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Innovative financing for sustainability

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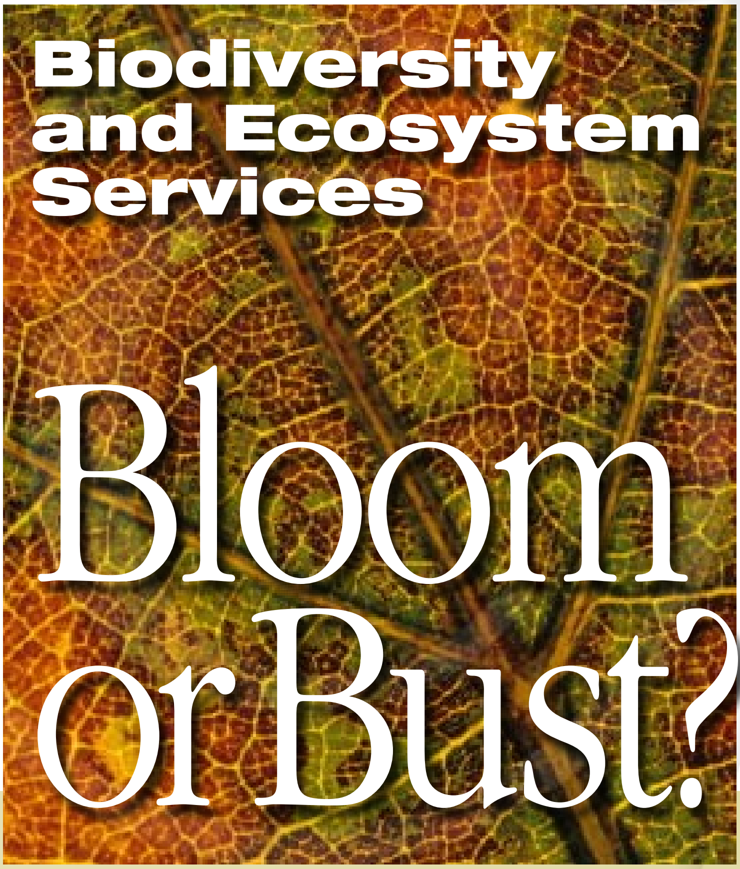

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The Business Case

It is no longer a case of conserving charismatic endangered species – although these in themselves can confer significant economic and reputational value. Rather, it is becoming an issue of global policy that the benefits provided by biodiversity are valued and accounted for within traditional business risk frameworks.

The finance sector can play a significant role in incentivising this based on arguments of investment risk and return and business opportunity.

Recommendations

Actions for the Financial Sector as a Whole

- Clarify and make consistent lending and investment requirements;
- Clearly define and articulate the financial risks and opportunities associated with biodiversity and ecosystem services (BES).

Actions for Individual Institutions

- Review portfolio and business lines for current and future exposure to BES risks;
- Consider needs for policy/guidance to inform the institution's investment and lending practices;
- Consider need for specific guidance and decision-making tools and training needs for relationship managers and transactors;
- Consider benefits of partnerships with civil society;
- Consider how best to maintain leverage in transactions;
- Report on biodiversity initiatives and impacts in sustainability and related reports.

Actions for Governments and Policy Makers

- Recognise urgency of action to address BES losses and make requirements explicit in planning and economic development policies, and financial regulations;
- Work with financial sector to ensure that policies reflect practice;
- Support research on economic and financial impact of BES loss/damage and development of enabling mechanisms that create markets for ecosystem services;
- Integrate BES assessment explicitly in public policy development.

Global Trends

Mankind's use of Biodiversity (Box 1) has contributed to human well being and economic development, but this use is not sustainable. The rate and scale of biodiversity degradation is significantly weakening the ability of the natural world to deliver key services such as climate control, air and water purification and protection from natural disasters. The key drivers of this degradation are:

- Habitat destruction by conversion for urban and industrial development, and agriculture;
- Pollution, particularly of water, but also through air emissions and solid waste;
- Climate change which is affecting the distribution and status of biodiversity globally, and also the ability of ecosystems to regulate the climate;
- The introduction of non-native invasive species; and
- Over-exploitation (for example of fisheries, timber and certain birds and mammals).

Box 1

Biodiversity and Ecosystem Services (BES)

Biodiversity includes plants, animals and other organisms and is defined in the Convention on Biological Diversity (CBD) as the variability among organisms from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; it includes diversity within species, between species and of ecosystems.

Ecosystem services are the goods and services that biodiversity provides. They include soil formation, the provision of food and fibre, air quality and climate regulation, the regulation of water supply and quality and the cultural and aesthetic value of certain plants and species.

For the purposes of this CEO Briefing and the accompanying report, these terms are combined under the acronym BES so as to provide a simple and clear association between these two inter-related aspects of the natural world.

Our understanding of the detailed interactions between biodiversity and ecosystem services are still evolving; however, it is very clear that mankind's impacts on BES is creating material risk for the financial sector, and also a rapidly increasing range of business opportunities to service new and innovative businesses that are seeking to ameliorate or reduce impacts to BES, or service new markets for products and services that promote better and more sustainable management of BES.

While the full implications of the loss of BES are not yet known (in much the same way as the impacts of greenhouse gas (GHG) emissions were hard to quantify and understand 10 years ago), there is strong evidence that the costs of these losses are growing - and growing quickly. For example:

- Mankind has already cleared half the world's natural habitats. A single year's habitat conversion costs society US$250 billion each and every year into the future;[1]
- Depending on the region, 5-20% of freshwater use exceeds long term sustainable supply and 15-35% of irrigation is unsustainable. Scarcity of water will lead to competition for supply and increasing operational costs for water dependent industries;
- Inaction on climate change (which could be partially mitigated by more effective conservation of tropical forests and other carbon storing habitats) will reduce global GDP by 20%;
- More than a third of global mangrove forest was lost between 1990 and 2000; this, together with the loss of other coastal defences has reduced our protection against natural hazards such as hurricanes and tsunamis leading to spiralling insurance costs in the developed world and significant economic and social costs globally.

1 A comprehensive list of references and data sources is provided in the accompanying Biodiversity Report

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The International Response

The importance of these goods and services is increasingly recognised in international and national conventions and there is wide endorsement of the global commitment to achieve a significant reduction of the current rate of biodiversity loss as a contribution to poverty alleviation and to the benefit of all life on earth by 2010:

- The Convention on Biological Diversity (CBD) is increasingly focusing on the role of business as a source of biodiversity impact and as an enabler of better BES management, and there is a huge opportunity for financial institutions (FIs) to play a constructive role in this process;

Decision VIII/17 of the CBD CoP 8 held in March 2006 at Curitiba, Brazil specifically states that parties: "Invites businesses and relevant organisations and partnerships, such as the Finance Initiative of the United Nations Environment Programme, to develop and promote the business case for biodiversity…"

- At the G8 environment meeting in Potsdam in March 2007, the environment ministers of the G8 countries together with environment ministers from five newly industrialising countries (Brazil, China, India, Mexico and South Africa) agreed on a "Potsdam initiative" to estimate the economic costs of global biodiversity loss. There was a clear message to the financial sector too: *"We will approach the financial sector to effectively integrate biodiversity into its decision making… and we will enhance financing from existing financing instruments and explore the need and the options of additional innovative mechanisms to finance the protection and sustainable use of biological diversity, together with the fight against poverty. In this context we will examine the concept and the viability of payments for ecosystem services."*

Financial Sector Implications

As mankind erodes the capacity of biodiversity to provide ecosystem services, there are reciprocal impacts on the viability of companies, which are increasingly affecting operations and business assumptions. These impacts also translate into material risks for the financial sector as described in Box 2.

Box 2 **Drivers for Change – The Business Case**

Risks	Drivers in action
Reputation and Brand	■ Society at large is focusing on the causes of, and responsibilities for BES loss. The financial sector is seen as a key point of leverage in enabling BES loss (and also as a mechanism for effecting better BES assessment and management). Recent damaging reputational campaigns have drawn attention to: – Forestry: Financial Institutions providing advisory services to the IPO of the Samling Group on the Hong Kong Stock Exchange; – Oil and Gas: Proposed investment in the Sakhalin II project and impacts on the critically endangered western grey whale; – Agribusiness: Investment in agribusiness in Brazil that contributes to deforestation; – Mining: Financial institutions being targeted for the ecosystem and related social impacts of "mountain top removal" mining in the USA. – Opportunities to build and define aspects of a financial institution's brand based on biodiversity conservation.
Liabilities and Compliance Aspects	■ The decline in BES is likely to result in increased regulation as governments and the international community factor the management of ecosystem services into private sector activities. For example the EU Liability Directive specifically covers environmental damage and compensation requirements where species and natural habitats are damaged; ■ The impacts of Basel II and the Potsdam Initiative also seem likely to increase the attention of the financial sector on "non-financial" risk, as the materiality of BES liabilities becomes more explicit.
Investment Returns	■ Loss of investment returns arising from (i) disruption to business operations caused by natural hazards (ii) reduced (agricultural) yields and insecurity of raw materials, (iii) increased insurance premiums, (iv) costs imposed by governments in efforts to curb GHG emissions, (v) declining collateral value of land, and (vi) declining share price or company valuation as a result of disruption in supply of goods and services dependent on BES; ■ Opportunities around the generation of carbon credits from forest conservation as shown by the recent launch of the US$200 million carbon backed forest financing facility by Credit Suisse; ■ For sponsors and clients operating in some sectors (including oil, gas and mining, and agribusiness), access to existing and new assets is increasingly influenced by demonstration that companies can manage BES impacts; ■ Opportunities for ethically differentiated products such a s socially responsible investment funds.

While risk management is currently the focus of attention, opportunities to capitalise on BES are also evident, and a number of FIs are now servicing new and mainstream markets particularly for carbon and water:

- The market for environmental allowances for carbon is already approaching US$1 trillion, to date this has focused on technical means of reducing carbon emissions, however, interest is growing in incentivising the conservation of tropical forests;
- Public and private payments for watershed services are predicted to increase from a current estimate of US$ 1.5 billion per year to US$3 billion in 2010 and US$30 billion by 2050;
- Investment opportunities in businesses introducing new technologies and services that explicitly seek to improve resource use (especially water and energy use) efficiencies.

The BES risks and rewards that are coming into play offer the financial sector a range of new challenges and opportunities and at the same time the leverage that the sector can bring to these issues is becoming clearer and has resulted in a range of initiatives and partnerships with industry and civil society groups.

Understanding BES Risks and Exposure

Although there are opportunities for FIs to enhance the BES management of their physical assets and direct operations (particularly through commitments to procure wood and paper products from sustainable sources and actively manage water and energy use in buildings), it is clear that the main BES risks relate to lending and investment activities, and that these vary depending on the financial service being offered, the industry sector in which the transaction is proposed, and the location of proposed activities.

JPMorgan Chase believes that there are certain places on earth with cultural and natural values so great that we as a global citizen must take extra precautions to protect them. JPMorgan Chase prefers to only finance preservation and light, non extractive use of forest resources for projects in forests whose high conservation values are endangered. In addition, we will not finance extractive projects or commercial logging in World Heritage sites.

1. Financial products: Different financial products and services create varying exposure to risk since attribution and leverage fundamentally affect the ability of a financial institution to engage with its clients (Box 3, overleaf).

2. Industry sector: Some industry sectors are particularly exposed to risk linked to declining BES. These are primarily those that rely directly on the availability of natural products (e.g. fisheries and forestry), healthy function ecosystems (e.g. agriculture, biofuels, food and beverages), or services derived from them (e.g. water utilities, hydropower, tourism). The risks associated with declining BES have affected businesses and financial returns in all these sectors. In the past, businesses and financial institutions have offset risks by spreading activities to new areas or locations, however the pace of globalisation and scale of economic activity now means that new and unexploited resources and goods are becoming scarcer and less easy to secure - requiring greater awareness of BES risks in business and financial planning and assumptions. These risks are, of course, also driving innovation and efficiency in many businesses (e.g. aquaculture to offset losses of fish and shellfish, and energy and water efficiency in industry and agriculture).

Similarly, certain industry sectors have a greater impact on BES which can create additional (reputational) risks to FIs that invest or lend to companies perceived to create undue BES impacts. Box 4 provides an overview by industry sector which serves as a high-level indicator of key risks that may be apparent in specific transactions.

Box 4 **Risks to Biodiversity and Ecosystem Services from Specific Industry Sectors**

Industry Sectors	Impacts to BES				
X indicates major biodiversity risk x represents biodiversity risk	Habitat Loss and Converson	Pollution	Climate Change	Invasive Species	Over-harvesting
Agriculture	X	X	X	x	
Biofuels	X	x	X	x	
Food and Beverages (including supply chains)	X	X	X		x
Construction and Building Materials	x	x	X		x
Waste Management		x	x		
Forestry and Paper	X	x	X		x
Leisure and Tourism	X	x	x	x	
Oil and Gas	X	X	X	X	
Mining	X	X	X		
Electricity Generation and Supply	X	X	X		

Box 3

Attribution of Financing and Investment Risks to Selected Financial Services

Financial Products/ Services	Characteristics	Risk Attribution	Leverage Potential
Project Finance	■ Site-specific and known use of funds; ■ Often considerable information available from environmental and social impact assessments.	**High** ■ Clear causal relationship between project financing and biodiversity impacts and ecosystem services risks (such as water scarcity); ■ Clear materiality links between financing impacts.	**Good** ■ Duration of loan often long; ■ Leverage can be effected through financing terms, disbursement schedules and the integration of BES into covenants, disbursement conditions and project completion tests.
Corporate Loans	■ Use of proceeds may be unknown; ■ Requires greater understanding of general BES risks related to the sector, and client commitment, capacity and track record to manage BES risks; ■ Supply chain risks may require particular attention.	**Variable but can be high** ■ Level of attribution depends on whether use of proceeds is known.	**Variable** ■ Limited direct leverage if use of proceeds is unknown. Potentially more significant leverage where use of proceeds is known; ■ Reliance on client environmental and social management systems is often important.
Investment Banking	■ Use of proceeds may be for non-specific corporate development activities; ■ Disclosure of environmental and social risks required, to varying extent, by stock exchanges and regulators.	**Limited but growing** ■ Attribution of an institution's role in financing/ enabling potentially BES-damaging activities difficult, but this does not prevent civil society groups from targeting institutions that they perceive as supporting companies that have questionable BES records.	**Variable but often good** ■ Good leverage especially if relationship with client is long-term; ■ Risk of client migration to institutions with less demanding environmental requirements; ■ Short turn around times for transactions may make it difficult to establish a good understanding of BES risk where information is incomplete.
Fund Management	■ Portfolio selection, engagement and proxy voting are increasingly important; ■ Proxy voting outcome is publicly available in many jurisdictions and hence there is greater transparency at least for publicly traded companies.	**Limited but growing** ■ Attribution of fund managers accountabilities to BES have traditionally been weak; ■ Principles for Responsible Investment (PRI) appear likely to drive change significantly.	**Variable but can be good** ■ Leverage influenced by volume of shares held and capacity/ appetite of fund managers to engage; ■ PRI (and SRI tools and experiences) provide a platform for scale up of engagement; ■ Large size and long-term horizon for pensions investments means they wield considerable influence and have inherent interest in long term performance of companies (i.e. recognising that effective BES management is material to company valuation).
Trade Finance	■ Limited recourse facilities to finance trade in oil, precious and base metals and soft commodities; ■ Commodities used as collateral to fund working capital requirements; ■ Commodity finance commonly used in emerging economies where BES issues are particularly apparent.	**High** ■ Lending related to specific commodities which incur BES impacts in their lifecycle (e.g. biofuels, cotton, base metals); ■ Growing evidence of biodiversity impacts associated with agribusiness (particularly biofuels) and associated with damage to ecosystem services (particularly water).	**Low but opportunities do exist** ■ Tenor and duration of transactions may preclude leverage (short term, uncertain provenance and limited attribution to specific impacts); ■ Increasing demands for information on product sourcing (driven by food safety, environmental and social and other needs) means that chain of custody and related certification systems are increasingly being applied to commodities and attribution/ leverage.

3. Location: The location of a transaction (and its impacts through supply chains) is also important to understanding the materiality of BES risks. There are four underpinning factors:

- The BES values of the area in question (i.e. areas with naturally high levels of biodiversity such as some tropical rainforests, coral reefs and wetlands);
- The capacity and effectiveness of governments to control and manage risks to BES (often, there is less capacity in emerging and developing economies);
- The social context in which the investment will take place, and particularly local communities' reliance on ecosystem services (e.g. for food, building materials, medicines and cultural values);
- Cumulative and indirect impacts (e.g. increased hunting and deforestation in remote areas as a consequence of roads and infrastructure construction).

Managing Biodiversity and Ecosystem Service Risk

It is inevitable that the financing landscape will increasingly reflect the materiality of BES risk, and some financial institutions have already begun to factor this into their risk assessment and management. A range of tools and procedures are emerging, which help identify and manage BES issues more consistently and effectively, both at the level of individual financial institutions and also via collective action.

The asset management sector has made significant progress (Box 5) and this work has been given a strong platform through the leverage that is delivered through the $10 trillion of assets that now subscribe to the UN Principles for Responsible Investment (UN PRI). The PRI, launched by former UN Secretary General Kofi Annan in April 2006 and endorsed by current UN Secretary General Ban Ki-Moon in July 2007, was a process catalysed originally by UNEP FI's Asset Management Working Group (AMWG) materiality research. The PRI process was subsequently managed for the UN Secretary General by UNEP FI and the UN Global Compact. Similarly the Equator Principles have provided a consistent and clear framework for assessing BES via project financing.

Box 5

Asset Management and Biodiversity

Asset managers Insight Investment and F&C have both developed tools to evaluate biodiversity risk within their investment portfolios. The approach combines research into key issues with a structured analysis of investment portfolios and engagement with investee companies.

F&C continues to engage with its investment companies on the issue of BES based on an analysis of the potential materiality of the risks posed by BES to different industry sectors using this analysis to encourage improvement amongst the companies benchmarked.

Insight Investment initially focused on the mining, oil and gas, and utilities industries. Through a process of stakeholder consultation, Insight defined a benchmarking framework which allowed analysis of companies within their sector and their approaches to understanding and managing BES risk. Work is now underway within the UNEP FI's BES work stream (through the Natural Value Initiative), led by UNEP FI, Fauna & Flora International and Brazilian business school Fundacão Getulio Vargas to adapt this tool for application in the food and beverage industry"

At the level of individual financial institutions, an important initial step in many instances has been the development of a clear policy of recognition and intent in relation to BES. Common elements of these policies include:

- Specific commitments to comply with the law in terms of BES impacts (especially for forest products and forestry transactions);
- Avoidance of areas containing important biodiversity such as World Heritage Sites or other protected areas;

- Recognition of the rights of indigenous communities and others who rely directly on BES for their livelihoods.

A range of tools and techniques that enable policy commitments depending on the financing proposed are described in Box 6. It is clear that incorporation of BES issues into credit review and decisions does not require the development of extensive new procedures provided there is at least a basic environmental and social risk management procedure in place.

Box 6 **Financial Products and Risk Management Tools**

Financial Product/ Services	Risk Management Tools and Procedures which Have Proven Useful in Assessing and Managing Biodiversity and Ecosystem Service Risks
Project Finance and Trade Finance	■ Establishing internal policy and procedures that recognise BES as a material risk to the institution; ■ Development of checklists, risk overlays (including maps) and screens to highlight risks associated with specific industry sectors; ■ Application of Equator Principles for project finance and advisory services (including the use of Environmental Impact Assessments to assess and manage BES risks and opportunities).
Corporate Finance	■ Client Risk Assessment tools which include consideration of BES capacity, commitment and track record; ■ Ensuring clients have in place an environmental management system that incorporates biodiversity and ecosystem services impacts identification and associated risk management
Asset Management	■ Client Risk Assessment tools that incorporate questions on BES capacity, commitment and track record; ■ Benchmarking companies against criteria for effective management of BES impacts through evaluating governance structures, policy, strategy and management, and monitoring procedures.
Institutional Investors and Others	■ Direct engagement with investee companies involved in activities with a significant BES impact, (e.g. Co-operative Insurance approached all companies it invests in to ensure that they are aware of the potential pitfalls if they are engaged in the biofuel sector); ■ Use of the UNEP FI toolkit covering 10 sectors which contain references to help identify impacts on BES (http://www.unepfi.org/toolkit).

Capitalising on Opportunities

Concurrent with the growing BES risk management needs of the financial sector, a range of investment and lending opportunities have emerged that support the financing of businesses which actively promote BES (Box 7). It is clear that these opportunities are moving beyond niche products and services that require subsidy and other "soft" financial support, to mainstream opportunities for large-scale financial products and services.

ANZ has indicated that it will develop a range of sector policies and that a Forests and Biodiversity Policy will be the first of these. It will act as a reference point for future ANZ decision-making on any transaction that has the potential to significantly impact intact forests and/or biodiversity values.

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Box 7

BES Financing Opportunities

Opportunities associated with carbon and water markets are attracting attention from mainstream finance. These markets are underpinned by fundamental and long-term changes in the valuation of ecosystem services. Biodiversity and landscape protection opportunities (increasingly a vehicle through which a range of income streams can be managed to deliver BES benefits and an acceptable rate of return to commercial investors and financiers) are also gaining interest from commercial funds for similar reasons.

In particular, products associated with the emerging market for forestry-linked carbon credits and low-carbon technologies have increased significantly (supported by growing evidence that intact forests can generate long-term value). This value will grow in the light of the expectation that avoided deforestation will become eligible for carbon credits in the near term.

Initiatives such as the Ecosystem Market Place and Forest Carbon Facility, as well as emerging consumer demand for 'sustainable' products and interest in the potential for market-based regulation of ecosystem services are helping define opportunities for the financial sector.

The BES market is not without its challenges (including uncertainty over cause and effect, attribution of benefits, and long-term time horizons for some services), but as the market consolidates and returns become clearer these barriers to business seem likely to decline.

Opportunities for New Financial Products Opportunities associated with carbon and water markets are emerging and attracting increasing attention from mainstream finance. Opportunities to invest in other aspects of BES (including conservation land banking to protect species and habitats) are also growing.

Differentiation and Branding Financial Institutions are using biodiversity to differentiate brand and attract new business.

New Investment Opportunities The opportunities that are beginning to emerge around biodiversity (and particularly payment for ecosystem services – PES) -based businesses seem set to become a significant "pull" factor for the financial sector in the near term.

Citigroup states that illegal logging is an increasing threat to critical forest ecosystems worldwide, as well as economies and human rights… With assistance from external experts and NGO partners, it has developed a workshop series for its bankers and portfolio managers involved in the forestry sector… in Malaysia, Brazil, and New York in 2007.

ETIENNE DESMET-UNEP/STILL PICTURES

Practical Next Steps

Both the risks and opportunities that the financial sector faces in terms of BES are potentially significant. Risks, in particular, have proven materiality and have caused a growing number of FIs to look closely at how they can integrate BES assessment within wider credit and risk management procedures. This section presents guidance and a series of suggestions (at the level of individual institutions, the financial sector as a whole, and for policy makers) which provide a route map for further action.

Actions for the Financial Sector as a Whole

Given the public good nature of biodiversity, it may be easier in some instances for the financial sector to address aspects of BES via collective action, which responds to key questions and needs at a strategic level.

Consistency in financing and investment requirements: Clarifying and making consistent the lending and investment requirements is important if the financial sector is to effect cost effective and efficient risk management. UNEP FI, PRI and the Equator Principle financial institutions community might act as suitable fora for these discussions which should be convened with the intent of:

- Promoting consistency in consideration of BES aspects of financing and investment;
- Developing BES principles and criteria across different financial services (as is happening with forestry investments);
- Promoting best practices and benchmarking of performance across the financial sector;
- Developing and promoting the use of clear, simple and practical guidance and checklists and the common application of tools and metrics to provide a 'one-stop shop' of sector specific guidance (one initiative that aims to achieve this for the asset management sector is the Natural Value Initiative). A review of UNEP FI and UN PRI materials to ensure they consistently and clearly flag BES issues would also be appropriate;
- Engaging in the Potsdam Initiative to ensure that the needs of the financial sector are understood, but also to map out a framework for investment and lending that can support and enable wider action on BES management;
- Collaborating to establish criteria for evaluating country based BES risks, which can become incorporated in country risk rating;
- Developing and sharing information on partnerships to deliver BES benefits;
- Encouraging business schools/ financial training bodies to adequately encompass environmental issues including BES in the training of the next generation of analysts and finance specialists.

Research: Underpinning the above, there is a pressing need to more clearly define and articulate the financial risks and opportunities associated with BES. The role that shared research can play is currently underutilised and there is limited opportunity for the financial sector to learn collaboratively about successful and cost effective risk management. Research should ideally build off the economic analysis and valuation work on BES that will emerge from the Potsdam Initiative. Key areas requiring urgent attention include:

- The valuation of ecosystem services so that costs and benefits can be integrated into financial models;
- Linked to the Potsdam Initiative work, efforts should be made to clarify and substantiate the scale of PES markets (perhaps focusing on water use and landscape/ biodiversity opportunities);
- The impacts of public subsidy on delivery of / damage to ecosystem services;

Goldman Sachs recognises that diverse, healthy natural resources are a critical component of social and sustainable economic development… To that end, we will work to ensure that our people, capital and ideas are used to help find effective market based solutions to address climate change, ecosystem components of social and critical environmental issues.

- The development of market mechanisms and services that can be used by the financial sector to promote more sustainable biodiversity and ecosystem service management.

Actions for Individual Institutions

- **Understand the scope and scale of risks:** Review portfolio and business lines for current and future exposure to BES risks. Tracking emerging issues and regulations (e.g. avoided deforestation and the requirements that may emerge from the Potsdam Initiative) will be important for institutions with significant BES risk and exposure;
- **Policy and procedures:** Where material exposure is evident now or likely in the near term, consider needs for policy and / or guidance to inform the institution's investment and lending practices. In many instances, BES risks can be effectively represented in an institution's existing credit risk process;
- **Tools, guidance and training:** For key industry sectors or regions, consider the need for specific guidance and decision-making tools (checklists, client diagnostics and risk assessment tools) and training needs for relationship managers and transactors;
- **Partnerships:** Consider the benefits of partnerships with civil society (such as research organisations and conservation NGOs) that are key players and often have significant information and experience on BES assessment and management;
- **Leverage and compliance:** Where compliance is sought on BES issues, consider how best to maintain leverage in transactions (through, for example, disbursement conditions and covenants);
- **Reporting and demonstration:** Report on biodiversity initiatives and impacts in sustainability and related reports.

Actions for Governments and Policy Makers

- Recognise the urgency of action to address BES losses and make requirements explicit in planning and economic development policies, and financial regulations;
- Work with the financial sector and others to ensure that policies reflect practice;
- Support research on the economic and financial impacts of BES loss/ damage and the development of enabling mechanisms that create markets for ecosystem services;
- Integrate BES assessment explicitly in public policy development and incorporate the costs of BES loss / degradation, as well as the benefits of BES management into policies and programmes, in particular, the impacts of subsidies and tariffs on BES globally.

About UNEP Finance Initiative (UNEP FI)

The United Nations Environment Programme Finance Initiative (UNEP FI) is a global partnership between the United Nations Environment Programme and the private financial sector. UNEP FI works closely with the 170 financial institutions that are Signatories to the UNEP FI Statements, and a range of partner organisations, to develop and promote linkages between the environment, sustainability and financial performance. Through regional activities, a comprehensive work programme, training activities and research, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

About the Biodiversity & Ecosystem Services Work Stream (BESW)

The Biodiversity & Ecosystem Services Work stream (BESW) is based on the need to engage the financial services sector in identifying and addressing the challenges arising from the loss of biodiversity and the degradation of ecosystem services.

The development of UNEP FI's work on this issue comes partly as a response to the UN Convention on Biological Diversity (CBD) CoP 8 decisions on private sector engagement which states that parties: "Invites businesses and relevant organizations and partnerships, such as the Finance Initiative of the United Nations Environment Programme, to develop and promote the business case for biodiversity……."

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