giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

On behalf of: Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety of the Federal Republic of Germany

Private Business Action for Biodiversity

Financing Biodiversity

Identification and Analysis of Financial Sector Instruments and Initiatives for Biodiversity

Summary of findings

Kristina Jahn on behalf of giz
July 2017

Agenda

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Aim of the study: Analysis of financial sector initiatives and instruments that promote biodiversity

1. Which role play market based instruments in closing the **biodiversity financing gap?**
2. How can the growing **market for Socially Responsible Investing (SRI)** be leveraged as an additional financing source for biodiversity?
3. Who are the **key investors** groups and what are the **main investment barriers?**
4. Which **market-based instruments** can help to raise additional funding for biodiversity?
5. How can **entrepreneurs** be **supported in creating biodiversity friendly businesses?**
6. How can Biodiversity be embedded **into corporate and financial sector decision making?**

To date, public sources provide USD 40 billion (i.e. 80%) of biodiversity funding per year

80% of biodiversity funding are derived from domestic government budgetary spending, funds spent on the agricultural subsidy reform and ODA (Global Canopy Programme (GCP), 2012).

Only USD 10 billion are derived from **marked based sources**: USD 7 billion are generated via '**green commodities'**, i.e. natural products that are **produced in an environmentally sustainable way** and carry **certifications such as FSC, or MSC**. USD 3 billion come from (mainly carbon) **offset markets** (Ibid.).

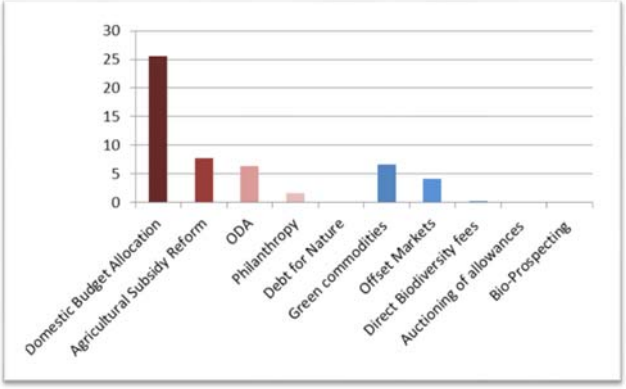

Figure: Current sources of finance for ecosystem services and biodiversity in developed and developing countries (in USD billion per year) (GCP, 2012)

There is a biodiversity funding gap of USD 250 – 350 billion per year that cannot be filled by public and philanthropic sources alone

- Current flows of finance for biodiversity are estimated to amount to only approx. **USD 50 billion per year**
- But: The cost of attaining the Aichi Biodiversity Targets are estimated at between USD **300 - 400 billion** per year (Credit Suisse/ WWF / McKinsey, 2014)
- => There is a need for **additional investment of** USD **250-350 billion** per year.

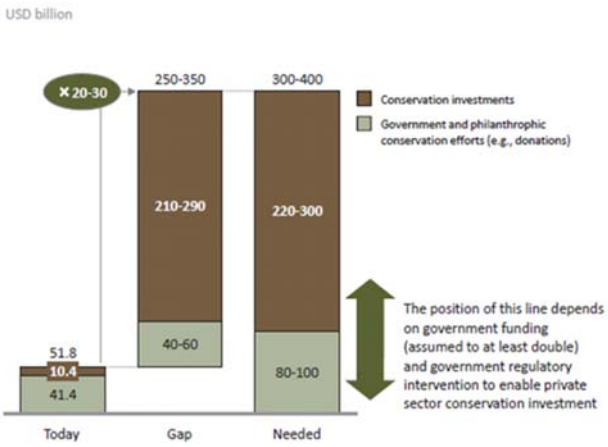

Figure: Demand for finance for biodiversity and ecosystem services (Credit Suisse / WWF / McKinsey, 2014)

Market based instruments can play a key role in closing the biodiversity financing gap

Market based instruments can **build lasting business that will deliver long-term conservation, social and economic benefits:**

- **Conservation-based employment** provides **economic incentives for conservation.**
- **The small business sector is a key partner** to link human well-being and conservation.
- **Affordable capital** enables small and medium sized companies to support conservation efforts.

(Based on: The Nature Conservancy, 2016, explaining the rationale behind the creation of the Verde Ventures investment fund)

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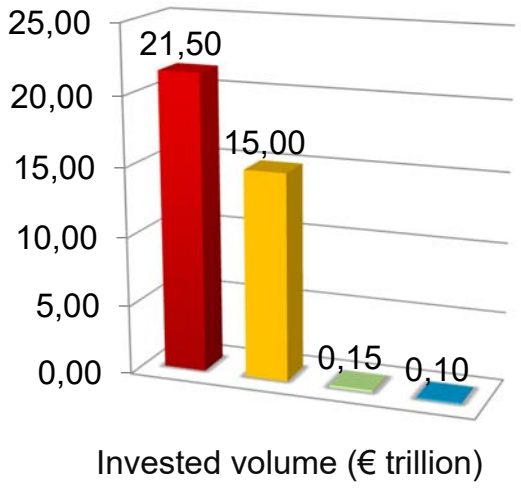
Investment rationales can be differentiated in regards to the amount of focus they place on finance versus impact

Finance only

Investment Rationale	Characteristics
Traditional	Limited focus on environmental and social governance (ESG) or biodiversity.
Responsible (negative screenings)	Investments are screened against **excluding criteria** (e.g. certain sectors/products like weapons, "exclusions") or if they fail to **comply with** certain international norms ("**norms**"). Biodiversity risks are **not** among the most common exclusion topics.
Sustainability-themed	Focus on **sustainability investment opportunities**, especially on environmental topics like renewable energy, clean tech, water and forestry.
Biodiversity-focused	Focus on business models that are based on: • the **sustainable use** of biodiversity (e.g. ecotourism and biotrade), • **low impact production** methods (e.g. timber from reduced impact logging), or • **products** with a **smaller environmental impact** (e.g. biodegradable detergents)
Impact	Impact investments aim to achieve a **positive social, environmental and financial return** and assess **the impact achieved** by the investment.
Philanthropic	Focus on achieving a certain benefit for society and the environment and do not expect a return on investment. Can be seen as "donations" that are focused on supporting entrepreneurial activities.

Impact only

Sustainability themed investing and impact investing still constitutes a niche sector



- Traditional Investments (EU 2015)
- Responsible Investments (EU 2015)
- Sustainability themed Investments (EU 2015)
- Impact Investments (EU 2015)

Note: Data for philanthropic investments into biodiversity in Europe is not available, The GCP estimated the worldwide flows of finance from philanthropy into biodiversity and ecosystem services in 2008 at less than 1,8 billion USD per year (GCP, 2012).

In 2016 total assets under management (AuM) in Europe increased to EUR 23 trillion, representing 138 % of aggregate European GDP

The **ratio total assets under management (AuM)/ European GDP** demonstrates the **important role of financial markets in the economies today** and its **potential to provide financing** for biodiversity.

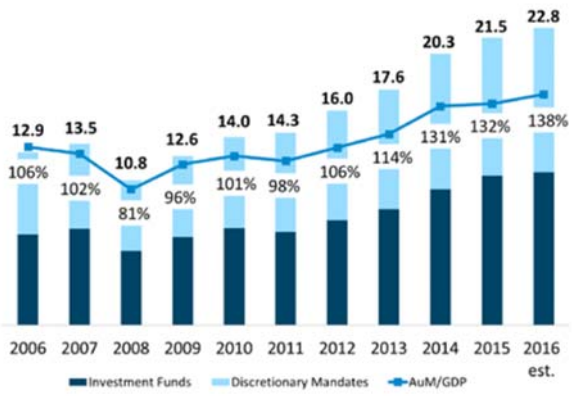


Figure: Total assets under management (AuM) in Europe 2006-2016 in EUR trillion
Source: European Fund and Asset Management Association (EFAMA) (2017)

Responsible investments based on exclusions reached €10 trillion in Europe in 2015 (+48% increase since 2013)

Responsible investments based on exclusions (i.e. they use negative screenings and exclude certain sectors, like the tobacco industry) amount to **€10 trillion of assets under management.**

Business practices harmful to **biodiversity** are not among the top 8 exclusion topics. These are: Weapons, tobacco, nuclear energy, pornography, other, gambling, alcohol and animal testing.

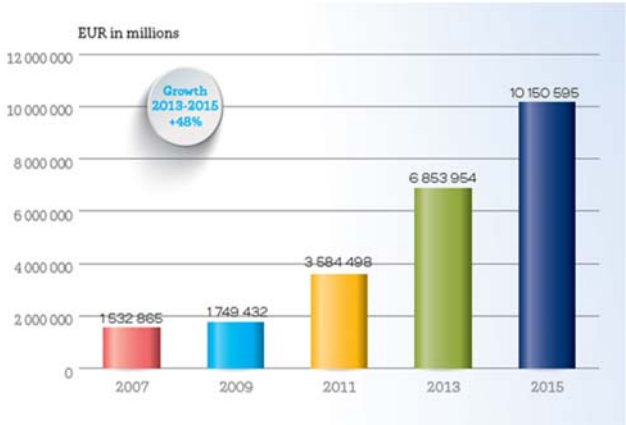


Figure: Growth of responsible investments based on exclusions 2007-2015, Source: Eurosif (2016)

Impact Investments reached €98 billion in Europe in 2015 - they are with an increase of 400 % since 2013 the fastest growing Socially Responsible Investment (SRI) strategy in Europe

Impact investments are closely linked to sustainability themed investments. The differentiating factor is that impact investments **aim to assess the impact achieved by the investment.**

Increasingly, **investors also target environmental conservation** within their impact investing activities.

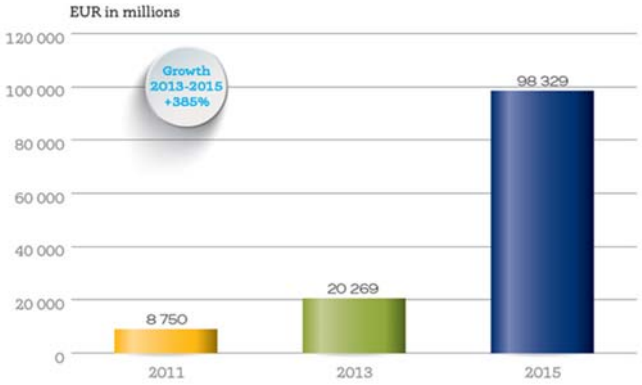


Figure: Growth of impact investments in Europe, Source: Eurosif (2016)

The most relevant sectors for biodiversity investments are ecotourism, sustainable agriculture, forestry and fisheries

Most biodiversity-focused investments that exist today are investments that focus on:

- Business models based on **sustainable use of biodiversity and ecosystems** (e.g. ecotourism or biotrade),
- Businesses using **lower impact production methods** (e.g. timber procured from reduced impact logging), and
- Businesses producing goods with a **reduced environmental footprint** (e.g. biodegradable detergents).

The weighted **average target Internal Rate of Return (IRR)** of biodiversity focused investments was found to be in the **range of 5-15 %.** EKO/TNC/NatureVest report that of the conservation investments that were made in the 2004-2008 period, **over 80% performed in-line or above these expectations** (EKO/TNC/NatureVest, 2014).

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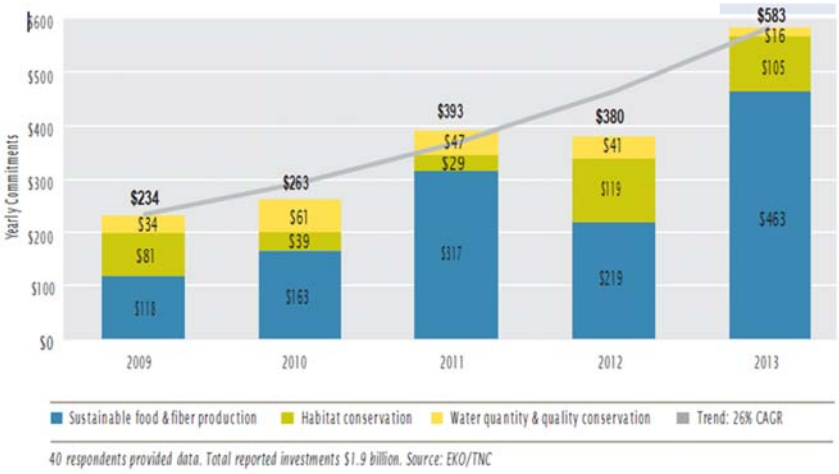
According to an investor survey, private investment into biodiversity more than doubled between 2009 and 2013

Sustainable food and fiber production has been the **main driver** for growth.

Markets for certified timber and seafood products have seen considerable growth in recent years and new markets are currently emerging - like **sustainable soy and sugar production.**



Private sector investment pace by category, 2009-2013 (USD millions) based on a survey of 40 private investors . *Source: EKO/TNC/NatureVest (2014)*

Graph: EKO /TNC (2014)

Private investors in the US reported that they had USD 1,5 billion of not invested capital that were targeted at biodiversity sectors

Investors said that these could be deployed in 2014 -18 - **if there were enough investment opportunities.**

Investors also said that they expected to raise an additional USD 4,1 billion of capital for deployment for biodiversity investments in the same period given that they find **more investment opportunities that match their risk-reward expectations.**

Graph: Eurosif (2016)

Capitalizing on the growing market for biodiversity focused investments

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Recommendations: The growing market for socially responsible investments represents a valuable opportunity for the financing of biodiversity businesses that should be seized

1. **Biodiversity** criteria like the ones developed in the Biodiversity score card in the study "Mobilizing Private Financing for Biodiversity" should be embedded into the **screening criteria of sustainability themed investments, impact investments and responsible investments.**
2. **For this purpose it is important to liaise with Investment Fund or Portfolio Managers like the Triodos Bank**, for example via Eurosif, and help them to make sure that the selection criteria of their investment funds (e.g. the Triodos Sustainable Mixed Fund) also take into account Biodiversity criteria.

Triodos Bank

The lack of viable products and their own lack of expertise in this field is perceived as the main barrier for investing into biodiversity

Investors see as the main barrier for investing into biodiversity businesses:

- **The lack of products with a good risk/return ratio**: The return on investment is not high enough to justify the high risks involved with investments into biodiversity business models in developing countries.
- **The insufficient investment size**: Biodiversity friendly businesses are often too small for institutional investors who focus on projects with bigger investment volumes in order to reduce the **transaction costs** per EUR invested.
- **The lack of products with a favorable track record**: Especially institutional investors are bound to investment guidelines that instruct them to only invest into opportunities with a good track record.
- **Their lack of in-house expertise regarding impact investments**

Source: Building on surveys by Eurosif (2016) and EKO/TNC/NatureVest (2014) among investors regarding the barriers to impact investing

Graph: Eurosif (2016)

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Recommendations: Provide financial incentives for investors in order to make up for the often unattractive risk/return ratios of biodiversity friendly businesses

Investors need:

1. **Financial incentives that make up for the high transaction costs and the fact that production periods** sometimes exceed the preferred lifetime of investments, i.e. via **funds** that use **blended financing, i.e. with first loss support** (The existing funds cover only a small amount of the possible market thereby leaving potential for additional funds).
2. **Instruments that reduce country specific risks,** such as the lack of legal security, changes in currency exchange rates and corruption, for example via public guarantees.
3. **An internationally recognized impact certification** system.
4. Support in **building expertise** on impact investing standards and biodiversity Key Performance Indicators (KPIs).

Conservation projects with reliable cash flows can be financed via conservation bonds

NGOs borrow money to **pre-finance** conservation efforts. In return, investors receive a measurable **environmental return and a fixed interest rate**. This debt-based instrument can only be used by projects with reliable pay-back schemes. Rating agencies provide an assessment of the risk connected to the bond. Examples of projects include **property being resold after restoration to a government agency,** institution, or conservation buyer, with easements or restrictions in place to ensure that the long-term conservation objectives for the project are met.

Examples: Conservation Notes (Nature Conservancy); Forest bonds (WWF); Green Bonds (World Bank).

Invest in Nature | CONSERVATION NOTE

KEY FEATURES	
Minimum Investment	$25,000
Terms	1, 3 and 5 years
Interest Rates	Investor can select an interest rate of between 0% and 2%, depending on term.
Environmental Return	The Conservation Note generates environmental returns that can be measured in acres protected, landscapes preserved, and habitat restored. Measurable impact reported annually.
Early Redemption	The Conservancy may honor early redemption requests at its discretion, but penalties will apply. Please see the prospectus for more details.
Optional Repurchase	The Conservancy may call and repurchase the Notes at any time.

Support new investment vehicles and financing instruments

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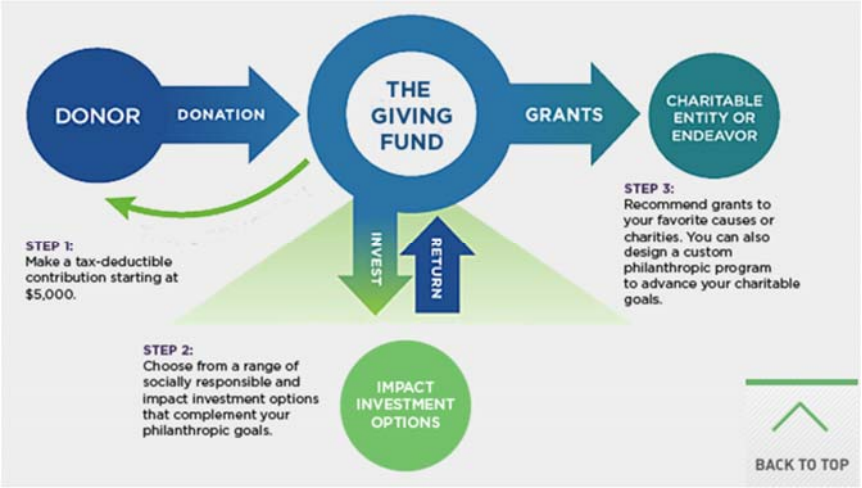
Via donor advised funds (DAF) like “The Giving Fund”, donors can make a tax-deductible investment into a range of impact investment options

Donors make a tax-deductible contribution to a public charity which is **partly invested into social businesses** and **partly donated to non-profit organizations**.



Source: Impact Assets 2016

Blended funds with first-loss capital catalyze financing for projects with unattractive risk/return profiles

First-loss capital refers to socially- and environmentally-driven financing provided by an investor or grant-maker who agrees to **bear first losses in an investment in order to catalyze the participation of co-investors** that otherwise would not have entered the deal.

Blended funds **"blend"** such philanthropic first-loss capital with commercial capital in order to finance projects which due to an unfavorable risk/ return ratio could otherwise not be funded via private investment.

Examples include the **California Freshworks Fund** which invests in grocery stores and other forms of healthy food retail and distribution in underserved communities. The JPMorgan Chase Foundation and others provided a total of **$7.5 million in grants** which prompted over 10 investors to make a total of **$125 million in senior and sub debts** to the fund.

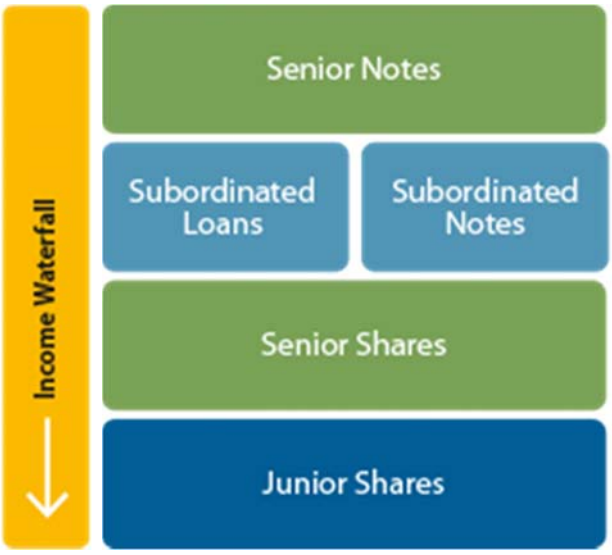
(Source: www.missioninvestors.org)

The payment flow in blended funds resembles a waterfall

In blended funds, income (capital and interest) is distributed to the investors in descending order. First to **investors in the highest ranking tranche** (senior notes, typically financed private investors).

Losses are debited in ascending order: Junior Shares (typically financed by donors) provide the **first loss-cushion** for all other tranches, taking the first hit on any losses.

The rate of return for investors increases in line with the risk taken.



Source: http://ecobusiness.fund

First-loss support for investment funds play an important role in mitigating the risk of investing into biodiversity businesses

In Germany, the Federal Ministry for Economic Cooperation and Development (BMZ) set up a budget for first-loss investments (BMZ budget line "Financial Cooperation (FZ) with Regions").

Based on this budget, the German Development Bank (KfW) provides first-loss equity to a number of hybrid fund models.

This budget line could be used as a powerful tool for leveraging more private investment capital for biodiversity.

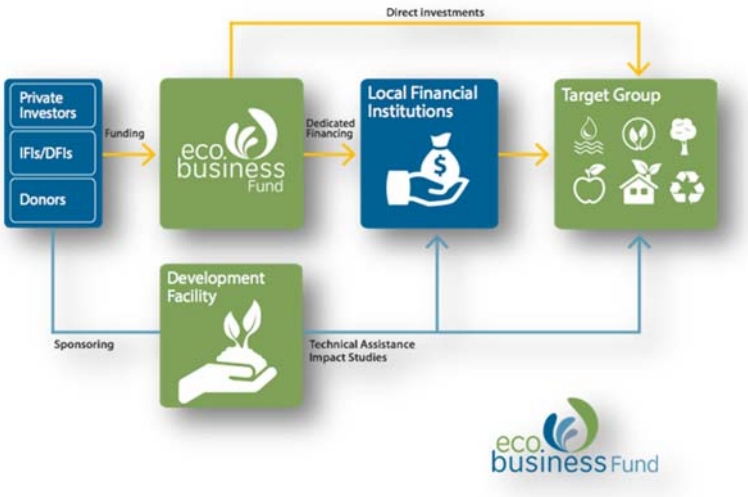
=> Set up transparent processes for impact investment funds to apply for first-loss support

The Eco.Business Fund offers private investors the opportunity to support biodiversity and the sustainable use of natural resources in Latin America

It was **initiated by the BMZ and the KfW**. It was launched in December 2014.

The fund supplies **funding** to **financial institutions** and direct financing to **certified sustainable businesses** in the areas of **sustainable agriculture, forestry, fishery and aquaculture and tourism**.

In addition it provides **technical assistance** for product development, environmental and social risk management, and awareness-raising.



Source: http://ecobusiness.fund

Projects are only selected if the business activity can prove a direct positive impact on biodiversity or an indirect impact via reduced pollution, soil deterioration or water use

Alternatively, final borrower should hold a **certification for organic, ecological or bio-production**, e.g. from the Rainforest Alliance, the Marine Stewardship Council (MSC), the Forest Stewardship Council (FSC) or UTZ Certified.

Total investor commitments to the Eco.Business Fund reached **USD 80 million.**

Initial geographical focus will be on **countries that are eligible for official development assistance (ODA) in Latin America and the Caribbean.**

Main investors: KfW, EIB, FMO, Finance in Motion, GLS Bank

GLOBALG.A.P. · 4C ASSOCIATION · asc · UTZ Certified Better farming Better future · MSC · Rainforest Alliance Certified · FSC

The Verde Ventures Fund uses blended financing to invest into SME which contribute to healthy ecosystems and human well-being

CONSERVATION INTERNATIONAL

- The fund was co-founded by **Conservation International** in 1998.
- Sectors covered are: Agroforestry, ecotourism, sustainable harvest of wild and marine products.
- It has a volume of **23 million USD**, 80% is invested in the **coffee sector**. 89% of the fund goes to projects in **Latin America**.
- Main investors: Conservation International, Starbucks Coffee Company, the IFC's Environmental Business Finance Program, KfW Entwicklungsbank and others.

Funding example: The company Madécasse sources its products from highly diverse shade-grown cacao plantations, and it is the only bean-to-bar chocolate manufacturer in Madagascar. In 2012, Verde Ventures provided a US$ 275.000 loan and technical support to support the company's expansion in Madagascar.

The Eco-Enterprises Fund provides financing to SME that focus on the sustainable use of natural resources

- Co-Founded by **The Nature Conservancy, EEF III planned to be launched soon.**
- It provides **financing and technical assistance to businesses** that focus on the sustainable use of natural resources. Supported companies that offer products like organic shrimps and spices, FSC-certified furniture, acai smoothies and quinoa.
- Size: USD 30 million, Target Size for EEF III: 80 million, geographical focus on Latin America.
- Main investors: Multilateral Investment Fund (MIF), Inter-American Development Bank Group, European Investment Bank (EIB), Dutch Development Bank (FMO), private investors.
- Funding example: Runa produces organic, fair trade tea beverages made from a naturally caffeinated Amazonian leaf. Runa sources its tea from independent farming families that grow the leaves in ancient forest-gardens in the Amazonian rainforest.

The Conservation Enterprise Development Fund supports early stage nature-based and community-run enterprises in areas that provide critical ecosystem services

- Co-Founded by the **Wildlife Conservation Society** in 2012.
- Promotes early-stage community-run entrepreneurial solutions that blend biodiversity conservation and poverty alleviation.
- Provides **grants and affordable loans** to conservation enterprises in areas with globally important biodiversity and critical ecosystem services.
- The fund volume is 10 million USD.
- Investments are made into communities across the 74 landscapes and seascapes where WCS is working around the world.
- Main investors: Donations, grants and program-related donations into a charitable vehicle.

ERM Low-Carbon Enterprise Fund provides loans and equity finance and pro-bono technical support for low carbon entrepreneurs in the developing world.

- **Founded by the ERM Foundation in 2008**
- Environmental Resources Management (ERM) is a leading global provider of environmental, health, safety, risk, social consulting services and sustainability related services.
- The fund volume is > 10 million USD, there is no positive financial return expectation on fund level; on project level sub-market rate positive returns are expected.
- Investments are made in Africa, Latin America, Asia.
- In-kind support + corporate donations by ERM - Environmental Resource Management, co-investment by Stichting Doen für LCEF II.

Support new investment vehicles and financing instruments

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Recommendations: Support new financing instruments by:

- Setting up **transparent processes** for impact investment funds to apply for first-loss support.
- Promoting the existing blended funds actively among businesses and local banks.
- Widening the geographical focus of the existing funds.
- Setting-up a **Biodiversity Forest Fund** which could finance sustainable forest management and forest conservation. The Fund could combat biodiversity loss and climate change by protecting forest habitat, sequestering carbon, reducing emissions from deforestation and create permanent qualified employment and income for local populations.

Agora Natura creates an internet based marketplace for ecosystem services and biodiversity in order to match projects with investors

A German team from science, environmental protection and landscape conservation organizations is developing an **internet-based marketplace for ecosystem services and biodiversity**.

The idea is to connect the existing offer and demand, for concepts like the MoorFutures (CO2 credits from wetlands). The platform will officially be launched in 2018 (http://project2.zalf.de/AgoraNatura/index.php/ziele/)

=> Agora is looking for partners and could be a possible cooperation partner

Biodiversity offsetting programs can generate private funding for conservation projects

- The Business and Biodiversity Offsets Program (BBOP) is promoting the idea of offsetting and is helping companies to conserve biodiversity and develop best practice in following the **mitigation hierarchy** (avoid, minimize, restore, offset) to achieve no net loss or a net gain of biodiversity.
- Biodiversity offsetting can **help to finance the restoration of degraded habitat and protect areas where there is imminent or projected loss of biodiversity.**
- Companies finance biodiversity projects by buying conservation credits in order to compensate for the biodiversity loss that they cause. It is important that **this is done only after all possible efforts have been taken to avoid, minimize or restore biodiversity loss** and that the financed projects re-create the same amount, type and quality of habitat that is damaged via the specific business activity.
- BBOP members include companies, financial institutions, government agencies and civil society organizations.

The Livelihoods Carbon Fund finances ecosystem restoration and agroforestry to improve food security and generate income for rural communities

The Fund provides upfront financing to project developers for large-scale ecosystem restoration and agroforestry projects over periods of 10 to 20 years in return for carbon credits. Investors are companies like Danone who aim to offset their carbon emissions.

INDIA (Sundarbans): 16 million mangrove trees to protect local communities

SENEGAL: the largest mangrove restoration programme in the world

INDONESIA: mangroves revitalizing coastal villages with fishery & new businesses

http://www.livelihoods.eu/

Leverage new instruments based on carbon or biodiversity offsets

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Recommendations: Leverage market-based instruments for biodiversity and ecosystem services such as online market places and biodiversity offsetting schemes

Team up with initiatives like **Agora Natura, the Business and Biodiversity Offsetting Program and The Livelihoods Funds**

Provide **technical and financial assistance to project developers**, entrepreneurs and businesses **who consider participating in biodiversity offsetting schemes** (e.g. via a **seed financing assistance facility**).

Biodiversity friendly businesses can be supported by teaming up with the Eco.Business Fund's Development Facility

The Eco.Business Fund's Development Facility provides **technical assistance** in order to promote business practices that contribute to biodiversity conservation and the sustainable use of natural resources.

It is funded mainly through donor grants and **operates independently from the Eco.business Fund**. It supports:

1. **Financial institutions** in developing lending to sustainable businesses (e.g. marketing campaigns and product development),
2. **Local businesses** in supporting their conversion to or deepening of sustainable business practices (e.g. environmental audits or support in the adoption of a certification),
3. **Sector technical assistance and studies**, e.g. impact studies, market research, awareness campaigns and sector workshops.

=> The Development Facility could serve as a possible cooperation partner

eco.business Fund

The WRI New Ventures Local Centers provide business development services to environmentally-focused small and medium enterprises in emerging markets

New Ventures FOUNDED BY WORLD RESOURCES INSTITUTE

The New Ventures Program was established in 1999 by the World Resources Institute to serve as a hub of environmental entrepreneurship – **providing business development services to environmentally-focused small and medium enterprises (SMEs) in emerging markets**.

The program works together with development financial institutions and agencies, international consultancies, think tanks and impact investors to **facilitate the flow of capital to green and environmentally safe businesses.**

In the future, the New Ventures Program will continue regionally within the framework of „New Ventures Local Centers" (i.e. in **Brazil, Mexico and India**).

=> New Ventures could be a possible cooperation partner

The DEG and the German business.develops.globally Program helps German SMEs gain entry into emerging and developing markets

The **DEG**, a subsidiary of KfW, provides **long-term financing and advice** to German businesses who intend to expand into developing and emerging markets thereby supporting sustainable economic growth and improving the living conditions of the local population.

The German business.develops.globally Program helps German **SMEs to gain entry into emerging and developing markets** by providing advice on investment opportunities and by offering financial support. **Development cooperation scouts** are sent out to chambers of commerce in order to promote a collaboration with the BMZ.

=> Make sure that these programs respect Biodiversity criteria

=> Both programs could be possible cooperation partners

KFW DEG

The Coalition for Private Investment for Conservation matches conservation projects with investors

CPIC COALITION FOR PRIVATE INVESTMENT IN CONSERVATION

The Coalition for Private Investment in Conservation (CPIC) is a **global multi-stakeholder initiative** that was founded to **preserve the most important ecosystems** by catalyzing **private investment into conservation**.

CPIC aims to create blueprints for the successful creation of investable conservation projects and match them with possible investors.

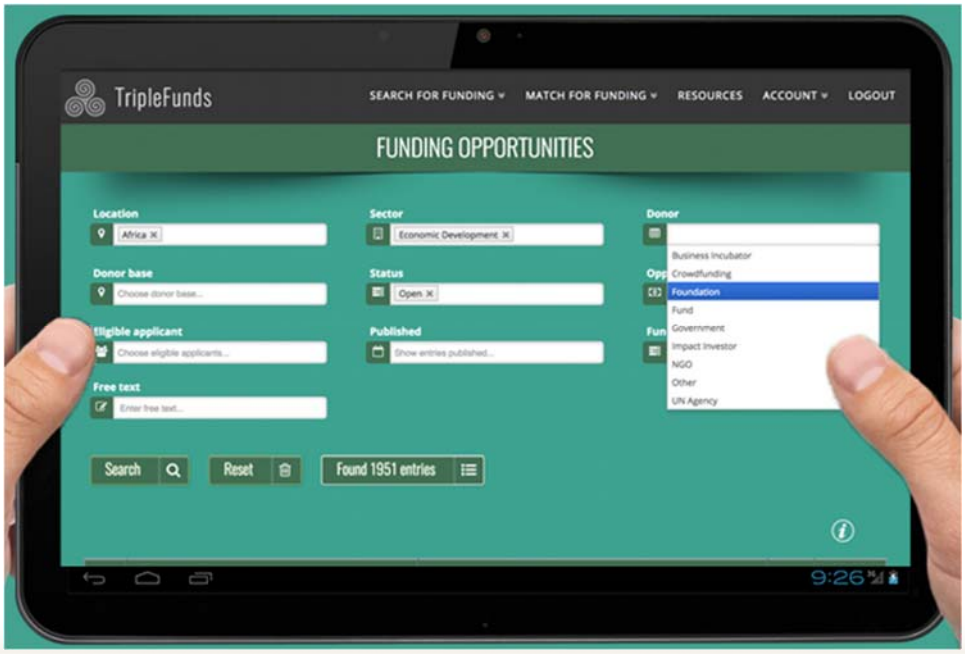
It was founded on the occasion of the IUCN World Conservation Congress in 2016 by **Credit Suisse, The Nature Conservancy (TNC), International Union for Conservation of Nature (IUCN) and Cornell University.**

Priority investment sectors are forest and landscape restoration; sustainable agriculture; sustainable coastal fisheries; and watershed management.

The Coalition has established several working groups; first results will be presented at the next IUCN World Conservation Congress.

=> The Coalition encourages interested parties to join the group and could be a possible cooperation partner

TripleFunds is an online platform that helps NGOs and social entrepreneurs raise funding



=> Create a platform where biodiversity businesses can pitch for funding

=> Explore opportunities of funding via digital currencies

https://triple-funds.com/

Support biodiversity friendly businesses

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Recommendations: Support biodiversity friendly businesses by:

1. Helping **businesses** to prepare financial documents, impact reports and obtain biodiversity certifications.
2. Setting-up a **seed-financing facility which is designed like the Seed Capital Assistance Facility for clean energy enterprises** but especially **targeted at biodiversity businesses** and redefine the mechanisms of **existing facilities like the DEG** so that they **have a special focus on biodiversity businesses.**
3. Connecting **biodiversity businesses** with **possible investors** via organizations like Impact Assets, Eurosif or **Triple Funds.**
4. Organizing an **"Oscar" competition for biodiversity** entrepreneurs and identifying viable biodiversity projects and **replicate them** in other regions and countries.
5. Team up with and leverage existing **initiatives like the Coalition for Private Investment for Conservation that serve as a hub, connecting investors and financial institutions** with in-country partners and conservationists, who can help to develop investable biodiversity projects that produce an environmental and financial return.

The Biodiversity Principles for Financial Sector serve as a guide for banks and insurance companies on how to integrate Biodiversity into their business practices

- The **Biodiversity Principles for the Financial Sector** of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) serve as a **guide for banks and insurance companies** on how to integrate conservation of biodiversity into Research, Asset Management, Retail Banking, Insurance and Reinsurance, Corporate Banking, Investment Banking and Global Markets as well as Project Finance.
- The principles were developed by the Leuphana Universität Lüneburg in cooperation with PricewaterhouseCoopers, UNEPFI and the Hypo Vereinsbank

=> Encourage financial institutions to adhere to the VfU Principles for the Financial Sector

Embed biodiversity into corporate and financial sector decision making processes

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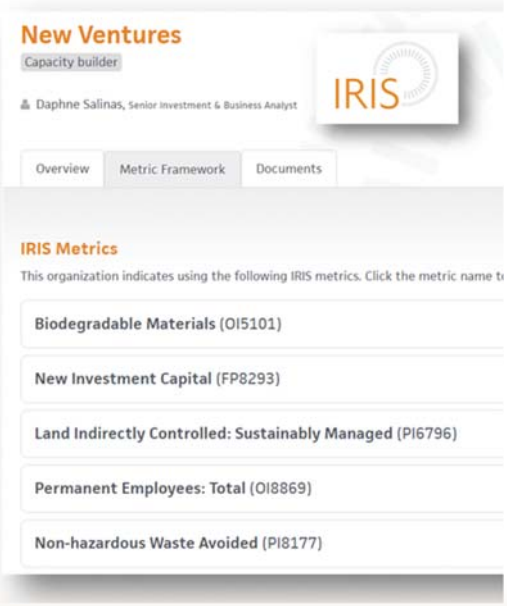
On behalf of: Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety of the Federal Republic of Germany

More Biodiversity aspects should be embedded into the catalog of Impact Reporting and Investment Standards (IRIS)

IRIS is a **catalog of more than 198 generally accepted performance metrics** that investors can use to measure social, environmental, and financial success of their investments. **To date, over 5.000 organizations are using IRIS**.

It is an initiative and **a free public good** of the Global Impact Investing Network (GIIN). Currently, the IRIS initiative builds a database on performance data.

Environmental metrics include biodiversity conservation, energy and fuel efficiency, natural **resources conservation**, **pollution prevention** and waste management, sustainable energy, **sustainable land use and water resources** management.



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Biodiversity aspects should be embedded into the Global Impact Investing Rating System (GIIRS)

GIIRS is a project of the non-profit organization B Lab. It focuses on **rating the impact** of **private equity and debt investments**; it will not compete with existing systems that rate corporations on their CSR performance

In 2012, already USD 2 billion of invested capital was participating in over 30 countries.

Rating Details include **environmental indicators**. However, besides the CO2 footprint, biodiversity or its drivers for loss are not considered enough in the rating criteria.

EMERGING MARKETS
FUND IMPACT RATING REPORT

GIIRS IMPACT RATING ★ ★ ★

Fund name: Health First Investors

Current Rating: 61%

Fund rating represents a weighted roll-up of the GIIRS ratings of the company's in a fund's portfolio.

Social and environmental performance ratings comparable across geography, industry and company size.

FUND PROFILE	
Fund Type:	Venture Capital
Investment Type:	Equity
Target Financial Return:	15%
Fund Size:	$5,000,000
Fund Stage:	Growth
Vintage Year:	2008

INVESTMENT TARGETS	
Sector Focus:	SGB
Industry:	Healthcare Services
Investment Region:	East Africa
Target Investment Size:	$200,000 – $999,000
Other Investment Screens:	Negative screens for Alcohol and Tobacco companies

INVESTMENT MANAGER PROFILE	
Investment Manager:	Health First Investors, LLC
GIIRS Rating For Investment Manager:	★★★★

FUND RATING DETAILS	% Points Available
Accountability ★★★★★	81%
Governance/Accountability	88%
Transparency/Reporting	60%
Employees ★★★★½	69%
Compensation & Benefits	81%
Employee Ownership	78%
Work Environment	53%
Consumers ★★★★★	96%
Beneficial Products/Services	95%
Beneficial Method of Production/Impact	95%
Serving Those in Need	100%
Community	28%
Local	45%
Diversity	27%
Charity/Direct Service	19%
Environment	34%
Corporate Offices	34%
Transportation/Distribution	n/a
Manufacturing Facilities	n/a
Overall Rating	61%

Powered by B Lab

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Biodiversity aspects should be embedded into the B Impact Assessment

B Impact Assessment

The B Impact Assessment applies to all companies who want to become „**B-Corp“ certified** (To date approx. 2.000 corporations in 50 countries and 130 industries). Companies must **receive a minimum score** in an **online self assessment** for "social and environmental performance", meet certain legal requirements, integrate their commitments into the company governing documents, sign the B Corp Declaration and pay an annual fee ranging from USD 500 to USD 50.000. The standards of the assessment **include some aspects** related to the environment but place no particular focus on biodiversity.

How to Become a B Corp

It's as Easy as 1-2-3:

Step 1: Meet Performance Requirement

Complete the B Impact Assessment and earn a reviewed minimum score of 80 out of 200 points.

Get Started More Details>>

Step 2: Meet Legal Requirement

Determine the path for your corporate structure and state of incorporation.

Learn Why this Matters

Step 3: Make it Official

Sign the B Corp Declaration of Interdependence and Term Sheet.

View Docs and Certification Fees

Calling all Start-Ups!

Learn the path to certification (and some helpful tips) for new businesses.

Click Here

Multinationals and Public Companies

=> Embed Biodiversity criteria!

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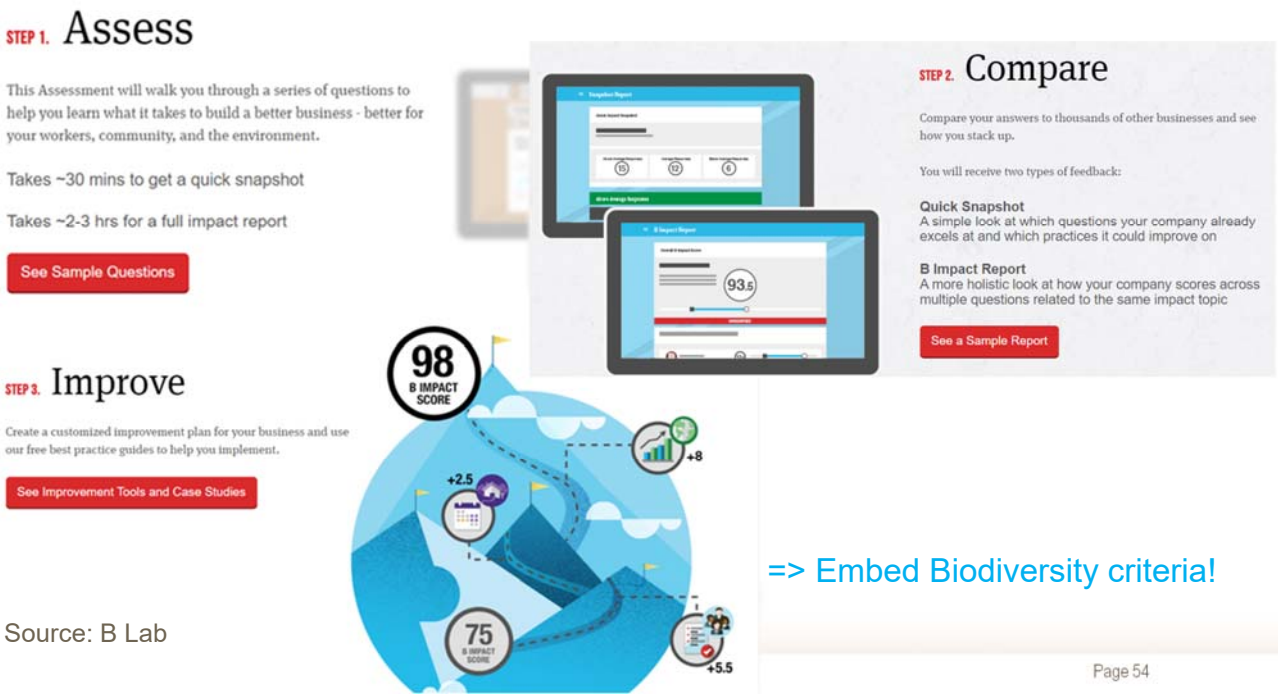
The B Impact Assessment



=> Embed Biodiversity criteria!

Source: B Lab

Example of a B Impact Report

Source: B Lab

See how they compare

107 B IMPACT SCORE

2011 Patagonia, Inc.
B Impact Report

Impact Area	Average score of other businesses	Company score
Governance	20	32
Accountability	12	6
Transparency	3	3
Workers	25	22
Compensation, Benefits & Training	17	15
Worker Ownership	2	2
Work Environment	6	4
Community	20	32
Community Products & Services	0	15
Community Practices	20	15
Suppliers & Distributors	9	4
Local	1	5
Diversity	N/A	2
Job Creation	1	2
Civic Engagement & Giving	N/A	4
Environment	9	47
Environmental Products & Services	4	4
Environmental Practices	6	43
Land, Office, Plant	4	6
Energy, Water, Materials	2	11
Emissions, Water, Waste	1	2
Suppliers & Transportation	N/A	7
Overall B Impact Score	*80*	107

- => Embed Biodiversity criteria!

B Impact Assessment

Biodiversity aspects should be embedded into the Born B Impact Assessment for start-ups

Via a quick assessment, start-ups can measure their impacts and gauge their progress against that of other start-ups

"Born-B" **start-ups** shall then

- pledge **1 % of their equity**, **employee time or profit to support non-profits** and
- **align their governance model** in order to get certified as "B-Corp" company (with goals such as zero GHG emissions by 2050).

The Born B initiative was initiated by top managers of multinational companies (e.g. Branson/Virgin, Zeitz/Puma, Bäte/Allianz)

=> Embed Biodiversity criteria!

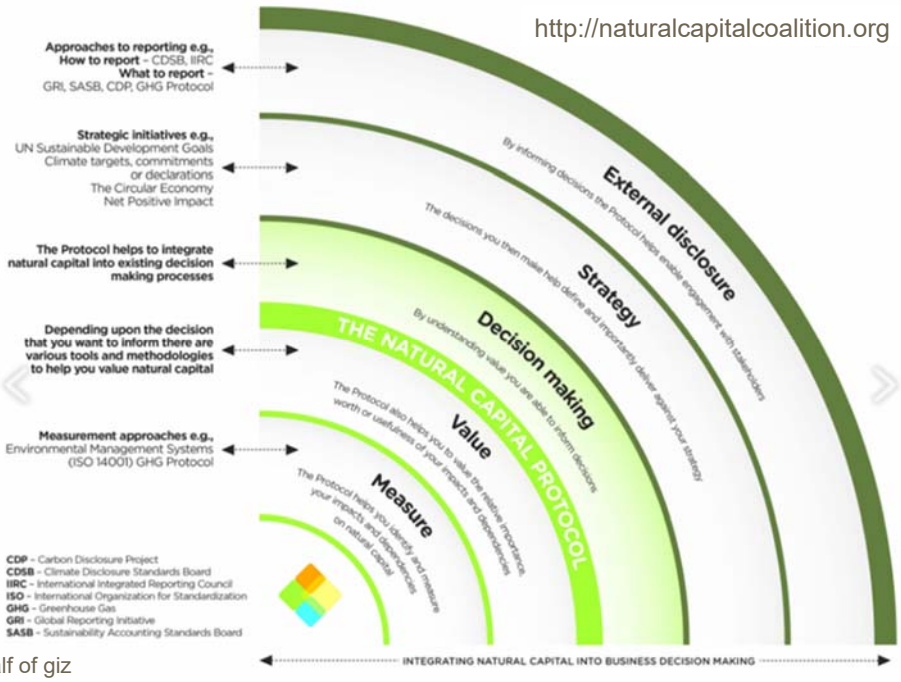
Impact Assessment

The Natural Capital Protocol helps companies of all sectors to measure their impacts and dependencies on natural capital and take action

The NCP was developed by a coalition of business, NGOs and public actors.

=> Encourage businesses to make us of the NCP!

http://naturalcapitalcoalition.org



The Business & Biodiversity Initiative and the Platform Biodiversity, Ecosystems and Economy help companies to integrate Biodiversity into their corporate management

BIODIVERSITY IN GOOD COMPANY
BUSINESS AND BIODIVERSITY INITIATIVE

platform biodiversiteit, ecosystemen & economie

The Business&Biodiversity Initiative is a cross-sectorial collaboration of mainly **German** companies with the aim to protect and sustainably use biological diversity. Members are committed to **including the protection of biological diversity into their strategies and environmental management**.

The Platform Biodiversity, Ecosystems & Economy (BEE) is an initiative of the Confederation of **Dutch** Industry and Employers and IUCN Netherlands. It raises awareness regarding the importance of biodiversity and ecosystems for businesses and develops tools for the **integration of natural capital into corporate activities and supply chains aiming to achieve "No Net Loss of biodiversity", also via investments into natural landscapes**. Members include more than 50 Dutch companies.

The European Sustainable Investment Forum (Eurosif) and ImpactAssets can reach out to leading players in impact investing

Eurosif

European Sustainable Investment Forum (Eurosif): The leading European responsible investment member organization (representing > 400 members, including **institutional investors, asset managers, index providers and ESG research firms** totaling over **€8 trillion** in assets).

IMPACTASSETS

=> Encourage Eurosif to include Biodiversity in their publications on SRI and encourage its members to include Biodiversity into their screening criteria for SRI funds.

ImpactAssets: A **nonprofit firm** specialized in investments that deliver financial, social and environmental returns. It aims to **enable investors** to engage in impact investing by providing products such as a donor advised fund (The Giving Fund), impact investing notes and educational resources. It publishes the **"ImpactAssets 50" list** which portrays **impact investment managers.** Biodiversity-related filters for the search are natural resources and conservation aswell as sustainable agriculture.

=> Encourage ImpactAssets to inform about the relevance of Biodiversity for impact investing.

Recommendations: Embed biodiversity into corporate and financial sector decision making processes by:

1. Developing **Key Performance Indicators for Biodiversity** and incorporating these into **investment standards and corporate management frameworks** via partners like the IFC, UNEP FI / PRI, B4B, vfU, the B-Lab and the Natural Capital Coalition.
2. Encouraging **businesses** to incorporate Biodiversity KPIs into their decision making processes.
3. Encouraging **impact investors** to use Biodiversity metrics in **impact measurement** (e.g. GIIRS and IRIS) by teaming up with players like **ImpactAssets** and motivate them to include Biodiversity into their educational resources.
4. Encouraging **fund managers** to include Biodiversity into **the screening criteria of SRI funds** by teaming up with players like Eurosif or the vfU who can encourage their members to do so.
5. Calculating the **economic costs of biodiversity loss** and make its consequences transparent (cf. the TEEB project).

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Conclusion

1. The growing market for socially responsible investments represents an important opportunity for the financing of biodiversity friendly businesses. => Encourage fund managers and intermediaries to **take into account biodiversity criteria in their selection processes for SRI.**
2. It is necessary to provide **financial incentives to investors** in order to make up for the often **unattractive risk/return ratios** of biodiversity friendly businesses. => Leverage **blended fund models like the Eco.Business Fund and other market-based instruments** such as **online market places** like Agora Natura and **offsetting** schemes like BBOP or the Livelihoods funds and support businesses who want to **participate in such schemes.** => Set-up a **seed-financing facility** especially **targeted at biodiversity businesses.**
3. Integrate Biodiversity **into impact measurement tools such as GIIRS** as well as **corporate decision making tools** developed by the **vfU, the Natural Capital Capital Coalition or the B Lab and leverage their outreach.**
4. Help biodiversity friendly businesses to fulfill biodiversity standards and obtain certification and apply for funding from blended funds and leverage initiatives that **match businesses with investment capital like TripleFunds** or the **Coalition for Private Investment in Conservation (CPIC).**

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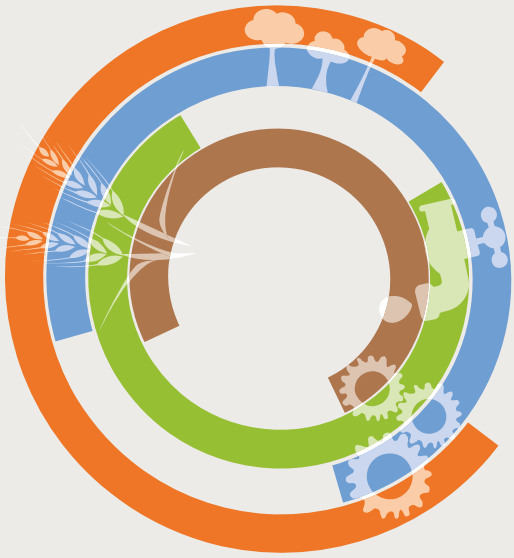
Private Business Action for Biodiversity



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