



NatureFinance Alignment Tool

Pilot Programme Information Note

December 2022



Achieving the goals of an ambitious Post-2020 Global Biodiversity Framework not only requires the significant mobilisation of resources but also the realignment of huge volumes of public and private finance towards nature positive, equitable outcomes.

What is the NatureFinance Alignment Tool?

Financial institutions are working to align with net zero, and now need to align with nature as well. NatureFinance has developed a first-of-its kind Alignment Tool to allow financial actors to assess their degree of nature alignment and support the transition pathway towards a nature-positive, net-zero future. The Tool has been designed to work for both private and public financial actors, and has been built with input from diverse range of partners. The prototype of the Tool is being launched at CBD COP15 in Montréal and will be developed and enhanced during 2023 in collaboration with private and public sector users.

A 'light touch' pilot programme is now being launched so that the Tool can best meet prospective user needs, and allow full integration with their planning for climate transition pathways. We are therefore inviting expressions of interest from private and public financial institutions, and Governments, to work with NatureFinance on a limited number of pilots beginning in early 2023.

What will an Alignment Tool pilot offer?

- **A rapid assessment of the overall nature alignment of financial flows of your institution**, as well as a more disaggregated score for each sector, country, and type of financial flow.
- **The starting point for a more detailed assessment** that would allow your organisation to do a deeper dive into what lies behind the results and gain an understanding of key levers that you can use to reallocate flows from less aligned to more aligned sectors or locations, as well as to improve the overall nature-alignment with nature of your entire portfolio or expenditure.
- **Use of a comprehensive methodology** designed to incorporate the best scientific thinking on biodiversity and wider nature data and analysis.
- **Integration with ongoing work in the wider nature finance ecosystem**, including the Taskforce on Nature-related Financial Disclosures (TNFD).

Pilot programme practicalities (January-June 2023)

- **We will invite a limited number of financial institutions** to participate in a pilot in order to gain an initial assessment of the degree of alignment of their financial flows with nature.
- **Minimal staff time involved:** Pilot organisations are expected to need to invest only limited time to prepare the financial data sets to input to the Tool. The exact amount will vary from organisation to organisation, but at most a few days work is envisaged. Public FIs are likely to already have data ready if they are reporting to OECD's CRS database.



- **No initial setup cost:** The Alignment Tool is designed to be simple to implement and use and the pilot organisations will not have to incur any additional costs beyond staff time.
- **Adapted to the pilot institution's needs:** The design of the pilot will reflect the organisation's progress and ambition on their transition pathway to a net-zero and nature-positive portfolio.

Private financial institutions

- The Alignment Tool provides a rigorous, science-backed framework to allow private financial institutions to input their own asset-based data, in order to assess their nature alignment and link it to net-zero and nature-positive transition planning.
- **Data requirements for a pilot:** Data on financial flows in terms of quantum of flow, and the country and sector to which it is directed, as well as any specific flows that are explicitly directed at protection or restoration of nature.
- **Benefits of the Tool for private financial institutions:**
 - **Portfolio construction:** Asset managers can build investment products that account for nature alignment and be better equipped to engage with clients on their transition plans.
 - **Meeting reporting requirements:** Asset managers can assess and report on the nature alignment of their portfolios, increasingly important with the roll out of SFDR and similar regulatory requirements, and with the finalisation in 2023 of the TNFD Beta Framework.
 - **Research and analysis:** Banks and asset managers can assess and report the nature alignment of their financial products (e.g. bonds, equities).

Public financial institutions and Governments

- The Alignment Tool is also designed to enable public financial institutions and Governments (including sub-national Governments) to assess the nature alignment of their expenditure, to help them meet international and domestic commitments and reporting requirements, and enable them to allocate resources away from harmful expenditure towards those which will support a nature positive transition.
- **Benefits for public financial institutions:**
 - The Tool enables public financial institutions to track the nature alignment of their entire balance sheets and develop more comprehensive nature positive transition plans.
- **Benefits for Governments:**
 - Public sector managers can assess how far public expenditure in any sector is nature-aligned, define sectoral policy priorities to increase it, and in this way support the delivery of biodiversity and broader sustainability targets. In countries which have already embarked on green budgeting processes, the Tool can complement and reinforce them.
 - Post-2020 Global Biodiversity Framework Reporting and implementation: the Tool can address the requirements around measuring and reporting nature alignment of financial flows (Goal D and related mainstreaming targets), and inform the development of National Biodiversity Finance Plans.



- o Governments can assess alternative scenarios to increase the nature alignment of their expenditure and develop transition strategies and plans for a nature positive, net zero future.
- o Data requirements for a pilot: Data on financial flows in terms of quantum of flow, the sector to which it is directed and, for public FIs, the country to which it is directed.

How to get involved

If your organisation or Government would like to be considered for our pilot programme, or for more information about it, please contact the NatureFinance Alignment team:

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