

**Principles for
Responsible Banking:
Guidance for banks**

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Principles for
Responsible Banking

Executive summary

**PRB Nature
Target Setting**



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Executive summary

This guidance assists banks to take action—through portfolio-wide targets and other efforts—in support of the policy goals established by Kunming-Montreal Global Biodiversity Framework (GBF). The GBF, signed by more than 190 countries, calls for a global commitment by governments and all actors of society to take urgent and meaningful action to halt and reverse biodiversity loss by 2030, foster a sustainable and equitable use of nature, and achieve a vision of living in harmony with nature by 2050. Akin to the Paris Climate Agreement, the GBF calls upon all actors, including financial institutions, to align their business strategies and financial flows with this 2030 mission and 2050 vision. This includes the ambition to shift global financial flows from nature-negative towards nature-positive outcomes.¹

As major financiers of economic activity, banks must be at the forefront of shifting financial flows to incentivise nature gain, rather than nature loss. Banks have a key role to play in achieving the 23 targets underpinning the goals specified within the GBF, in part due to their activities in high impact sectors, their high levels of financing in emerging markets, and their power to direct financial flows towards nature-positive activities. Over half of the global economic value generation, circa USD 58 trillion is moderately or highly dependent on nature (PwC, 2023)—leading the central banks and financial supervisors of many countries across the world to recognise that the degradation of nature, and actions aimed at preserving and restoring it, can have material macroeconomic, macroprudential, and microprudential consequences (NGFS, 2023)

Recognising the importance of the topic for banks, this guidance was co-developed with 34 signatories to the Principles for Responsible Banking (PRB) from across the globe. The PRB currently represents almost half of the world’s banking assets and are a community of banks who recognise the importance of assessing and managing nature-related risks, impacts and opportunities to support the sustainability and resilience of their business. PRB Signatories include a wide range of banking types (universal, retail, investment, credit unions, wealth management, development banks, etc)—and within each a range of banking activities within different sectors and geographies economic and political contexts. Setting targets on nature is complex, while at the same time action on nature is urgent.

¹ The term “nature positive” is not defined in the Global Biodiversity Framework. This term is therefore used in this guidance broadly to refer to actions that reduce nature-related risks and negative impacts, and foster positive impacts on nature. A “[Nature Positive Initiative](#)” was launched in September 2023 with the support of leading non-governmental organisations and business initiatives, to build alignment on the concept and promote the integrity and implementation of a Global Goal for Nature. The initiative supports the implementation of the GBF by aiming to drive alignment around the definition, integrity and use of the term ‘nature positive’ and supporting broader, longer-term efforts to deliver nature-positive outcomes.

This guidance outlines the key steps to setting practice targets for nature. To start with, banks need to assess their exposure to nature-related impacts and dependencies, risks and opportunities, for which the paper outlines the tools and approaches available for banks. This includes reference to other frameworks and guidance, as well as a step-by-step approach, in line with the Taskforce on Nature-related Financial Disclosure's (TNFD's) disclosure recommendations and LEAP approach. Guidance is then provided to map exposure to high-impact economic sectors—'priority sectors'. Following on from this, detailed guidance is provided so that members banks can:

- a. Understand the context, and align with the GBF and other regional frameworks and policies, such as the implementation plans of their countries' National Biodiversity Strategy and Action Plans (NBSAPs).
- b. Integrate nature within their practices and processes, including:
 - i. Mainstreaming nature within the organisation via policies, processes, capacity building, culture and governance
 - ii. Engaging with clients to help them also embed a consideration of nature within their business
 - iii. Mobilising financial resources to direct more finance to nature
 - iv. Engaging in advocacy work and developing partnerships that encourage a wider transition to nature-positive activities.

Within each action from I to IV, recommended actions and sample targets are provided, including headline targets where relevant. At the end of this section, hypothetical targets and case studies are provided to serve as inspiration for banks as they develop their own targets.

This paper guides banks to set nature targets by following the progressive approach to target-setting developed by the PRB. Nature is an emerging impact area in terms of available tools and methodologies. The lack of robust science-based sectoral pathways on nature, the limited availability of data at the issuer-level, and the lack of a universal metric to measure nature, amongst other challenges, require banks to adopt a phased and pragmatic approach to setting targets on nature. This guidance is therefore non-prescriptive and has adopted a flexible approach to target setting, prioritising countries' own targets and metrics as far as possible. It takes stock of the fact that certain banks have already made significant progress on the management of climate- and, for some, nature-related risks and impacts. It also recognises that other banks in developed and emerging markets are still at the start of this journey, and countries are all currently updating their National Biodiversity Strategy and Actions Plans (NBSAPs) following the endorsement of the GBF. The guidance provides a set of model targets designed to be fine-tuned and improved over time as more banks gain experience with this topic. The size and complexity of integrating nature into banking requires urgent and progressive action from banks. This should never justify the watering down of ambition. Rather, action needs to be effectively tailored across the range of circumstances encountered by banks around the world. For example, in lower-income countries banks allocate on average 55% of the loans to firms subject to potential financial losses due to deterioration of ecosystem services (World Bank, 2023) in which case a risk-based approach may be most appropriate. Banks should be modest about their current positive contributions towards nature—the reality being that “green” investment

only represent a fraction of financed activity today, leaving a significant margin for ambition, innovation, and a tangible shift towards nature-positive banking.

The current guidance was developed with support from leading organisations and initiatives in the nature finance space, to ensure alignment between emerging frameworks and other financial actors, in particular investors. As practice evolves, UNEP FI and the PRB remain committed to work with partners across this domain and in other financial industries to support joined-up approaches that enable finance to shift as quickly as possible. The urgency and importance of the issue demands strong collaboration.

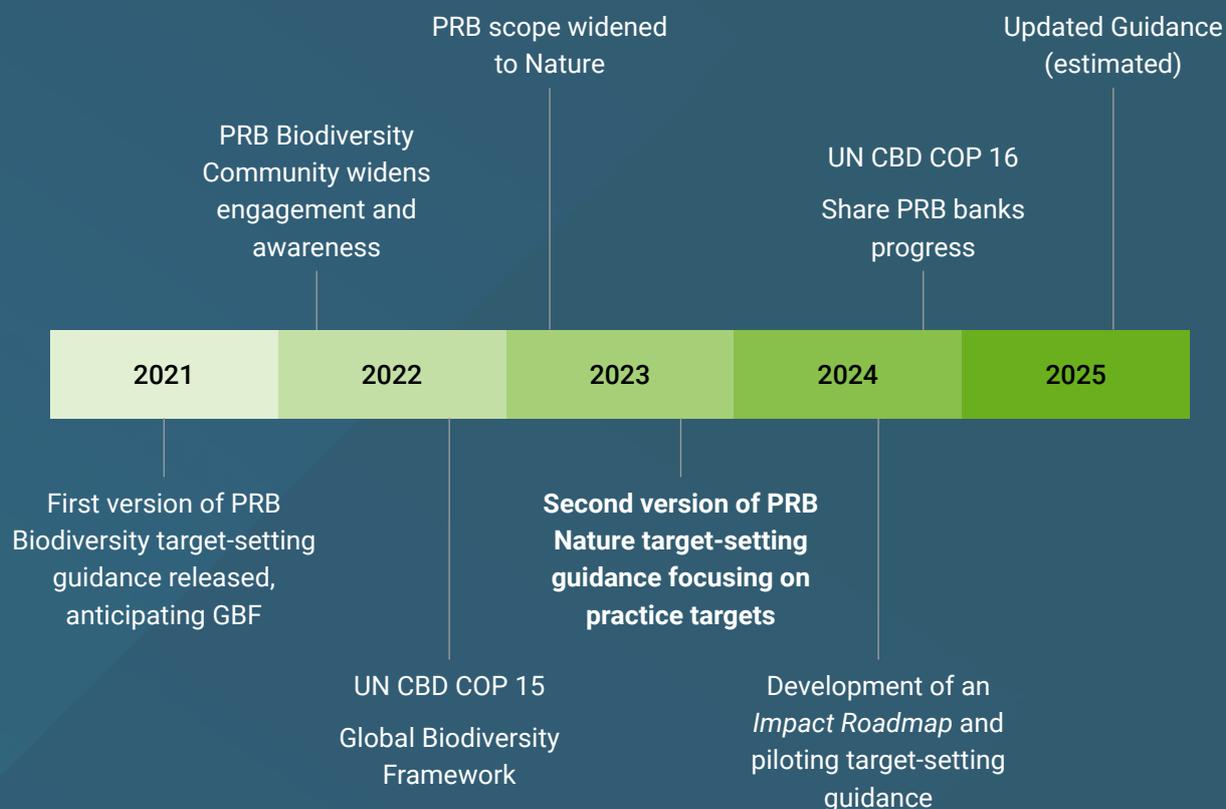
PRB work on nature

UNEP FI is committed to engaging the financial sector in the implementation of major UN sustainability agreements, which is the Kunming-Montreal Global Biodiversity Framework in the case of nature and biodiversity (equivalent to the Paris Climate Agreement on climate). This guidance is focused on portfolio-level target-setting for banks on nature broadly including freshwater, forests and oceans, and represents an expansion of scope from the previous [PRB guidance](#) that was limited to biodiversity. The concept of portfolio alignment for banks refers to the degree of alignment of the bank's financing activities, across all product and transaction types. Broadly, the concept of aligning finance for nature refers to the extent to which private and public financial flows are consistent, or inconsistent, with achieving the impact-related goals and targets of the GBF. The concept of aligning finance and impact has become increasingly popular via the call in the article 2.1c of Paris Agreement, which has resulted in more than 550 FIs headquartered in more than 50 countries making commitments to align their financial portfolios with a 1.5°C target.² Portfolio alignment tools are used to generate metrics to determine the overall level of alignment of a portfolio, by assessing the performance of its individual holdings. Building on experience and learnings in climate and finance, the approach of aligning portfolios with the GBF goals and targets is reflected particularly strongly in GBF Goal D:

“Adequate means of implementation, including financial resources, capacity-building, technical and scientific cooperation, and access to and transfer of technology to fully implement the Kunming-Montreal global biodiversity framework are secured and equitably accessible to all Parties, especially developing countries, in particular the least developed countries and small island developing states, as well as countries with economies in transition, progressively closing the biodiversity finance gap of the USD 700 billion per year, and aligning financial flows with the Kunming-Montreal Global Biodiversity Framework and the 2050 Vision for Biodiversity.”

2 [GFANZ. gfanzero.com/about/](https://gfanz.com/about/)

The UNEP FI Banking Board and the Secretariat of the PRB commit to supporting banks in implementing this guidance, and to a process of continuing improvement of the methods therein, working with partners and stakeholders to make a contribution to stay within safe and just Earth System Boundaries.³ The timeline below shows where the guidance fits within the rapid evolution of this space.



Member banks are encouraged to take action now, using the guidance in this paper to begin to set practice targets for nature in order to advance banking’s contribution to a nature-positive future.

Summary of recommended priority actions and headline targets for PRB signatories

The following summarises recommended actions and illustrative targets appropriate for banks. They have been developed for banks to design and set their own targets, commitments, strategies, and policies ensuring that they are representative of their own business and context. Although no suggested action or target is mandatory for PRB banks, it is expected that members, particularly larger banks that are more advanced, begin to take action and meet headline targets as part of their commitment to the Principles. The guidance will be further developed based on members’

³ Planetary boundaries are the safe operating space for humanity on Earth, where 6 of 9 boundaries are already transgressed (Richardson *et al.*, 2023). The Earth System Boundaries build on and expand our understanding of five of the nine Planetary Boundaries—freshwater, nutrient cycles, biodiversity, climate and air pollution—by also looking at where significant harm to humans occurs from Earth system change, and incorporating people’s needs for resources (Rockström *et al* 2023).

implementation experience, ongoing developments in the sector, and feedback from the PRB Implementation Review process. An important point throughout is that banks should become familiar with and support the implementation of countries' National Biodiversity Strategy and Action Plans (NBSAPs) with the same regard as Nationally Determined Contributions (NDCs) and ideally also adaptation and resilience plans.

To assist banks in prioritising efforts, certain priority actions are identified in bold. These will help banks begin to take concerted action on nature across their business.

Potential headline targets are also identified in bold. These will help banks focus efforts on initial goals.

Portfolio analysis and disclosure (GBF Target 15)

- **Priority action:** Assess exposure of the bank's portfolio to nature-related impacts and dependencies, risks and opportunities, starting with identified priority sectors. Banks should determine a percentage of their respective portfolio to run the initial assessment for and complete the analysis within an achievable yet ambitious time-frame. The portfolio analysis for nature-related impacts and dependencies, risks and opportunities in identified priority sectors should help bring initial insights into potential "hotspots" in a bank's activities based on their sectoral and geographic exposures and areas for further deep dive analysis. This will then be important information to address in the target setting and risk management processes.
- **Priority action:** Analyse a meaningful percentage of clients in identified priority sectors for their nature-related impacts and dependencies, and thus resulting risks and opportunities for both the client/company and the bank. This should help bring clarity for: (i) individual counterparties or clients that may be operating in or near important biodiversity areas and critical habitats as well as their pressures/impact drivers, and (ii) stakeholders including Indigenous Peoples and Local Communities holding rights, inhabiting and/or depending on areas where counterparties or clients are operating. These entities will then be important to address in client engagement processes.
- **Priority action:** Progressively report in line with the TNFD recommendations, including on the TNFD core disclosure metrics. This includes all the core global risk and opportunity disclosure metrics provided in Annex 1 (table 7) of the TNFD recommendations. Banks are also encouraged, where feasible, to disclose the core global dependency and impact disclosure metrics for the financial institutions portfolios (for banks, lending portfolios, as and where possible, which are also provided in Annex 1 of the TNFD recommendations.⁴ In light of the current data limitations for financial institutions to report the TNFD core global metrics for their portfolios, the Taskforce proposes an adaptation of the TNFD disclosure metrics architecture

⁴ See the TNFD recommendations and disclosure metrics in detail at: <https://tnfd.global/recommendations-of-the-tnfd/> Organisations that pilot tested the TNFD draft guidance showed it was possible to assess dependencies and impacts of financed activities. Examples of what is possible are provided in Annex 2 of the TNFD guidance for financial institutions and the TNFD guidance on the LEAP approach.

for financial institutions. The financial institution specific impact and dependency metrics that are defined when data limitations apply, are as follows:⁵

1. Exposure to a defined set of sectors considered to have material nature-related dependencies and impacts (in absolute amount or percentage of lending volume)
 2. Exposure to companies with activities in sensitive locations (in absolute amount or percentage of lending volume)
- **Banks are** reminded that the highest-order source for impact KPIs and metrics are found in countries' NBSAPs.

Policies and processes (incl. due diligence) (All GBF Targets esp. 1 & 14)

- **Headline target:** Develop (or update, if already existing) and implement risk management and associated policies and due diligence systems for **all** identified sectors with a high impact on nature⁶ and for specific activities that are known to generate significant nature-related impact. Such policies can include bright lines where business (either at client or transaction level) will not occur or where further due diligence needs to be conducted following recognised guidelines.

Capacity building, culture and governance (GBF Targets 14 & 21)

- **Priority action:** Develop a nature strategy to explicitly incorporate nature within the bank's overall sustainability strategy.
- **Priority action:** Produce a public statement on the bank's approach to nature.
- **Additional target:** Train [XX]% of all staff on the causes and consequences of the global crisis of nature loss, how the financial sector contributes to nature loss through financed activities, and the types of action that may be taken to reduce risks and impacts and increase positive outcomes, in line with international policies and applicable regulations; additionally seek to further train [XX]% of front office, coverage, sustainability and risk staff in more detail on emerging frameworks, standards and regulations (e.g. TNFD, EU EFRAG, ISSB) as well as emerging nature related data, tools, metrics, and methodologies.
- **Additional target:** Hold [XX] times per year an Executive Management board or Board of Directors discussion on the business case, strategy, key actions, plans, progress and available approaches for proactively understanding and managing nature-related impacts and dependencies, risks and opportunities within the institution's scope of business.

5 See the TNFD additional guidance for financial institutions in detail at nfd.global/wp-content/uploads/2023/08/Guidance_for_Financial_Institutions_v1.pdf?v=1695215983

6 And potentially nature-dependent sectors as well, depending on the bank's nature strategy

- **Additional target:** Seek to incorporate nature into the remuneration policy for senior management in the organisation, including for their executive committees and board members.

Client engagement (GBF Targets 7, 8 & 14)

- **Headline target:** Engage formally with [XX] largest financing clients in identified priority sectors on their material nature-related impacts and dependencies and resulting risks and opportunities. This should aim to encourage them to improve their own management of nature related dependencies, impacts, risks and opportunities, reduce their pressures related to nature loss and disclose relevant nature-related metrics. This can be a follow-on activity from the Portfolio Analysis action noted above.
- **Additional target** on portfolio coverage: Engage with [XX] number or% of portfolio companies in identified priority sectors to set at least one Science Based Target for a nature-related topic and/or an action plan for nature in place based on what is most material for the company in question.

Portfolio composition and financial flows (GBF Goal D and Target 19)

- **Headline target:** Provide [XX] million/billion volume of lending/capital markets facilitation to contribute to closing the biodiversity funding gap (as defined by the GBF Goal D⁷), i.e. lending to sovereigns and/or companies for nature-positive solutions, the restoration or protection of terrestrial and/or marine ecosystems (as detailed in GBF targets 1–4, 9–13).
- **Headline target:** Provide [XX] million/billion volume of lending/capital markets facilitation for transition finance for clients in identified priority sectors (e.g., sustainability-linked bonds/loans with defined nature related KPIs to demonstrate and incentivise reduction of negative impacts).
- **Headline target:** A target to phase out financing the most harmful activities, as identified by knowledge consensus. As a final recourse, based on their individual materiality assessment, banks may need to earmark funding to be phased out for selected most harmful activities. This transition needs to be driven by a scientific perspective on the need to reduce harm. **While** phasing out the most harmful activities is needed from a scientific perspective, further exploration is required to understand the consequences for banks, especially when dealing with clients whose businesses usually encompass a range of activities. Rather than divesting entirely, client engagement is a more prudent tool, encouraging a transition away from the most harmful activities until clearer conceptual approaches for banks are developed.

7 The GBF sets a target of USD 700 billion annually (see Goal D), with a minimum of USD 200 billion expected to come from enhanced financial resources across all sectors (see Target 19), including private sources.

- **Additional target:** Allocate [XX] million/billion volume or% of climate finance (both mitigation and adaptation) toward nature-based activities.
- **Reminder:** NBSAPs (being reviewed now) and Biodiversity Finance Plans (under development in most countries) are a key source for financing opportunities linked to the GBF targets, especially 1–13.

Advocacy and partnerships/stakeholder ecosystem engagement (GBF Targets 14, 20 & 21)

- **Priority action:** Engage with policymakers to provide inputs as they develop/revise and implement their National Biodiversity Strategy and Action Plans (NBSAPs) and National Biodiversity Finance Plans (NBFPs) to support ambitious, transformative, and pragmatic plans of action and financial policies to drive financial flows and resource mobilisation towards meeting the vision, goals and targets of the GBF. Such engagement may typically materialise through financial place associations/finance sector coalitions.
- **Additional action:** Given the important role of women, Indigenous Peoples and Local Communities in successful biodiversity and ecosystems management, seek active engagement with these communities to determine how to reflect concerns and issues into bank nature strategies and to more effectively link to nature conservation and ecosystem management activities in the given context. PRB banks should seek to proactively promote community-led solutions.
- **Additional action:** Proactively collaborate with civil society, research groups, institutes, universities, international organisations and governments (national and sub-national) to support efforts to improve understanding of nature impacts and dependencies, risks and opportunities including scientific research and data provision.
- **Additional action:** Collaborate with peers and data providers to support development of robust and commonly acceptable nature-related data and metrics that enable identification and analysis of nature-related impacts and dependencies, risks and opportunities.

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UNEP Finance Initiative brings together a large network of banks, insurers and investors that collectively catalyses action across the financial system to deliver more sustainable global economies. For more than 30 years the initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda. We've established the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance (ESG) challenges.

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