

Factsheet Transition Program Greening the Financial Sector

Ministry of Agriculture, Nature and Food Quality, The Netherlands

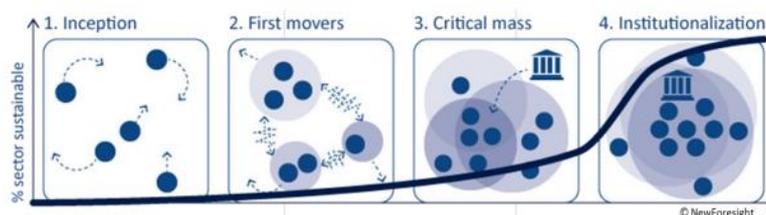
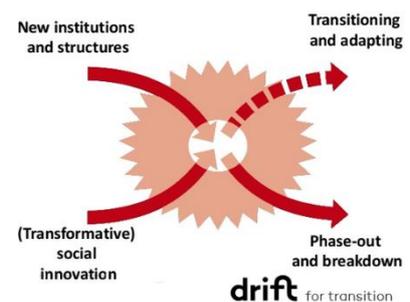
Contact Caroline.vanleenders@rvo.nl, February 2021

Introduction

The Ministry of Agriculture, Nature, and Food Quality (LNV) and the Dutch Enterprise Agency (RVO) have been working on greening the financial sector since 2016. The need for transformational change has become very urgent with the publication of [the IPBES report in 2019](#). The IPBES report raises awareness about the number of species threatened by extinction and called for a transformational change through all sectors. Especially the financial sector has a catalyzing effect to drive change towards a more nature-inclusive economy. [Indebted the study by DNB and PBL](#) has proven that biodiversity loss is material for the financial sector and related physical, reputational and transformational change. The report has received a great amount of attention and will hopefully increase the awareness of the consequences of biodiversity loss for financial actors and enhance the integration of biodiversity considerations.

Transition thinking as theory of change

To accelerate the transformation of the financial sector, we use transition thinking as our theory of change. Transition management focuses on steering a transition into a certain direction with accelerated speed by experimenting and learning. In transition management, different phases can be distinguished. Phase 1: some first movers are experimenting with sustainable projects, but almost no co-ordination exists among them and there is a lack of methods and guidelines. Phase 2: first movers come together in coalitions and mainstream parties start experimenting as well. Here, the government supports with, for example, financing, research, and network. Within this phase systemic barriers become apparent. Phase 3: in this phase, the transition accelerates. Public-private cooperations to overcome barriers are in place, and methods and instruments are incorporated into legislation as well. Phase 4: sustainability is institutionalized in the financial sector and the sector has a positive impact on biodiversity.



Currently, the transition of greening the financial sector towards including impacts and dependencies on nature is moving from the second to the third phase. In the past few years, first movers have been working on measuring the impact on biodiversity (transition path 1). Recently they started looking more actively into how to invest with a positive impact on nature (transition path 2). Since the start of the program, we have been preparing to work on the need for institutionalization of the transition and the need for systemic change (transition path 3).

Transition paths of the Dutch transition program Greening the Finance Sector

Path 1: Measuring the impact and dependencies financial institutions have on biodiversity and transparency on reporting

The aim of this transition path is to support the development of methods that financial institutions can use to measure their impact on and dependencies of biodiversity. In order to manage biodiversity ambitions and take biodiversity positive action, one needs to measure its impact and dependencies. The program greening the financial sector supports this transition path in several manners.

In the footsteps of the very successful and international [Partnership Carbon Accounting Financials \(PCAF\)](#), a partnership which started in the Netherlands as a small group but has now 88 financial institutions as members worth \$18 trillion a total, a similar coalition for biodiversity has been set-up; [Partnership Biodiversity Accounting Financials \(PBAF\)](#). In PBAF several financial institutions share their insights and best practices on questions related to measuring impact on biodiversity. We have been supporting this work since 2017 with research and providing a network. PBAF has published a second [Common Ground on Biodiversity Footprinting](#) in September 2020. At this moment six financial institutions (Actiam, ASN, FMO, Triple Jump, Robeco, Triodos) are part of PBAF. We hope that it will grow to 15 to 20 financial institutions in 2021. The goal is to make PBAF as big as PCAF and to support the start of an independent foundation. Furthermore, we have also supported the connection of the BFFI-tool (Biodiversity Footprinting Financial Institutions) to Encore; a tool developed by the UN-WCMC institute. The goal is to expand the scope of BFFI to include the measurement of dependencies on biodiversity as well and thus to disclose data on ecosystem services.

The front runners are also members of the working group on biodiversity chaired by the NWB (Dutch Waterboard Bank) and part of the Platform Sustainable Finance of the Dutch Central Bank. The program was instrumental in the set-up of this group and now actively participates in it. Notable outcomes of this working group are [a paper on risks of biodiversity loss for financial institutions](#) and another paper on a tool to know and mitigate [financial risks of deforestation](#). These reports serve to increase the awareness of mainstream parties and will convince them that you can start with preventing deforestation. For 2021 the working group will focus on committing more financials to quantitative goals for biodiversity, to measuring impact and to reporting commitments.

In order to develop correct measurement methods, datasets should be complete and open source. Therefore the program supports the update of [The Economics of Ecosystems & Biodiversity \(TEEB\) database](#), now under the name of Ecosystem Services Valuation Database (ESVD), by Ecosystem Services Partnership (ESP). This database wants to make information on biodiversity and ecosystems accessible to governments, businesses, and financial institutions.

Besides that, we support the Ministry of Foreign Affairs for the International Responsible Business Conduct (IMVO) covenant for insurers that has chosen biodiversity as its area of focus this year

Transition path 2: Investing with a positive impact

Now that the first movers are committing themselves to the ambition to have a positive impact on biodiversity, the time has come for financial institutions to work more actively on how to invest with a

positive impact on nature and biodiversity. Last year we published a [study on methodologies to measure positive impact of financial institutions on biodiversity](#) with PBAF. Besides that, the members of the NWB working group are more and more interested in investing with a positive impact, and for this reason, some of them have joined the Deltaplan Biodiversiteit. Together we will work on how to make nature a new asset class. We also actively participate in [the Coalition for Private Investment in Conservation](#), in which new investment structures for nature conservation are shared and developed. And we are part of the Task Force finance of the [100 landscapes for 1 billion people](#) since we believe that investing in nature asks for a landscape approach. That is the reason why we commissioned [a study on the use of green bonds for landscape restoration](#) and supported the start of a Community of Practice on landscape restoration (CoP business in landscapes).

To learn from experiences in our own country, we are conducting an analysis of nine initiatives in the Netherlands in which a group of actors, including private financials, invested in landscape projects with a positive impact on biodiversity. Based on the lessons of this study, we will organize an event on place-based impact investment for nature with financial partners in order for them to share this knowledge, learn from others, and to connect practitioners in this emerging field.

We also started a study to determine which financial institutions make returns on landscapes. We do this by studying a case from the Netherlands. Identifying the financial institutions that have financial relations with a place/ landscape / region /area can help to include stakeholders in Integrated Landscape Management projects from the start. The study will give insight in which data to use to determine which FI is making a return on a landscape based on public available data. In this way it helps landscape initiatives to gain insight in which financial institutions are active in their region.

Transition path 3: systemic change

Institutionalization of the transition and systemic change to a green and biodiversity inclusive financial sector happens on different levels and different fora are of influence.

On a national level, we are financing a study on how much Dutch financial institutions spend on biodiversity. Existing measurement methods for biodiversity spending are analyzed and used to map the investments in biodiversity of Dutch financial players. This research will provide an overview on which methods already exist to map these financial flows, what challenges are there to make a precise picture and how much is actually spend. Such a study on biodiversity expenditures by private institutions is new and will be shared internationally, in order to give insight in how much private FIs of a certain country are investing in nature. We also work closely with the Dutch Ministry of Finance in broadening their definition of sustainability risks from solely risks due to climate change to include the loss of biodiversity.

On a EU level we are actively working with the Ministry of Finance in integrating biodiversity into EU policies that are part of the [Renewed Sustainable Finance Strategy](#). These include the [Non-Financial Reporting Directive](#), the Green Taxonomy, the Green Bond standard, and the Disclosure Regulation. Relations with DG Environment are mainly via the work of the Platform Business and Biodiversity of the EU.

Internationally different initiatives and policy processes are relevant. We are, for example, participating in the launch of the Taskforce on Nature related Financial Disclosure (TNFD) to follow in

the footsteps of the international successful of the TCFD. The purpose of the TNFD is to help businesses and financials to report transparently on their dependency on nature. The TNFD itself is set to be launched later in 2021. To have biodiversity standardized and institutionalized in business and finance for systemic change to happen, we are thinking of joining the founding of a biodiversity committee within the ISO and we are in contact with the OECD on their work on incorporating biodiversity better in standards and frameworks.

Part of the systemic change is the international governance of biodiversity organized by the Convention on Biological Diversity (CBD). The CBD COP15 will take place in Kunming, China and is postponed to May 2021. The objective of the CBD is to present a new Global Biodiversity Framework (GBF) covering the topics Resource Mobilisation (RM), genetic resources, and equal benefit sharing. The program is actively involved in the RM process by participating in the Expert Group. The RM process aims to increase the flow of capital for biodiversity, both from public and private actors. This is important for the developing countries to agree on an ambitious GBF.

Next to the biodiversity convention, we help the topic of biodiversity to connect better to the actions on climate change with the aim to demonstrate the interconnectedness of climate change issues and biodiversity. And to help invest in solutions for achieving climate change goals and positive impact for biodiversity by focusing on nature based solutions (NBS). We hope to organize a side-event on COP26 about the nexus on investing in climate and biodiversity.