UK, but there is considerable work underway on biodiversity policy across the rest of the world.

Figure 5 below summarises the most significant recent global and national developments. There is a parallel and often intersecting set of policy actions on climate change. The trend over time is for climate change and nature policy to merge, which will help our members understand the landscape.



Figure 5: Recent national and global developments on nature





Many organisations have used the **UN Sustainable Development Goals** (SDGs) framework to look at their strategy and impact in the world. Five of the 17 SDGs explicitly address nature and others do so indirectly, offering organisations some guidance as to how approach nature-related risks and opportunities. While the interdependence of the SDGs requires the goals to be achieved collectively, nature can be seen as the foundation and common denominator for all of them.

The current trajectory of nature loss will need to be reversed in order to make meaningful progress toward the UN SDGs, which is particularly important given the positive synergies between nature and many of the goal's objectives, such as the end of poverty, equality, peace and security.

The COP15 summit in December 2022 saw 188 governments adopt the **“Kunming-Montreal Global Biodiversity Framework”** (GBF), including four goals and 23 targets due to be achieved by 2030. Progress towards these global goals will be monitored on a national basis across a series of indicators, including one on private sector impact disclosure<sup>46</sup>.

Although still a global framework, the GBF offers companies a further level of detail to shape their work on nature, for example Target 15 covers disclosure requirements on nature-related impacts/dependencies and risks/opportunities.

Together with other initiatives such as 30x30, (included within the GBF), commitments such as the Leaders' Pledge for Nature and reports such as WEF's analysis of economic dependency on nature, there is now a much clearer picture of global priorities and actions.

Here in the UK, a focus on nature has been growing for some time. **The Dasgupta Review**, commissioned by the then Chancellor to look at the economics of biodiversity, was published in 2021. Some of the key findings of this report are set out in Box 1. Publication of this review is generally seen as an important moment for nature policy. But, it has yet to drive the scale or pace of action that the conclusions of the Review seemingly warrant.

## BOX 1

### Conclusions in the Dasgupta Review's own words

Like the Stern Review into the economics of climate change before it, the Dasgupta Review was a thorough, evidence-based piece of analysis. Its conclusions were clear:

*“In the process of getting to where we are, we have degraded the biosphere to the point where the demands we make of its goods and services far exceed its ability to meet them on a sustainable basis.” (p.5)*

Dasgupta's findings, and the Review's recommendations, focus on the systemic nature of the problem, and the requirement for a systemic response:

*“The stresses humanity has inflicted on the biosphere to the point where our mode of conduct is not sustainable are due to institutional failure writ large.” p.130. [Humanity is required to] “transform our institutions and systems ... to enable these changes and sustain them for future generations.” (p.488)*

The Review focused on economics (in its broadest sense) but also looked at financial risks:

*“The risks of environmental tipping points and regime shifts, resulting from natural capital depletion, could be financially systemic risks because of complexity, interdependence and interconnectedness within the financial system.” (p.429)*

As an evidence base for action, the Review is compelling. However, the broad and systemic nature of its findings have proved hard for policymakers to act on.

<sup>46</sup> [cbd.int/article/cop15-cbd-press-release-final-19dec2022](https://www.cbd.int/article/cop15-cbd-press-release-final-19dec2022)

In financial services, the Green Finance Strategy (March 2023) set out current and future Government action on sustainability including nature, including helpfully listing commitments made, and a summary of government action across sectors<sup>47</sup>. Other key developments include:

- The FCA's proposals for its **Sustainability Disclosure Requirements (SDR)** regime outlining key components of the UK sustainability framework to come.
- The **Environment Act 2021** which introduced targets for Government to achieve on nature recovery. There are now key pieces of legislation in place that definitively change a sector's relationship with nature.
- For property developers, **Biodiversity Net Gain (BNG)** brings in requirements to mitigate their impacts on nature.
- In agriculture the new **Environmental Land Management (ELMs)** system is moving public subsidy to support public goods such as clean air or habitat restoration that have wider public benefits. In addition, some elements of ELMs aim to attract private capital into nature restoration.

Our members operating in these sectors, and others, will need to be aware of and respond to these significant shifts shaping the operating landscape.

## II. Regulatory developments

Regulators across the world are increasingly focussed on nature and the accompanying risks.

### Global

An important moment was the March 2022 publication of a Statement of Nature-related Financial Risks by the **Network of Central Banks and Supervisors for Greening the Financial System (NGFS)** – a voluntary group who work together on environment and climate risk<sup>49</sup> - including the Bank of England.

This Statement summarised work underway since 2021, recognised the important role of financial institutions and said Governments should introduce policies that discourage harm to nature and remove harmful subsidies.

<sup>47</sup> [gov.uk/government/uploads/system/uploads/attachment\\_data/file/1154826/2023-green-finance-strategy-annexes.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/1154826/2023-green-finance-strategy-annexes.pdf)

<sup>48</sup> [tnfd.global/news/frances-article-29-biodiversity-disclosure-requirements-sign-of-whats-to-come](https://www.tnfd.global/news/frances-article-29-biodiversity-disclosure-requirements-sign-of-whats-to-come)

<sup>49</sup> [www.ngfs.net/en](https://www.ngfs.net/en)

### BOX 2 | CASE STUDY

#### France and nature policy

France has taken a leading role in driving action on biodiversity. Under Article 29 of the 2019 Energy & Climate Act, France introduced mandatory reporting on nature-related financial risks (applicable since 2022).

The decree builds on recent EU policy, for example in including the requirement to adopt the concept of double materiality.

Going forward, financial sector companies in France will be required to publish their strategy on biodiversity, including reducing impacts. This disclosure will need to include specific targets and align with international biodiversity goals.<sup>48</sup>



The NGFS conclude that *“nature-related risks, including those associated with biodiversity loss, could have significant macroeconomic implications, and that failure to account for, mitigate, and adapt to these implications is a source of risks for individual financial institutions as well as for financial stability.”*

The NGFS also highlighted:

- the difficulties of assessing nature-related risk, given for example, multiple factors driving nature degradation, the complexity of ecosystems, the “non-linearity and irreversibility” of some degradation, and assigning economic value to ecosystems and their services
- the important interactions of climate and nature challenges, both in terms of drivers and mitigating actions
- the need for a framework for analysing the interactions between nature, economy and financial system.

The NGFS included five recommendations for next steps for Central Banks and Supervisors, including to *“recognise biodiversity loss as a potential source of economic and financial risk and commit to developing a response strategy to maintain financial and price stability.”*<sup>51</sup>

## EU Regulators

In the EU, **insurance regulator EIOPA** have recently published a paper looking at nature-related risks in insurance, saying *“...the role of the insurance sector can be in contributing to the restoration and conservation of nature through investment and underwriting activity and to assess from a prudential perspective how nature-related risks can affect (re)insurers’ balance sheets and business more generally.”*<sup>52</sup> We can expect action from the EU regulator to follow: *“EIOPA aims to establish supervisory expectations for the management of nature-related risks and impacts in a step-by-step approach.”* This is in addition to substantial EU policy work on nature.

EU Member States are also taking action. For example, **France’s central bank** has concluded *“the losses of ecosystem services ...and the socio-economic changes required in response could generate major economic and financial risks”*,<sup>53</sup> leading to policy action (see case study above).

## UK Financial Services Regulators

UK regulators are doing more on nature. **The Bank of England’s** Executive Director for Financial Stability Strategy and Risk, Sarah Breeden, gave a speech on nature-related financial risk in September 2022. *“The Bank’s early work suggests that nature loss can lead to financial risks.”*<sup>54</sup> she said, and outlined work the Bank are undertaking to assess potential UK financial exposures from nature loss and degradation.<sup>55</sup>

The Bank will be publishing more during 2023, including work with the Green Finance Institute to *“quantify more effectively the potential UK financial exposures from nature loss and degradation”*,<sup>56,57</sup> and our members will be looking for actionable insight from these workstreams.

The **Financial Conduct Authority (FCA)** has also committed to publishing details of their approach to sustainability beyond climate and into nature, in their ESG Strategy and discussion paper DP23-1 Finance for positive sustainable change.<sup>58</sup> The FCA Business Plan 2021/22 had a core priority of *“Building an ESG capability beyond climate change”*. The FCA is a participant on the Transition Plan Taskforce (see below), and *“will draw on the TPT’s outputs to strengthen future disclosure rules for listed companies and financial firms.”*<sup>59</sup>

50 [ngfs.net/sites/default/files/medias/documents/statement\\_on\\_nature\\_related\\_financial\\_risks\\_-\\_final.pdf](https://ngfs.net/sites/default/files/medias/documents/statement_on_nature_related_financial_risks_-_final.pdf)

51 [ngfs.net/sites/default/files/medias/documents/statement\\_on\\_nature\\_related\\_financial\\_risks\\_-\\_final.pdf](https://ngfs.net/sites/default/files/medias/documents/statement_on_nature_related_financial_risks_-_final.pdf)

52 [eiopa.europa.eu/eiopa-explores-nature-related-risks-and-their-impact-insurers-staff-paper-2023-03-29\\_en](https://eiopa.europa.eu/eiopa-explores-nature-related-risks-and-their-impact-insurers-staff-paper-2023-03-29_en)

53 [banque-france.fr/sites/default/files/medias/documents/bdf237-7\\_en\\_biodiversity\\_vf.pdf](https://banque-france.fr/sites/default/files/medias/documents/bdf237-7_en_biodiversity_vf.pdf)

54 [bankofengland.co.uk/speech/2022/october/the-nature-of-risk-speech-by-sarah-breeden](https://bankofengland.co.uk/speech/2022/october/the-nature-of-risk-speech-by-sarah-breeden)

55 [gov.uk/government/uploads/system/uploads/attachment\\_data/file/1147377/mobilising-green-investment-2023-green-finance-strategy.pdf](https://gov.uk/government/uploads/system/uploads/attachment_data/file/1147377/mobilising-green-investment-2023-green-finance-strategy.pdf)

56 [gov.uk/government/uploads/system/uploads/attachment\\_data/file/1154826/2023-green-finance-strategy-annexes.pdf](https://gov.uk/government/uploads/system/uploads/attachment_data/file/1154826/2023-green-finance-strategy-annexes.pdf)

57 [greenfinanceinstitute.co.uk/gfihive/insights/uk-economys-nature-related-risk-to-be-assessed-for-the-first-time](https://greenfinanceinstitute.co.uk/gfihive/insights/uk-economys-nature-related-risk-to-be-assessed-for-the-first-time)

58 [fca.org.uk/publication/discussion/dp23-1\\_updated.pdf](https://fca.org.uk/publication/discussion/dp23-1_updated.pdf)

59 [transitiontaskforce.net/about](https://transitiontaskforce.net/about)

### III. Standards and frameworks

As with climate change, much of the focus on how businesses should protect nature is driven by standard-setting bodies, often working globally. The **International Sustainability Standards Board (ISSB)** was launched at COP26 to develop standards that will result in a “*high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets*”,<sup>60</sup> building out over time from climate change to wider sustainability issues. The ISSB will develop Biodiversity and Just Transition reporting standards once Climate Reporting Standards are published in 2023, and is currently consulting on its priorities for the next two years, including a specific project on biodiversity loss.<sup>61</sup>

The UK Government has committed to adopting ISSB standards,<sup>62</sup> and the FCA has committed to implementation of these standards.<sup>63</sup>

Also working globally, the **Taskforce on Nature-related Financial Disclosures (TNFD)** is developing a “*risk management and disclosure framework for organisations to report and act on evolving nature-related risks*”,<sup>64</sup> which will be published in September 2023. TNFD is explored further later on in this document.

The **Science Based Targets Network (SBTN)** is a collaborative alliance of NGOs set up to deliver resources that support companies’ science based targets for nature.<sup>65</sup> Their tools help firms understand and measure nature impacts and set targets for action. In May 2023, SBTN released the first science-based targets for nature designed to enable companies to start taking action on climate change and nature at the same time.<sup>66</sup> Using these methods, tools and guidance, 17 companies will be part of a pilot group to set nature targets this year.

In the UK, the **Transition Plan Taskforce (TPT)** launched by HM Treasury in April 2022 is developing best practice guidance on transition plans. Co-chaired by Aviva CEO Amanda Blanc and Treasury Minister Baroness Penn, the TPT is aligning with ISSB and other initiatives, in producing a Disclosure Framework and sector-specific guidance. The TPT has set up a working group tasked with providing recommendations on the integration of nature into transition plans. More information can be found in a WWF paper which covers expectations of credible climate and nature transition plans.<sup>67</sup>

The **British Standards Institute (BSI)** has launched a four year Nature Standards Investment Program,<sup>68</sup> in partnership with Defra, which will help to boost market confidence and increase private sector investment into nature recovery.

The publication of these tools, and parallel action from policymakers and from civil society will increase pressure on companies to undertake work on nature impact and action.

<sup>60</sup> [ifrs.org/groups/international-sustainability-standards-board](https://ifrs.org/groups/international-sustainability-standards-board)

<sup>61</sup> [ifrs.org/news-and-events/news/2023/05/issb-seeks-feedback-on-its-priorities-for-the-next-two-years](https://ifrs.org/news-and-events/news/2023/05/issb-seeks-feedback-on-its-priorities-for-the-next-two-years)

<sup>62</sup> [gov.uk/government/uploads/system/uploads/attachment\\_data/file/1031805/CCS0821102722-006\\_Green\\_Finance\\_Paper\\_2021\\_v6\\_Web\\_Accessible.pdf](https://gov.uk/government/uploads/system/uploads/attachment_data/file/1031805/CCS0821102722-006_Green_Finance_Paper_2021_v6_Web_Accessible.pdf)

<sup>63</sup> [fca.org.uk/publication/discussion/dp23-1\\_updated.pdf](https://fca.org.uk/publication/discussion/dp23-1_updated.pdf)

<sup>64</sup> [tnfd.global](https://tnfd.global)

<sup>65</sup> [sciencebasedtargets.org/about-us/sbtn](https://sciencebasedtargets.org/about-us/sbtn)

<sup>66</sup> [sciencebasedtargetsnetwork.org/news/business/the-first-corporate-science-based-targets-for-nature-are-here](https://sciencebasedtargetsnetwork.org/news/business/the-first-corporate-science-based-targets-for-nature-are-here)

<sup>67</sup> [wwfint.awsassets.panda.org/downloads/wwf\\_credible\\_transition\\_final.pdf](https://wwfint.awsassets.panda.org/downloads/wwf_credible_transition_final.pdf)

<sup>68</sup> [bsigroup.com/en-GB/about-bsi/uk-national-standards-body/sustainability-and-climate-action/nature-investment](https://bsigroup.com/en-GB/about-bsi/uk-national-standards-body/sustainability-and-climate-action/nature-investment)

## IV. Investor groups

Investors in a particular sector have long driven changes to make company policies and practices sustainable, and our sector is no exception.

While many ABI members are already part of investor alliances and coalitions, they will also be subject to scrutiny from those same groups. In turn, investors, and investor groups, and their associated stances and actions are scrutinised by NGOs and civil society, further prompting action.

Investor demand for information from the companies they invest in is a significant driver of standards and frameworks. In addition, investors often come together to engage with companies on specific issues, such as deforestation.

Notable examples of these alliances are the Finance for Biodiversity Foundation, Nature Action 100 and the Natural Capital Investment Alliance.

The **Finance for Biodiversity Foundation (FfB)** brings together 140 financial institutions, with combined assets under management of €19.7 trillion, who have signed the FfB Pledge committing to halt and reverse nature loss by 2030.<sup>69</sup> The FfB Foundation enables collaborative investor action across public policy, target setting, engagement and impact assessment.<sup>70</sup>

**Nature Action 100** is a new investor-led initiative engaging with systemically important companies and aiming to meet the goal of reversing nature loss by 2030<sup>71</sup> (see Box 3).

The climate-focused investor alliance, **Institutional Investors Group on Climate Change (IIGCC)**, has recently articulated the urgent need for investors to take action on biodiversity.<sup>72</sup>

Launched in 2021 as part of the Sustainable Markets Initiative, the **Natural Capital Investment Alliance (NCIA)**<sup>73</sup> was formed to help mobilise investment in nature-based economic opportunities, and aims to attract members from the finance community to create scale and synergies between mainstream asset owners and asset managers.

<sup>69</sup> [financeforbiodiversity.org/ffb-foundation-celebrates-15-new-signatories-on-world-biodiversity-day](https://financeforbiodiversity.org/ffb-foundation-celebrates-15-new-signatories-on-world-biodiversity-day)

<sup>70</sup> [financeforbiodiversity.org/global-investors-developing-new-collaborative-engagement-initiative-to-drive-nature-action](https://financeforbiodiversity.org/global-investors-developing-new-collaborative-engagement-initiative-to-drive-nature-action)

<sup>71</sup> [natureaction100.org](https://natureaction100.org)

<sup>72</sup> [iigcc.org/download/the-biodiversity-imperative-for-investors-horizon-scan-of-key-initiatives](https://iigcc.org/download/the-biodiversity-imperative-for-investors-horizon-scan-of-key-initiatives)

<sup>73</sup> [sustainable-markets.org/ncia](https://sustainable-markets.org/ncia)

<sup>74</sup> [natureaction100.org/at-cop15-investors-announce-nature-action-100-to-tackle-nature-loss-and-biodiversity-decline](https://natureaction100.org/at-cop15-investors-announce-nature-action-100-to-tackle-nature-loss-and-biodiversity-decline)

### BOX 3 | CASE STUDY

#### Investor pressure case study: Nature Action 100

Announced at COP15, Nature Action 100 is a new global engagement initiative which focuses on investors driving urgent action on the nature-related risks and dependencies in the companies they own. The initiative will focus on systemically important sectors and identify 100 focus companies for investor engagement, then support and track progress on those engagements.

#### **Liudmila Strakodonskaya, Responsible Investment Analyst at AXA, said:**

*“Nature protection is a challenge that needs to be addressed to preserve the existence of our societies and global economies. Companies and investors must integrate nature and biodiversity considerations in their research, engagement and investment processes. Dialogue between companies and investors then becomes fundamental to drive collective action. ... With this initiative, we hope to bring change by encouraging corporates, investors and policy makers to take robust and timely actions to address this global challenge.”<sup>74</sup>*

# 3

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## How our members can act

## Where can insurance and long-term savings providers start to play their part in responding to the nature crisis?

So far, this Guide has set out the evidence around the nature crisis, the clear links and risks to all companies including our members, and the speed of developments across policy, regulation, standards and frameworks, and investors. Now we turn to action.

Insurers and long-term savings providers, as companies with an active role across the economy and society, are keen to play their part. Knowing where to start, what to do and in what order is especially hard in such a new realm as nature impact analysis and action.

In this section we'll explore some of the different steps that our members can take. The infographic below offers one way of thinking about action on nature. There are other approaches and/or other categorisations that will make more sense to some firms. What is more important is to choose an approach and start the work that leads to action.



**Figure 6: Core actions in a virtuous circle**

Core actions are represented by blue arrows and supporting actions are shown in green circles.



Knowing where to start, what to do and in what order is especially hard in such a new realm as nature impact.

It is worth stating that this work is only worth it if it leads to actual improvements in the state of nature. Whilst approaches may still be developing at this stage, starting to take action now is critical to address and improve the state of nature, particularly as we face tipping points.

The good news is that many of the steps reflect action that has been trailblazed by our members in their climate change work. Some of our members are already showing leadership in this space – as the case studies throughout this document show.

## Where to start

Firms' next steps need to balance the necessity for action with the still-early stage of many parts of the nature jigsaw – data, standards, frameworks, expertise and the results of pilots, for example.

As yet, understanding your impact on a whole-firm basis is not possible, especially given the nature of ABI members' business models and the local character of many nature risks. For example, our members often play many roles in the economic (and natural) realms at the same time:

- running their own operations
- as insurers across a range of economic sectors
- underwriting a broad range of different products
- with individual and business customers
- often intermediated relationships with customers
- with broad, complex supply / value chains
- with sophisticated claims handling processes
- as asset owners and asset managers



Firms' next steps need to balance the necessity for action with the still-early stage of many parts of the nature jigsaw – data, standards, frameworks, expertise and the results of pilots, for example.



The process for our members to play their part in tackling the nature crisis has four parts at its core (see Figure 6):

- understanding your impact
- evaluating risks
- seizing opportunities, taking action and setting targets
- disclosure and reporting

It is worth noting that as the architecture around nature is still in the development stage (albeit evolving at pace), different frameworks may use different terminology. While this has the potential to lead to confusion, it is worth remembering that the underlying processes are the same in essence, and the terminology will be agreed upon and codified through developments such as the TNFD. Learning from action underway in ABI member firms, and learning lessons from climate change work in firms, there are a number of common-sense steps that have been highlighted by our research and that firms can take.

- 1 Using documents such as this as a Guide, scope out which **external organisations to lean on** for expertise and guidance, and whether to participate in their work
- 2 Develop a **heatmap** cross referencing exposures with sectors/geography as an initial estimation of impacts, and use this to Guide areas of focus
- 3 Set up a **working group** with members across business units, with a focus on areas of expected high impact, and including strategy, risk, and finance colleagues
- 4 Scope out **guiding principles** for this early stage of the work, covering scope, governance, accountability, to help clearly formulate the firm's ambition on nature
- 5 Look at **best practice**: the process and tools used by some of the 'early mover' firms in the sector
- 6 Identify the **tools** (risk analysis, data etc) that the firm will use (see Annex for resources)
- 7 Build up a **plan for Year One**, including identifying resource or expertise gaps, and how you will work around data gaps, for example use of proxy data
- 8 Building on the heatmap, investigate areas of **highest likely impact**, which could be key sectors in your insurance or investment markets, or 'sectors' of nature e.g. deforestation.
- 9 On an ongoing basis, **revisit plans and ambitions levels** to reflect changing landscapes

#### BOX 4 | CASE STUDY

##### Scottish Widows: Building an understanding of your impact

When understanding impact from their asset base, Scottish Widows has both externally managed unit-linked products as well as internal funds. External funds can be pooled vehicles used within pension products or relate to the vast array of third-party managers that customers choose in their pension.

Scottish Widows undertook significant work using a data platform to help obtain accurate and timely fund information for a portfolio running into the hundreds of billions. With this platform in place, Scottish Widows is now prepared to analyse different segments of their investment book and the entire investment universe with relative ease.

Their investment team can assess, in a consistent manner, any instance of an individual company or subsidiary held within our their portfolio to provide an aggregated picture of company exposure at a given date.

To complete their inaugural nature impact heatmap Scottish Widows focused on deforestation (based on sector and geography). Their asset data was already appropriately arranged so they only needed to import company data.

Looking to the future, Scottish Widows are focused on the challenge of finding and using improved data to increase confidence the outputs of nature-related analysis is a more accurate reflection of a company's footprint.

## Understanding your impact

*“It is ... critical to take stock of whether and how the insurance industry is contributing to nature loss.”<sup>75</sup>*

As outlined in Chapter 1, there are many recognised challenges to understanding nature impacts and risks. However, this does not mean you cannot start the process, and have a real-world positive impact, using tools and data that are already available. For example, across both insurance and investment, there are:

- tools such as TNFD’s LEAP methodology, which has a specific approach for financial institutions<sup>76</sup>
- aspects of nature which have reached a more mature level of analysis i.e. deforestation, World Heritage Sites
- sectors of the economy where regulations and subsidies have already changed to be more pro-nature i.e. agriculture and the Environmental Land Management regime or development and the Biodiversity Net Gain regulations
- developments such as nature-based solutions i.e. alternative land management upstream to prevent flooding downstream
- rapidly rising availability of best practice to incorporate nature into climate-driven actions such as tree planting or offshore wind turbines.

Understanding your impact is best done step by step – starting with the areas we understand the best currently, and working out over time to widen the scope. There is already useful best practice within the sector, to help firms avoid needing to reinvent the wheel as they start.

The exact balance of impact of direct operations versus underwriting/ investment portfolios for our members will be different from other sectors. Whilst it is expected that, like carbon, the nature “footprint” from operations is likely to be orders of magnitude lower than across portfolios, the ability to effect change is inversely proportional (i.e. you will likely see more change, more quickly in your own operations than across your own portfolios).

Action on direct operations will also be important given the sector’s substantial collective office and employee footprint in the UK. Local action at this level can deliver some early wins, engage management and employees with tangible results, and demonstrate impact on a geographic basis that makes sense for nature.

<sup>75</sup> [sustainableinsuranceforum.org/view\\_pdf.php?pdf\\_file=wp-content/uploads/2021/11/UN\\_Nature-Related-Risks-in-the-Global-Insurance-Sector\\_v9.pdf](https://sustainableinsuranceforum.org/view_pdf.php?pdf_file=wp-content/uploads/2021/11/UN_Nature-Related-Risks-in-the-Global-Insurance-Sector_v9.pdf)

<sup>76</sup> [tnfd.global/leap-the-risk-and-opportunity-assessment-approach](https://tnfd.global/leap-the-risk-and-opportunity-assessment-approach)

<sup>77</sup> [gfanzero.com/press/statement-on-deforestation-financing-from-the-co-chairs-and-vice-chair-of-gfanz](https://gfanzero.com/press/statement-on-deforestation-financing-from-the-co-chairs-and-vice-chair-of-gfanz)

<sup>78</sup> [racetozero.unfccc.int/wp-content/uploads/2021/11/DFE-Commitment-Letter-.pdf](https://racetozero.unfccc.int/wp-content/uploads/2021/11/DFE-Commitment-Letter-.pdf)

### BOX 5 | CASE STUDY

#### A more developed area for impact analysis: Deforestation

Tackling deforestation is a good example of an area where, despite the limitations, firms can build a picture of their exposure and start to take action, as the available tools and data are more mature than with other areas of nature.

Expectations of action are also rising. For example, GFANZ has said *“transition plans that lack objectives and clear targets to eliminate and reverse deforestation are incomplete.”*<sup>77</sup>

Whilst company-specific information on deforestation is often not yet available, there are tools that can help understand exposure to deforestation risk, such as CDP Forests, Forest 500 and Global Forest Watch. Deforestation-related data from Forest 500 could be cross-referenced with portfolio holdings and then sorted by relative impact, to inform either further analysis or engagement.

Firms may also need to use country- and sector-level mapping to inform their initial analysis, but even these high-level tools can deliver action-ready insight that can feed into investment engagement strategies, for example.

Firms can also join collective action such as the Finance Sector Deforestation Action Group<sup>78</sup>, which involves a commitment on eliminating agricultural commodity-driven deforestation, and co-ordinated engagement with priority companies.

You can also work with others taking action in your local areas, to support or amplify their work. Even small steps, like creating spaces for nature around your offices, might help support actions others are taking in gardens or in local green spaces. While this may only be a small part of your strategy, it should not be discounted.

## Evaluating risks

*“It is clear that there are significant challenges in identifying and sizing nature-related financial risks.”* Sarah Breedon, Executive Director for Financial Stability Strategy and Risk at the Bank of England speech, October 2022.<sup>79</sup>

*“According to a recent global survey of the insurance industry, half ... believed that nature-related risks are material for their underwriting business.”*<sup>80</sup> CISL

Work on this topic, for example by ClimateWise, has highlighted that there are currently various hurdles to assessing nature-related risks in underwriting, and many of these are also present when assessing investments, own operations, claims handling and supply chains. Key barriers include a lack of data, an absence of guiding regulation or government policy, the need for increased awareness from senior leaders and a small base of technical expertise in-house and from external experts.

There will also be slightly different approaches and outcomes depending on whether the firm is a general insurer or a life insurer. All three types of nature-related financial risk, explained in Chapter 1 and in Figure 3, must be considered: physical, transition and liability risks.

Evaluating nature-related risks will be remain a work in progress for some time for any firm starting out. It is also true that risk profiles (and opportunities) will evolve over time.



Evaluating nature-related risks will be remain a work in progress for some time for any firm starting out. It is also true that risk profiles (and opportunities) will evolve over time.

<sup>79</sup> [bankofengland.co.uk/speech/2022/october/the-nature-of-risk-speech-by-sarah-breedon](https://www.bankofengland.co.uk/speech/2022/october/the-nature-of-risk-speech-by-sarah-breedon)

<sup>80</sup> [www.cisl.cam.ac.uk/files/why\\_nature\\_matters.pdf](https://www.cisl.cam.ac.uk/files/why_nature_matters.pdf)

There are many specific resources that ABI members will find useful to explore next steps:

- ClimateWise’s Roadmap on “Identification and integration of nature-related risks and impacts in underwriting and insurance brokerage”.
- assessment of nature-related physical risks to various economic sectors in the Sustainable Insurance Forum study “Nature-related Risks in the Global Insurance Sector”.
- Green Finance Institute / Broadway Institute / Finance Earth “Financing UK Nature Recovery Recommendations and Roadmap Report”.
- sectoral analysis tools, such as the ENCORE database, the Science Based Targets Network sector level materiality tool and the WWF Biodiversity Risk Filter.

## Seizing opportunities, taking action and setting targets

As well as the risks, this rapidly changing policy and regulatory framework presents many opportunities. Early impact and risk work will identify focus areas for action.

Building on impact and risk analysis covered above, the industry has a huge opportunity to play a leadership role, serve its customers, reduce premiums, develop new products that support nature’s recovery, and help intermediaries and customers play their part (individual and business customers). Actions can be taken both to reduce nature loss, and to actively restore nature. Where to focus a firm’s efforts will be Guided by the conclusions from the impact and risk assessments, and from participating in pilots.

Moreover, the close relationship between tackling the climate and nature crises is well documented, and action on climate offers a route to support nature. For example, as part of their trajectory to meet net zero targets, many companies are using carbon offsets / credits. Firms should examine offsetting schemes such as tree planting to ensure that biodiversity is not harmed, and even enhanced, through evaluation of the broadest set of co-benefits, scheme design and delivery.

In addition, many firms will find that their assessment of the climate–nature nexus is a fruitful time to also evaluate and address the social aspect of their impacts.

### BOX 6 | CASE STUDY

#### NFU Mutual: Supporting Nature on their own sites

NFU Mutual has 14 hectares of open green space across its Stratford-upon-Avon sites, with over 1,000 trees of 79 different species. They operate a number of initiatives to encourage nature and biodiversity and prevent nature loss.

These include: wildflower gardens to encourage flying insects, and in turn, bats; log piles to provide habitats for insects, fungi, mosses and lichens; bird feeding stations; bee hotels; and bird and owl boxes.

Signs explain the benefits to employees, to help raise awareness and educate employees on what they could do at home. NFU Mutual also supports employee action through its volunteering scheme – in 2022, 54% of employee volunteering hours were supporting local nature and biodiversity initiatives.

The close relationship between tackling the climate and nature crises is well documented, and action on climate offers a route to support nature.

## Nature-related targets

The first step in taking action is being clear about what you are setting out to achieve. Using the information gathered in understanding your impact and the risk assessment, firms should be looking to set nature-related targets.

Although initial targets may be high level or partial in scope, efforts to limit harm to and restore nature risk being ineffective and misdirected without them. In addition, the setting of and reporting against targets for external and internal accountability brings a discipline which is invaluable in an area as potentially diverse and nascent as biodiversity.

Furthermore, setting targets will drive focus in some key areas for progress such as assessment and availability of data, decisions on baselines and metric development.

As with all the steps outlined in this document, there are tools that can help firms with target setting, such as SBTN guidance, and which cover useful topics (for example metrics).

## Opportunities for action

The table on the next page outlines the principal opportunities for action, building on ClimateWise's four approaches.<sup>81</sup> At this stage, some approaches (such as building nature in to net zero action) are much more immediate, available and cost effective than others.

### BOX 7 | CASE STUDY

#### Zurich: Nature-based solutions as part of operational net zero targets

Zurich is supporting biomass burial as part of its operational net-zero target. Plants and trees return CO<sub>2</sub> to the atmosphere when they die and decay. But biomass burial locks up this carbon by burying it underground or in saline pits to avoid composting.

Zurich is engaged with InterEarth, who takes this process a step further by growing indigenous trees on degraded and previously cleared farmland in Australia. The trees are harvested, and the collected biomass is buried underground in a sealed cavity. The roots are left in the ground allowing the trees to regrow and be harvested again, allowing the burial process to be repeated to capture and permanently store carbon for hundreds of years.



<sup>81</sup> [cisl.cam.ac.uk/files/why\\_nature\\_matters.pdf](https://cisl.cam.ac.uk/files/why_nature_matters.pdf)

Table 1: Principle opportunities for action

APPROACH	EXAMPLE ACTIONS
<b>1. Incentivising</b> nature-positive behaviours with clients and customers	<ul style="list-style-type: none"> <li>• Educating and incentivising insurance customers to take actions that reduce nature risk</li> <li>• Giving advice on adaptation resilience (such as how to protect buildings from flooding or heat waves)</li> </ul>
<b>2. Innovating</b> in asset protection (including insurance cover for natural infrastructure)	<ul style="list-style-type: none"> <li>• Insurance for providers and users of nature-positive credits</li> <li>• Innovations in ecosystem insurance (specialised cover for environmentally significant sites, reflecting associated revenue streams such as tourism and hospitality)</li> </ul>
<b>3. Financing</b> through capital flows and, where appropriate, carbon credits and offsetting	<ul style="list-style-type: none"> <li>• Scaling up investment in nature-positive businesses or projects, alongside targets to reduce nature-damaging activities</li> <li>• Underwriting or investing in sustainable or green bonds</li> <li>• Investing in high integrity nature-positive credits and voluntary carbon offsetting markets</li> </ul>
<b>4. Extending</b> net zero strategies into nature-positive strategies and actions	<ul style="list-style-type: none"> <li>• Review net zero targets and transition plans for biodiversity impact</li> <li>• Ensure any carbon credits have a biodiversity co-benefit</li> <li>• Acknowledge, communicate and address potential trade-offs and synergies between net zero and biodiversity actions</li> </ul>
<b>5. Collaborating</b> with governments, industry and other stakeholders	<ul style="list-style-type: none"> <li>• Work with industry peers, academic experts and other stakeholders to improve datasets, evaluate actions and share best practice</li> <li>• Use this enhanced evidence base to advocate for policy and regulatory change</li> </ul>

## BOX 8 | CASE STUDY

### Swiss Re: Insuring nature-based solutions

The island of Texel – a World Heritage Site in the Netherlands - is considered the world's largest tidal flat system and is protected by the Prince Hendrik Sand Dyke. To mitigate the risk of rising sea levels and avoid any danger of major failure, local authorities looked for an innovative solution, placing five million cubic meters

of sand and planted two million marram grasses to create a landscape gradient that not only protected the dyke from erosion but enhanced the local natural habitat. The project also delivered additional benefits in fish production, climate regulation and water quality regulation.

This project was one of the biggest dyke reinforcement operations in the Netherlands, and Swiss Re supported the construction with a 'Construction All Risks' (CAR) policy - traditional insurance cover for an innovative project.

**BOX 9****Investing in Nature**

Goal D of the Global Biodiversity Framework addressed “closing the biodiversity finance gap of 700 billion dollars per year, and aligning financial flows with the Kunming-Montreal Global Biodiversity Framework and the 2050 Vision for Biodiversity.”<sup>82</sup>

It is clear that much needs to change in order to close the biodiversity finance gap. Nature and environmental markets are still at the early stages of development, with investment principles and practice, market infrastructure and a pipeline of investible propositions still yet to be defined in full.

Estimates for required funding above current public commitments to meet UK nature-related targets range between £4.4 billion to £9.7 billion per year. These figures highlight the growing importance of direct, private investment in nature to meet the scale of this challenge.

Investing in nature covers a wide range of potential activities. This document does not attempt to cover off the details of what are fast evolving and often complex areas of innovation. The recent UK Government document on a Nature Markets Framework<sup>83</sup> outlines plans to scale up private investment in nature recovery and sustainable farming. The Resources annex has more information on where to look for further understanding.

For many companies, a key activity will be understanding their exposure through investments that are harmful to biodiversity, and choosing a path of action either engaging with investees to reduce the impact or shift capital away from such harmful activities. As notes elsewhere, firms’ ability to take action is heavily dependent on the availability and disclosure of company-level impact data.

The Global Biodiversity Framework embraced private and blended finance as being key to securing the investment in nature that is required – although there is much work in train and pilot programmes, these innovative financing mechanisms still need to be fully developed to a scale where investment can flow at the necessary scale.

Given the early stage of many parts of the market, governments have a crucial role to play in helping to create nature-related investment opportunities that are commercially viable for the private sector through blended finance or public private partnership solutions.

The GBF also talked about stimulating innovative schemes such as payments for ecosystem services, green bonds, biodiversity offsets and credits. These last two in particular are rapidly growing in prominence, in the UK and around the world.

**BOX 10 | CASE STUDY****Aviva: Financing nature**

Aviva’s announcement in March 2021 committed an initial £100m to the best nature based interventions to remove carbon from the atmosphere and positively contribute to the nature and biodiversity crisis.

Over the last year they have funded native tree afforestation in Ireland, provided £38m to the Wildlife Trust to help in temperate rainforest restoration, announced a £10m donation to the Woodland Trust to support its Woodland Carbon Scheme, and £21m to the Wildfowl & Wetland Trust for research and development of saltmarsh habitats. These projects will also provide other social and economic benefits to communities such as improved air quality, and flood resilience.

<sup>82</sup> [cbd.int/doc/c/e6d3/cd1d/daf663719a03902a9b116c34/cop-15-l-25-en.pdf](https://cbd.int/doc/c/e6d3/cd1d/daf663719a03902a9b116c34/cop-15-l-25-en.pdf)

<sup>83</sup> [gov.uk/government/publications/nature-markets](https://gov.uk/government/publications/nature-markets)

**BOX 11 | CASE STUDY****Scottish Widows:  
Investing in nature**

As part of a suite of new strategies, Scottish Widows has, with fund manager Schroders, launched a Global Environmental Solutions Fund. By targeting companies providing products and solutions – or delivering actions through their own policies – that help tackle critical environmental issues, Scottish Widows is taking steps towards driving major investment into better outcomes for the environment and customers.

Companies in scope include those that are involved in advancing alternative energy generation and supply, clean mobility, transport and infrastructure sustainability, forestry, sustainable agriculture, biodiversity preservation and pollution prevention.

Scottish Widows recognises the imperative to support companies attempting to drive change, and as such the fund also considers those that are directing 20% of capital expenditure to the adaptation of their business and those exerting influence through their policies and practices over their supply chains or customers to reduce emissions.

Additionally, Schroders will look to eliminate exposure to commodity-driven deforestation in the companies held in the fund by 2025.

**BOX 12 | CASE STUDY****Flood Re:  
Partnership for flood management**

Flood Re became one of the partners in the Wyre Valley Natural Flood Management (NFM) Pilot, which seeks to track the avoided losses due to natural flood risk management and pilot a new business model for implementing nature-based solutions, including an innovative blended finance model to reduce flooding and achieve other benefits through NFM.

Partners in the project include Defra, United Utilities, the Environment Agency, Co-op Insurance, Esmée Fairbairn Foundation (EFF), The Rivers Trust and Triodos Bank UK. Flood Re has provided financial support for research and monitoring activities in order to establish an evidence base for the effectiveness of interventions on flows and retention of water, and initially provided staff time and expertise to develop the model to estimate the impact of interventions and likely benefits (e.g. risk reduction).

The project will combine multiple revenue and benefit streams, with both adaptation (natural flood management) and mitigation (carbon sequestration) benefits. March 2022 represented the official start of the project, the landscape interventions that make up the project (including 1700-plus leaky dams, 42 ponds, 10km of hedgerows, and 39 ha of woodland creation) started to be installed from autumn 2022, and the first phase of the project will run until 2031, measuring the year-over-year effectiveness of the measures.



## Disclosure and reporting

In an area closely mirroring developments in climate change work, the practice of nature-related disclosures and reporting has come a long way in a short period of time.

Public disclosure and reporting is a key lever to driving private-sector action on nature:

- disclosure of nature-related impacts in real economy firms will drive the availability of information for ABI members to use in their own actions, assessments, products, strategies and disclosures. This dependency should not be overlooked.
- disclosure and reporting bring accountability to firms' targets and progress against those targets
- the insurance and long-term savings sector has an opportunity to show leadership and make progress on the disclosure and reporting we will be requiring from real economy firms.

Effective disclosure is dependent on the earlier step of adopting nature-related targets, provided a mature set of metrics is available. In nature, metrics are still evolving and part of testing in pilots, and firms in all sectors will follow their development closely. Firms use of metrics, and so their disclosures, will evolve over time as more comprehensive measures are being developed.

Tools for disclosure and reporting are being rapidly developed. Many firms will already be familiar with the Taskforce on Nature-related Financial Disclosures (TNFD) whose full framework will be released in September 2023, and which will feed into the ISSB, and so into UK policy and regulation.

TNFD uses the TCFD prioritisation categories of financial services, with insurers, asset owners and asset managers being three of the four priority groups.

ABI members who look at TNFD will be able to benefit from the insight gained through the 130 TNFD pilots that are underway or completed, of which 72 are by financial institutions.

### BOX 13 | CASE STUDY

#### Phoenix Group pilots the TNFD LEAP FI approach

Phoenix Group is leading a pilot to test the TNFD LEAP FI (Locate, Evaluate, Assess and Prepare) assessment approach, as they consider the identification and measurement of nature-related impacts and dependencies as foundational to strategy development and future reporting.

They are working with three asset management partners and a selection of data providers.

Phoenix first selected the investment portfolios across listed equity and credit given they are Phoenix's largest asset class exposures with favourable data availability.

They also selected some natural capital asset projects to allow internal capability building in preparation for future potential investments in nature-based solutions.

A specific methodology for locate and evaluate was then designed. The designed method drew upon TNFD guidance on core metrics and leading ESG datasets; and considered impacts and dependencies at portfolio, sectoral and company level.

Through a collaborative approach, they are sharing expertise and understanding; key to mobilising global efforts as we work towards a nature-positive future.

In addition to the TNFD, there are the Sustainability Disclosure Standards that are currently in development by the International Sustainability Standards Board (ISSB), and the Science Based Targets for Nature Guidance for Business,<sup>84</sup> World Business Council for Sustainable Development (WBCSD) practitioner Guide<sup>85</sup> and the Natural Capital Protocol.<sup>86</sup>

Business for Nature summarises many of these tools in its High-Level Business Actions on Nature.<sup>87</sup>

## Supporting actions

Outside of the core activities, there are other important steps that ABI members can take:

### Learning and resourcing

The topic of nature can appear intimidating. Nature's universal presence, importance to humans and economies, and complex interactions and dependencies that characterise ecosystems at every level can feel overwhelming. However, the experiences of our members who have already begun their work on nature shows that the impact and risk assessment steps above quickly narrow down the field of relevance to a much more manageable scope. Firms can helpfully supplement this process by increasing their organisational knowledge and skills on this topic. There are now well-designed targeted training options – see boxes 14 and 15 for examples.

This is a worthwhile investment for our members, with regulatory expectations rising in this space, and opportunities to participate in projects that are shaping future frameworks and tools. The FCA's Discussion Paper 23-1 has a chapter on training and competence around sustainability. The Transition Plan Taskforce Disclosure Framework, also cited by FCA in DP23-1, talks about *“Skills, competencies and knowledge across the organisation to effectively design, develop and deliver the transition plan.”*

Resourcing requirements will vary by firm, but there are growing opportunities to work in partnership with other businesses and learn from external experts. In addition, given the similarities, many firms will be able to build out the capacity of their climate change work to encompass progress on nature.

#### BOX 14 | CASE STUDY

### Scottish Widows: Working with the Zoological Society of London

The Responsible Investments team at Scottish Widows has recognised the importance of partnering with external experts on nature and biodiversity and has thus embarked upon an ambitious educational trajectory. Most notably, the team has partnered with the Zoological Society of London to complete specialised training focused on biodiversity in finance and soft commodity value chains, with deep dives into areas like palm oil, tropical forestry and natural rubber.

Recognising the need to drive awareness and embed capability throughout the whole business – and not just responsible investment – the team supported this imperative through rolling out this training opportunity across colleagues from various business lines, including areas like risk, finance and audit. Knowledge acquired from the training has supported Scottish Widows' efforts in placing nature at the core of their thinking as they look to embrace the theme across business operations, investment and stewardship.

Resourcing requirements will vary by firm, but there are growing opportunities to work in partnership with other businesses and learn from external experts.

<sup>84</sup> [sciencebasedtargetsnetwork.org/take-action-now/take-action-as-a-company/what-you-can-do-now](https://sciencebasedtargetsnetwork.org/take-action-now/take-action-as-a-company/what-you-can-do-now)

<sup>85</sup> [wbcsd.org/Programs/Food-and-Nature/Nature/Nature-Positive/Resources/What-does-nature-positive-mean-for-business](https://wbcsd.org/Programs/Food-and-Nature/Nature/Nature-Positive/Resources/What-does-nature-positive-mean-for-business)

<sup>86</sup> [capitalscoalition.org/capitals-approach/natural-capital-protocol/2fwp\\_filter\\_tabs=guide\\_supplement](https://capitalscoalition.org/capitals-approach/natural-capital-protocol/2fwp_filter_tabs=guide_supplement)

<sup>87</sup> [businessfornature.org/high-level-business-actions-on-nature](https://businessfornature.org/high-level-business-actions-on-nature)

## Joining alliances

ABI members can demonstrate their commitment to tackling the biodiversity crisis through membership of a number of groups that have emerged recently, and using that membership to support industry action on nature and Government policy work.

- The Finance for Biodiversity Foundation is an alliance of financial institutions who call for and commit to take ambitious action on biodiversity. The majority of the 126 current signatories are from Europe and North America. Members commit to steps on nature including impact assessment, target setting and disclosure. [financeforbiodiversity.org](https://financeforbiodiversity.org)
- Business for Nature is a global coalition of businesses and conservation organisations who encourage companies to commit and act to reverse nature loss, and advocate for greater policy ambition. [businessfornature.org](https://businessfornature.org)

Although not a membership organisation, Naturance is a project looking at a combination of disaster risk financing and Nature-based solutions investments. [naturanceproject.eu](https://naturanceproject.eu)

For companies looking at biodiversity as part of the range of ESG issues, there are groups that can support progress:

- ClimateWise is the part of the University of Cambridge Institute for Sustainability Leadership that brings together and supports the insurance industry to better communicate, disclose and respond to the risks and opportunities associated with climate and nature. [cisl.cam.ac.uk/business-action/sustainable-finance/climatewise](https://cisl.cam.ac.uk/business-action/sustainable-finance/climatewise)
- UN Principles for Sustainable Insurance is a global framework across all aspects of ESG, with 149 insurance company members, representing 33% of global premiums. Members commit to four principles. [unepfi.org/insurance/insurance](https://unepfi.org/insurance/insurance)
- The former Prince of Wales' Sustainable Markets Initiative mission is to enable the private sector to accelerate the transition to a sustainable future. Its Task Forces includes Asset Managers/Asset Owners, and Insurance. As an example, the Insurance TF has developed guidance on developing sustainable supply chains in insurance. [sustainable-markets.org](https://sustainable-markets.org)

### BOX 15 | CASE STUDY

#### Earthwatch

Earthwatch Europe is a science-based environmental charity with considerable experience partnering with financial services firms, offering sustainability learning programmes through a combination of facilitated workshops, coaching, dialogue and nature-based experiences. Participants reconnect with the global imperative for sustainability, exploring our planetary boundaries and the complex interactions between nature, economy and society. Their learning programmes support participants to:

- Deepen their understanding of sustainability as it relates to the planet, community and business
- Explore personal values and purpose in relation to nature and the environment
- Deepen their connection to nature and their awareness of how this can support them in their business

Earthwatch work with individual businesses to design programmes at three different levels:

- Sustainable leadership: how to inspire, influence, and collaborate with others to drive positive change
- Sustainable operations: how to measure, manage, and reduce environmental impacts across the value chain
- Sustainable people: how to foster a culture of wellbeing, engagement, and action among employees

In addition, there are groups that were established to promote action on climate change principally who are now turning their attention to biodiversity as well. This is partly because goals on climate change cannot be reached without considering biodiversity, and partly because the biodiversity crisis requires action in and of itself. For example, the Recommendations and Guidance on Financial Institution Net Zero Transition Plans, issued by GFANZ, includes nature throughout the guidance, and in a chapter of the Supplementary Information.

## Governance

*“... it is increasingly important to understand the governance and risk management context in which financial results are achieved.”<sup>88</sup> TCFD*

Good governance, done well, is a key driver of considered and effective action, not least through leadership buy-in and enabling meaningful action on nature across the organisation.

Governance has an especially important role to play on nature, as the timescales for when risks may escalate are uncertain, while the policy and regulatory framework is evolving rapidly.

Our members will already be familiar with existing regulatory expectations and TCFD recommendations around governance (one of 4 core areas in TCFD), for example:

- the role of the Board
- the role of management, and assigned responsibilities
- how firm strategy builds on risk assessment, and risk management processes
- the extent of consideration of climate (in this case) in reviewing and executing plans, strategies and budget decisions
- the extent of monitoring of progress against goals and targets.

Firms with established climate change-related governance may find it relatively straightforward to expand these roles and structures to include nature-related considerations.

There is much useful information available for firms to draw on. For example, the FCA's Discussion Paper DP 23-1 includes a chapter on aspects of governance such as metrics and targets, internal culture, remuneration and incentives around sustainability.



Governance has an especially important role to play on nature, as the timescales for when risks may escalate are uncertain, while the policy and regulatory framework is evolving rapidly.

<sup>88</sup> [bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf](https://bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf)

## Influence

Our members have a significant impact on local and national economies, employment levels, training, tax receipts by the Exchequer, and more. With this impact comes a voice.

We can use this voice – with intermediaries, corporate and personal customers, with Government Ministers, officials and legislators, and collectively through trade bodies such as the ABI – to encourage the development of a policy and regulatory framework that makes tackling the nature crisis easier for each company. In Chapter 4 below we cover specifics of what some immediate next steps would be helpful in this regard.

Firms should look to develop their own set of ‘asks’ and build them into their engagement and influence work. Such engagement with government is increasingly an expectation. For example, it features as part of the recommendations of the Transition Plan Taskforce Disclosure Framework.

## Working with our customers

Target 15 of the Global Biodiversity Framework explicitly discusses promoting sustainable consumption patterns. Consumer focus on biodiversity is increasing: for example, the CBD issued research showing 82% of respondents believe that companies have a moral obligation to ensure a positive impact on people and biodiversity.<sup>89</sup> In fashion and textiles, over 50% of C-Suite executives say consumer demand is driving their pursuit of sustainability.<sup>90</sup>

Our members already undertake considerable insight work with customers, and can build nature into this research, and so inform product development and better understand the evolving needs of customers. This will vary by product but could include education work with pension customers or incentives to minimise flood risk through nature recovery in insurance coverage, for example.

### BOX 16 | CASE STUDY

#### Scottish Widows: Using their voice for nature

Scottish Widows is an active voice on policy enhancement and the imperative for collaborative action to make a difference on the climate and nature crises – this year they published a galvanising advocacy paper entitled ‘Nature and Biodiversity: the pensions imperative’.

Taking readers through fundamental science, the current state of the natural world, why it matters to pensions and other long-term investors, the risks posed and some of the ways those risks can be measured, Scottish Widows has helped to build awareness across the industry and beyond. Concluding the paper with a series of recommendations that highlight opportunities for both government and industry, Scottish Widows issues a rallying call for much-needed action that will go a long way towards enabling the industry to help halt and reverse the loss of nature. The report is available [here](#).

Our members have a significant impact on local and national economies, employment levels, training, tax receipts by the Exchequer, and more. With this impact comes a voice.

<sup>89</sup> [cbd.int/doc/press/2020/pr-2020-11-11-UFBT-en.pdf](https://cbd.int/doc/press/2020/pr-2020-11-11-UFBT-en.pdf)

<sup>90</sup> [weforum.org/agenda/2021/05/eco-wakening-consumers-driving-sustainability](https://weforum.org/agenda/2021/05/eco-wakening-consumers-driving-sustainability)

**BOX 17 | CASE STUDY****Aviva: Using its voice for nature**

Aviva and WWF have partnered over the course of three years to call for action on climate change and nature. This has included a focus on transforming the finance sector, jointly calling on the UK Government to deliver on their commitment to develop a net-zero financial centre, and integrate nature, biodiversity and resilience factors into policy changes.

In 2022 WWF-UK and Aviva successfully called on the UK Government to introduce mandatory net-zero [transitions plans for financial institutions](#), including a Transition Plans for a Net-Zero Future paper, which the government then announced at COP26.

In May 2022, they released [Aligning the Financial System to Net-Zero](#) setting out future steps they believe the UK Government should take to embed and accelerate the net-zero transition, supported by the financial sector. It spans policy on private sector transition plans, a transitioning planning approach in government, and the integration of nature.

The partnership's third paper, [A UK Net-Zero Investment Plan for Green Growth](#), was released in October 2022, called for a net-zero investment plan, to catalyse private finance to deliver green growth in the UK and deliver wider benefits such as improved energy security and alleviating the rising cost of living.

The partnership's fourth policy paper, [Unlocking Finance for Nature](#), released in December 2022, outlines a seven-step pathway to support governments internationally to mobilise the private finance required to tackle the nature crisis.

**BOX 18 | CASE STUDY****Scottish Widows: Working with customers to understand what they care about**

Through their 'Find Your Impact' tool within the pensions app, Scottish Widows engages with and educates workplace scheme members on the impacts of their pension; customer journey design was informed by customer research throughout.

Core information is presented: funds the member is invested in and metrics – climate, waste to landfill and board diversity – that were refined through surveying members about what sustainability themes resonate the most with them.

Additionally, the tool provides opportunity for members to voice opinion via regular polls through the 'Have Your Say' functionality.

Furthermore, this functionality is designed to support employer sustainability strategies via sharing anonymised and aggregated responses, helping them to establish objective assessments of employee alignment with environmental issues.

Scottish Widows is evolving the tool over time, seeking expansion of metrics coverage, which will provide greater benefit to scheme members' while providing the business with more statistically viable results to further align fund range to customer values and inform their stewardship strategy.

## Working with our stakeholders – internal and external

Just like climate change, taking steps to understand your impact on nature, and nature's impact on your company will not be achieved by sustainability teams in isolation.

ABI members are adept at engaging with multiple stakeholders and audiences, all of whom will be able to offer insight to help firms develop their understanding and strategy around nature. It will be important to highlight the specific benefits of including biodiversity considerations in the work of the respective stakeholder (e.g. what is in it for them, why should they do it) in order to secure buy-in.



### BOX 19 | CASE STUDY

#### Phoenix: Working with your customers to understand what they care about

Phoenix often conducts focused research to help them continually refine their customer proposition. In 2023, they undertook research to gauge their customers' understanding of the impact of their pension funds and also explored their attitude towards key ESG themes.

Of the customers surveyed, only 44% were aware of the concept of responsible investing in relation to financial products. Despite limited awareness, 90% of Phoenix's customers expect them to invest their money in a responsible and sustainable way. The findings also identified that 88% of the customers surveyed were concerned about the impact of nature destruction.

Phoenix recognises the need to take their customers on a journey to ensure they understand the impact of their product on the planet. This will be a key component in the development of their nature approach and strategy as they look to better manage risk and ensure the delivery of good customer outcomes.

Table 2: Stakeholders and example engagement topics

STAKEHOLDER	EXAMPLE ISSUES TO COVER/QUESTIONS TO START ENGAGEMENT
<b>Investors in insurance and long-term savings companies</b>	<ul style="list-style-type: none"> <li>• How do you view the issue of nature in our sector?</li> <li>• Where would be your priorities for firms in the sector?</li> <li>• Have you seen nature-based risks in our sector, have these materialised and what mitigation steps were considered or taken?</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• What is your level of understanding about nature-related financial risk in your area of the business/product line?</li> <li>• How could we help you, so that you could lead impact assessment and develop proposals in your area?</li> <li>• What neighbouring or nearby wildlife sites or opportunities are there? How could we be involved in supporting or joining up/in?</li> </ul>
<b>Intermediaries</b>	<ul style="list-style-type: none"> <li>• What is your level of understanding about nature-related financial risk?</li> <li>• How can we help you develop this understanding?</li> <li>• Do you have insight on how your customers view nature in their line of business, or their customer base?</li> </ul>
<b>Environmental NGOs/science and research communities</b>	<ul style="list-style-type: none"> <li>• What would your priorities be for our sector / firm?</li> <li>• What do you see as the key risks and opportunities that firms in our sector should consider as a priority?</li> <li>• What best practice is available that you have seen?</li> <li>• What is the latest evidence and research in our industry? How could we contribute to growing the research and knowledge base?</li> </ul>
<b>Other Businesses (i.e. up and down supply chains, in the local area, other firms in same industry)</b>	<ul style="list-style-type: none"> <li>• How could we collaborate on biodiversity related opportunities and challenges in our local area?</li> <li>• What opportunities for mutual learning are there?</li> <li>• (For suppliers) As well as our risk assessment work together, are there opportunities for working together?</li> </ul>



# 4

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Where do we go  
from here?



## How can the insurance and long-term savings sector play its part in addressing this nature disaster, and what do we require from government and regulators to unlock our full role?

In this final chapter we've identified some key asks and next steps relating to the insurance and long-term savings industry.

We've seen encouraging progress over the past few years as the world begins to fully understand our part in an integrated planet. But the challenge to halt and then reverse the loss of biodiversity globally is not to be understated, and all sections of society – including our own industry – have roles to play.

### Asks of the UK government and regulators

Of crucial importance for the industry to fully embrace its role is a consistent, evidence-based policy framework. Government must provide a strong lead to co-ordinate the UK-wide response to this complex issue, and this will enable firms to plan appropriate strategies and take action in response. We're committed to playing our part in developing this, and suggest the following actions which government can take:

- 1 Place nature at the centre of climate adaptation** – nature is vital to making society more resilient to the impacts of climate change, and the Government's forthcoming work on adaptation finance should include a strong focus on nature-based solutions.

The Government's recently published Green Finance Strategy acknowledges the need to ramp up climate adaptation finance, which is welcome. The government must go further to incorporate the significant role biodiversity and nature-based solutions can play in climate adaptation plans, through quantifying the benefits, setting clear and measurable targets for adaptation, and designing financial frameworks to unlock investment.

- 2 Finalise the UK Green Taxonomy** – clear definitions of environmentally sustainable investments within a clear and economy-wide taxonomy will drive investment towards the taxonomy's environmental objectives, including sustainable water management, pollution prevention and the restoration of biodiversity and ecosystems.



Of crucial importance for the industry to fully embrace its role is a consistent, evidence-based policy framework.

**3 Introduce regulation for voluntary carbon offsetting and carbon credits** – robust and trustworthy ‘voluntary carbon markets’ can provide private finance for nature and biodiversity projects that would not be viable for conventional investors, while also allowing companies to account for the carbon emissions they have not been able to reduce.

**4 Consult on how to adopt nature into financial reporting and disclosures** – with the Taskforce on Nature-related Financial Disclosures (TNFD) close to completing its final recommendations and the International Sustainability Standards Board (ISSB) having indicated that it will adopt this into its framework, the UK must decide how it will approach nature and biodiversity reporting to maintain its status as a leading market for sustainable finance.

The UK government must also ensure that nature disclosures are economy-wide and overseen by both financial and real economy regulators, with due regard being given to the proportionality and sequencing of disclosures.

**5 Invest in skills and expertise** – this investment should include enforcing environmental laws and standards, enhancing the quality of data and evidence that investors will use to make decisions and training employees across the different sectors that can have the most impact in driving a just transition to a nature positive society.

Adequately resourcing and funding bodies and agencies which currently have the remit to enforce existing environmental laws, such as the Environment Agency, will not only help ensure that existing environmental laws and protections are adhered to by all, but will improve transparency on companies’ impacts on nature and help investors steward companies within their portfolios.

As our economy increasingly reckons with our impact on the natural world and adapts business models accordingly, the government must commit to ensuring a just transition across all sections of society as we transition to a net-zero nature-positive economy. Practically, this will entail ensuring that people have equal access to nature and its benefits, and investing in skills and training for those working in sectors which must adapt to more nature-friendly practices.



As our economy increasingly reckons with our impact on the natural world and adapts business models accordingly, the government must commit to ensuring a just transition across all sections of society.

## ABI and Industry next steps

This Guide is designed to help our members develop their own strategies to protect nature. We will continue to help our members advance this agenda through the following four key action areas:

- 1 **Collaboration and Sharing Best Practice** – with the services we provide for our members (including our committees and working groups, our programme of ‘Climate Clinics’ and disseminating information) and through our role in organisations like ClimateWise and the PRA/FCA Climate Financial Risk Forum (CFRF), we will focus on identifying the most effective targets, metrics and frameworks for our members to use to drive change and evaluate what actions have the most impact.
- 2 **Engage with government on the Green Finance Strategy** – this will include a focus on unlocking members’ investment in assets which simultaneously contribute to both climate and nature-positive solutions. We will also engage with the government’s planned work on fiduciary duties as well as the next steps on the government’s Nature Markets Framework.
- 3 **Consumer Advice** – we will work with members to identify where during customer journeys we can provide advice on adopting ‘nature positive’ behaviours and using nature to protect properties from extreme weather or improve health outcomes.
- 4 **Environmental Crime** – we will consider where our sector’s existing expertise on tackling fraud, financial crime or conducting due diligence on supply chains for issues like modern slavery can be applied to better address illegal deforestation, pollution and other forms of environmental crime.

**We will report publicly on progress on the issues outlined in this Guide and in particular on these four action areas in 12 months’ time.**



We will focus on identifying the most effective targets, metrics and frameworks for our members to use to drive change and evaluate what actions have the most impact.

# Annexes

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## Annex 1: Examples of key policy developments

DEVELOPMENT	SCOPE/GEOGRAPHY	DETAILS
<b>UN Sustainable Development Goals</b>	Global/national	<p>Many of the 17 UN SDGs cover biodiversity, including:</p> <ul style="list-style-type: none"> <li>• Goal 6 – sustainable management of clean water</li> <li>• Goal 12 – sustainable consumption and production</li> <li>• Goal 13 – climate action</li> <li>• Goal 14 – sustainable use of the seas</li> <li>• Goal 15 – sustainable use of land<sup>91</sup></li> </ul>
<b>Global Biodiversity Framework</b>	Global/national	<p>A global agreement, reached at COP15 in Montreal in December 2022, with national implementation, with targets covering a broad range of issues e.g. biodiversity loss, ecosystem restoration, pesticides, subsidies, genetic diversity, embedding biodiversity in government policy and accounts, and more.</p> <p>There are Targets of particular note to financial firms:</p> <ul style="list-style-type: none"> <li>• Target 15 covers policy to ensure financial institutions monitor, assess, and disclose their risks, dependencies and impacts on biodiversity.</li> <li>• Target 19 aims to mobilise \$200m a year in finance for biodiversity, including from private sector investment.</li> </ul>
<b>30x30</b>	Global/national	<p>A commitment by governments (including the UK in 2020) to protect 30% of the UK's land by 2030. In the GBF this was embedded to cover 30% of “degraded terrestrial, inland water, and coastal and marine ecosystems” by 2030.<sup>92</sup></p>
<b>Leaders Pledge for Nature</b>	Global/national	<p>In 2020, Leaders from 94 countries and the EU committed to reversing biodiversity loss by 2030, further specific action in many specific economic sectors, and incentivising the financial system to take into account the value of nature in investment, financing and risk management.<sup>93</sup></p>
<b>Dasgupta Review</b>	UK/Global	<p>Professor Dasgupta was commissioned by the then Chancellor to review the economics of biodiversity, as a mirror of the influential Stern Review on the economics of climate change. The Dasgupta Review laid out a lot of evidence and clear conclusions but the scale of the challenge the Review set has not been met by policymakers. See Box 1 on key Dasgupta conclusions.</p>
<b>Sustainability Disclosure Requirements regime</b>	UK	<p>The SDR regime covers next steps on key components of sustainability including:</p> <ul style="list-style-type: none"> <li>• Disclosure of transition plans</li> <li>• IFRS Sustainability Disclosure Standard, produced by the ISSB</li> <li>• “Supporting companies to understand and report on their GHG emissions, nature-related financial risks and impacts”<sup>94</sup></li> <li>• Fund labels and FCA approach to SDR</li> </ul>

Continues >

91 [sdgs.un.org/goals](https://sdgs.un.org/goals)

92 [cbd.int/doc/c/e6d3/cd1d/daf663719a03902a9b116c34/cop-15-l-25-en.pdf](https://cbd.int/doc/c/e6d3/cd1d/daf663719a03902a9b116c34/cop-15-l-25-en.pdf)

93 [leaderspledgefornature.org/wp-content/uploads/2021/06/Leaders\\_Pledge\\_for\\_Nature\\_27.09.20-ENGLISH.pdf](https://leaderspledgefornature.org/wp-content/uploads/2021/06/Leaders_Pledge_for_Nature_27.09.20-ENGLISH.pdf)

94 [gov.uk/government/uploads/system/uploads/attachment\\_data/file/1147377/mobilising-green-investment-2023-green-finance-strategy.pdf](https://gov.uk/government/uploads/system/uploads/attachment_data/file/1147377/mobilising-green-investment-2023-green-finance-strategy.pdf)

## Annex 1 (Continued): Examples of key policy developments

DEVELOPMENT	SCOPE/GEOGRAPHY	DETAILS
<b>UK Environment Act 2021</b>	UK	The Act introduced a broad range of environmental policies, including binding targets, EIPs (see next row down), a new regulator (the Office for Environmental Protection), waste, resource use, nature (including BNG (see below)), conservation covenants and more. <sup>95</sup>
<b>UK Environmental Improvement Plan 2023</b>	UK	The 2023 EIP is the first 5-year update to the UK Government's 2018 '25 Year Environment Plan'. It builds on the 25YEP vision with a new plan setting out how the UK govt will work with landowners, communities and businesses to deliver each of the goals for improving the environment, matched with interim targets to measure progress.
<b>Pro-nature policies</b>	UK	In the UK there are new pro-nature policies coming into force in different sectors of the economy. For example: <ul style="list-style-type: none"> <li>• the development of the UK Green Taxonomy</li> <li>• the work of the BSI on nature investment standards</li> <li>• environmental land management (ELMs) scheme in agriculture</li> <li>• Biodiversity Net Gain in planning and building. BNG has brought with it new developments such as biodiversity metric 4.0 by Natural England,<sup>96</sup> a biodiversity accounting tool.</li> </ul>

<sup>95</sup> [legislation.gov.uk/ukpga/2021/30/contents/enacted](https://legislation.gov.uk/ukpga/2021/30/contents/enacted)

<sup>96</sup> [naturalengland.org.uk/publication/6049804846366720](https://naturalengland.org.uk/publication/6049804846366720)

## Annex 2: Glossary of terms

TERM	DEFINITION	SOURCE
<b>Biodiversity</b>	The variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part. This includes diversity within species, between species and of ecosystems.	<a href="#">TNFD Concepts and Definitions</a>
<b>Biome</b>	Global-scale zones, generally defined by the type of plant life that they support in response to average rainfall and temperature patterns e.g., tundra, coral reefs or savannas.	<a href="#">TNFD Concepts and Definitions</a>
<b>COP15</b>	The 15th meeting of the Conference of the Parties to the Convention on Biological Diversity, where governments from around the world <a href="#">came together</a> to agree on a new set of goals to guide global action through 2030 to halt and reverse nature loss. COP16 is expected to be held in Turkey in 2024.	<a href="#">UN Environment Programme</a>
<b>Ecosystem Assets</b>	A form of environmental assets that relate to diverse ecosystems. These are contiguous spaces of a specific ecosystem type characterised by a distinct set of ... components and their interactions.	<a href="#">TNFD Concepts and Definitions</a>
<b>Ecosystem Services</b>	The benefits provided to humans through the transformations of resources (or environmental assets, including land, water, vegetation and atmosphere) into a flow of essential goods and services e.g. clean air, water, and food.	Costanza et al, <a href="#">Nature</a>
<b>Environmental Assets</b>	The naturally occurring living and non-living components of the Earth, together constituting the biophysical environment, which may provide benefits to humanity.	<a href="#">TNFD Concepts and Definitions</a>
<b>Global Biodiversity Framework (GBF)</b>	COP15 resulted in the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) on the last day of negotiations. The GBF aims to address biodiversity loss, restore ecosystems and protect indigenous rights. The plan includes concrete measures to halt and reverse nature loss, including putting 30% of the planet and 30% of degraded ecosystems under protection by 2030.	<a href="#">UN Environment Programme</a>
<b>Invasive species</b>	Species whose introduction by humans threatens biodiversity. The species will not be native and is described as invasive if it expands into and modifies the ecosystem. For example, European starlings are estimated to cause US\$1 billion of damage per year to US agriculture.	<a href="#">CISL Handbook for Nature Related Financial Risks</a>

[Continues >](#)



## Annex 2 (Continued): Glossary of terms

TERM	DEFINITION	SOURCE
<b>Land use change</b>	Change in the use or management of land by humans. This may lead to a change in the quality or extent of natural habitat, which has knock-on effects for ecosystem services. For example, the conversion of natural forests to agriculture threatens local water supply: in the Amazon area, one-third of the rainfall is created by natural processes in the forest itself – rainfall that would be lost if the forest became degraded.	<a href="#">CISL Handbook for Nature Related Financial Risks</a>
<b>Natural Capital</b>	The stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people.	<a href="#">TNFD Concepts and Definitions</a>
<b>Nature</b>	The natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.	<a href="#">TNFD Concepts and Definitions</a>
<b>Nature/Biodiversity Credits</b>	An economic instrument used to finance activities that deliver net positive biodiversity gains. Unlike carbon or biodiversity offsets, which are payments made by a business to compensate for its damaging impacts on location-specific ecosystems, biodiversity credits allow companies to support nature-positive action, funding long-term conservation and restoration of nature, a higher order contribution than simply offsetting negative impact.	<a href="#">World Economic Forum</a>
<b>Nature/Biodiversity Offsets</b>	Conservation activities that are designed to give biodiversity benefits to compensate for losses - ensuring that when a development damages nature (and this damage cannot be avoided or mitigated) new nature sites will be created. Where appropriate, biodiversity offsetting is an option available to developers to fulfil their obligations under the planning system's mitigation hierarchy.	<a href="#">UK Govt</a>
<b>Nature Based Solutions</b>	Actions to protect, sustainably manage, or restore natural ecosystems, that address societal challenges such as climate change, human health, food and water security, and disaster risk reduction effectively and adaptively, simultaneously providing human well-being and biodiversity benefits	<a href="#">World Bank</a>
<b>Nature Positive Economy</b>	An economy in which public and private sector actors through choice and incentives take action at scale to reduce and remove the drivers and pressures fuelling the degradation of nature, actively improving the state of nature (natural capital) and the ecosystem services it provides.	<a href="#">CISL Handbook for Nature Related Financial Risks</a>

[Continues >](#)

## Annex 2 (Continued): Glossary of terms

TERM	DEFINITION	SOURCE
<b>Nature-related Physical Risks</b>	Nature-related physical risks are a direct result of an organisation's dependence on nature. Physical risks arise when natural systems are compromised, due to the impact of climatic events (e.g. extremes of weather such as a drought), geologic events (e.g. seismic events such as an earthquake) events or changes in ecosystem equilibria, such as soil quality or marine ecology, which affect the ecosystem services organisations depend on. These can be acute, chronic, or both. Nature-related physical risks arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning ecosystems. Physical risks are usually location-specific.	<a href="#">TNFD Concepts and Definitions</a>
<b>Nature-related Systemic Risks</b>	Systemic risks are risks arising from the breakdown of the entire system, rather than the failure of individual parts. Nature-related systemic risks are characterized by modest tipping points combining indirectly to produce large failures and cascading interactions of physical and transition risks, one loss triggers a chain of others and stops systems from recovering their equilibrium after a shock.	<a href="#">TNFD Concepts and Definitions</a>
<b>Nature-related Transition Risks</b>	Nature-related transition risks are risks that result from a misalignment between an organisation's or investor's strategy and management and the changing regulatory, policy or societal landscape in which it operates. Developments aimed at halting or reversing damage to nature, such as government measures, technological breakthroughs, market changes, litigation and changing consumer preferences can all create or change transition risks.	<a href="#">TNFD Concepts and Definitions</a>
<b>Overexploitation of natural resources</b>	Using natural resources or harvesting species from the wild at rates faster than then they can recover. One example of overexploitation is overfishing: between the 1950s and 1990s the amount of fish caught in the wild quadrupled, putting major pressure on marine ecosystems.	<a href="#">CISL Handbook for Nature Related Financial Risks</a>
<b>Pollution</b>	Introduction of materials into the environment that harm nature. Pollution can be of air, water and/or land. One example is how air pollution impacts cognitive performance and human health, significantly reducing both the supply and productivity of labour.	<a href="#">CISL Handbook for Nature Related Financial Risks</a>

## Annex 3: Further Resources

### GOVERNMENTAL RESOURCES

- [Final text of the Global Biodiversity Framework agreed at COP15 in December 2022](#)
- [United Nations' Sustainable Development Goals](#)
- [Network for Greening the Financial System: statement on nature related financial risks](#)
- [NGFS: Central banking and supervision in the biosphere: An agenda for action on biodiversity loss, financial risk and system stability](#)
- [NGFS: Biodiversity and Financial Stability](#)
- [Sustainable Insurance Forum Scoping Study: Nature-related Risks in the Global Insurance Sector](#)
- [IBRD. \(2022\). Insuring nature's survival: The role of insurance in meeting the financial need to preserve biodiversity.](#)
- [EU insurance regulator EIOPA report on nature-related risks](#)
- [2021 UK Environment Act text](#)
- [UK Government-commissioned Dasgupta Review on the Economics of Biodiversity](#)
- [UK Transition Plan Taskforce report](#)
- [Financial Conduct Authority Discussion Paper 23-1 Finance for positive sustainable change: governance, incentives and competence in regulated firms](#)
- [The Nature of Risk speech by Bank of England Executive Director](#)
- [UK Government Green Finance Strategy - Mobilising Green Investment](#)

### NON-GOVERNMENTAL RESOURCES

- [IPBES Global Biodiversity assessment](#)
- [WEF: Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy](#)
- [Royal Society article on Consumption Patterns and Biodiversity](#)
- [GFI/Broadway Institute Nature Based Solutions financing Roadmap](#)
- [WWF Biodiversity Risk Filter](#)
- [ClimateWise report Why Nature Matters](#)
- [ClimateWise Integrating Nature: The case for action on nature-related financial risks](#)
- [Environmental Finance. Investing in Nature: Private Finance for Nature-based Resilience](#)
- [Science-Based Targets for Nature](#)
- [Science-Based Targets for Nature corporate science-based targets for nature](#)
- [ISSB website](#)
- [Naturance](#)
- [IIGCC The Biodiversity Imperative](#)
- [Business for Nature Make it Mandatory campaign](#)
- [Institute and Faculty of Actuaries "Biodiversity & Nature Related Risks for Actuaries: An Introduction"](#)

[Continues >](#)

## Annex 3 (Continued): Further Resources

### ALLIANCES

- [Global Leaders Pledge for Nature](#)
- [Finance for Biodiversity](#)
- [Business for Nature](#)
- [ClimateWise](#)
- [UN Principles for Sustainable Insurance](#)
- [Sustainable Markets Initiative](#)
- [Natural Capital Investment Alliance](#)
- [Nature Action 100](#)

### OTHER MEDIA

- [WWF Wild Isles video](#)
- [Financing Nature podcast from Green Finance Institute](#)
- [UNEP Finance Initiative Financing the Future podcast](#)
- [TedTalk on Why the economy should protect nature](#)



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