

## Biodiversity and the core business of financial companies



# **Biodiversity and the core business of financial companies**

***Guidelines for integrating biodiversity into the core business of financial companies***



VIENNA 2025

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**Title photograph** © Macrowili

**Contracting authority** Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management

**Publications** For further information about the publications of the Green Finance Alliance, please go to: [umweltbundesamt.at/en/green-finance-alliance](https://umweltbundesamt.at/en/green-finance-alliance).

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## Imprint

Owner and editor: Umweltbundesamt GmbH  
Spittelauer Laende 5, 1090 Vienna/Austria

*This publication is only available in electronic format at [www.umweltbundesamt.at](https://www.umweltbundesamt.at).*

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## ABSTRACT

The ongoing biodiversity crisis and climate change are closely interconnected and highly relevant for financial companies. On the one hand, this results from the economic activities they finance and their contribution to the main drivers of biodiversity loss. On the other hand, the real economy's dependencies on ecosystem services – and the associated physical and financial risks – also hold significant implications for financial companies.

These guidelines outline how financial companies can systematically integrate the environmental topic of biodiversity into their core business. To this end, existing scientific literature and both national and international frameworks have been analysed and summarised (see chapter 2, "Scientific and technical foundations"). Building on this, these guidelines provide specific recommendations for members of the Green Finance Alliance (GFA), structured into the following thematic areas (see chapter 3, "Recommendations for integrating biodiversity for GFA members"):

- Topic selection and prioritisation
- Strategic orientation
  - Governance and mainstreaming
  - Engagement
  - Expansion of green activities
- Target setting and impact metrics
- Implementation

These guidelines are intended to support GFA members in integrating biodiversity into their core business in a holistic way. They also explain how the recommended measures can support the implementation of individual elements of the EU Corporate Sustainability Reporting Directive (CSRD) and other regulatory requirements, and how they can contribute to achieving the goals of the Kunming-Montreal Global Biodiversity Framework (GBF).

# 1 INTRODUCTION

Alongside the climate crisis, the rapidly advancing extinction of species and loss of biodiversity are amongst the greatest challenges facing society. Extinction rates are between 100 and 1,000 times higher than natural extinction rates without the influence of humans.<sup>1</sup> This has prompted scientists to talk about a mass extinction, the likes of which have only occurred five times in Earth's geological history.<sup>2</sup> An initial global report on the state and integrity of biodiversity and ecosystems from 2019 shows that 14 out of 18 categories of critical ecosystem services have been on a downward trend for 50 years.<sup>3</sup>

Biodiversity loss is also a relevant issue in Austria. The conservation status of assessed habitat types and species is inadequate: 44% of habitat types and 34% of species are classified as having an unfavourable to poor conservation status.<sup>4</sup>

The biodiversity and climate crises are closely interconnected and have a mutually reinforcing impact. Therefore, an integrative view of the two environmental issues can help avoid conflicting objectives and create synergies. Climate change is also recognised as one of the five main direct drivers of biodiversity loss:<sup>3</sup>

- Climate change
- Land use changes
- Direct exploitation/overuse of resources
- Invasive alien species
- Pollution

For financial companies to gain a holistic understanding of their respective connection to biodiversity, both the impact on biodiversity and dependencies on

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<sup>1</sup> Science. "The biodiversity of species and their rates of extinction, distribution, and protection". 2014, [researchgate.net/publication/262787160\\_The\\_biodiversity\\_of\\_species\\_and\\_their\\_rates\\_of\\_extinction\\_distribution\\_and\\_protection](https://www.researchgate.net/publication/262787160_The_biodiversity_of_species_and_their_rates_of_extinction_distribution_and_protection)

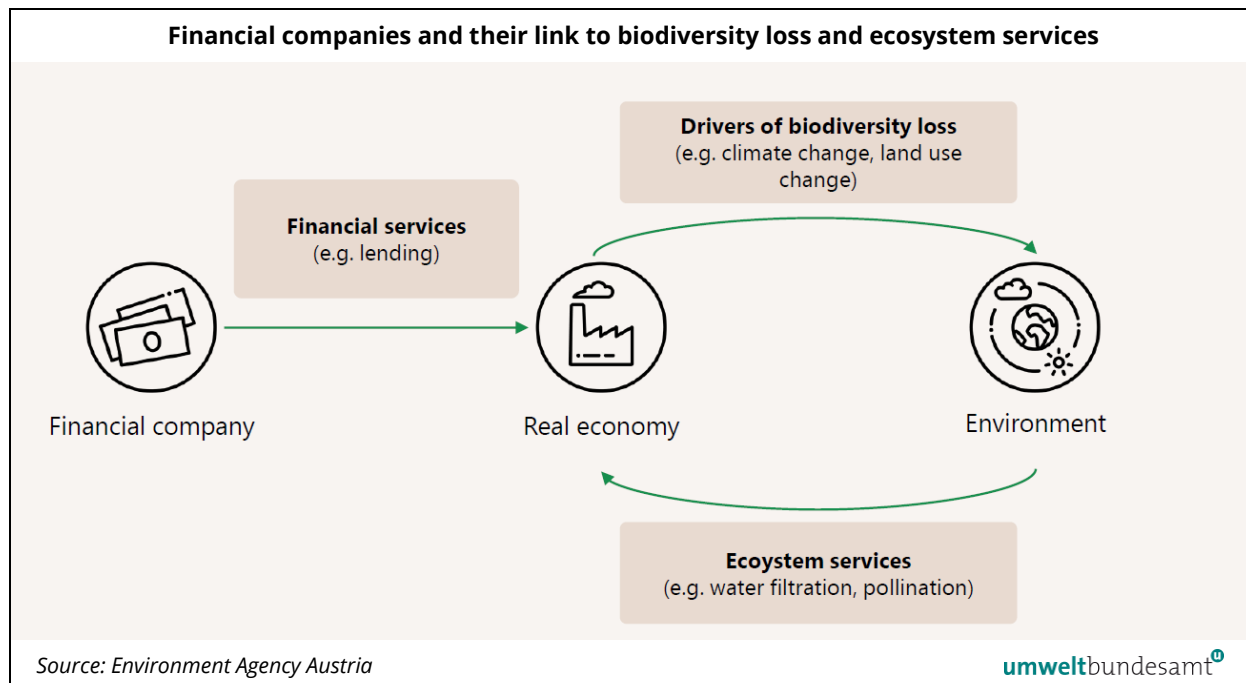
<sup>2</sup> Nature. "Has the Earth's Sixth Mass Extinction Already Arrived?". 2011, [www.researchgate.net/publication/50267709\\_Has\\_the\\_Earth's\\_Sixth\\_Mass\\_Extinction\\_Already\\_Arrived\\_Nature](https://www.researchgate.net/publication/50267709_Has_the_Earth's_Sixth_Mass_Extinction_Already_Arrived_Nature); PNAS (Proceedings of the National Academy of Sciences). "Vertebrates on the brink as indicators of biological annihilation and the sixth mass extinction". 2020, [pnas.org/doi/10.1073/pnas.1922686117](https://pnas.org/doi/10.1073/pnas.1922686117)

<sup>3</sup> IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services). "Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services". 2019, [ipbes.net/document-library-catalogue/summary-policymakers-global-assessment-laid-out](https://ipbes.net/document-library-catalogue/summary-policymakers-global-assessment-laid-out)

<sup>4</sup> Environment Agency Austria. "Erhebung und Bewertung von Lebensraumtypen und Arten von gemeinschaftlicher Bedeutung in Österreich, Berichtszeitraum 2013–2018. Endbericht – Kurzfassung" ["Survey and assessment of habitat types of community importance in Austria, reporting period 2013–2018. Final report – summary"]. 2020, [researchgate.net/publication/346393017\\_Erhebung\\_und\\_Bewertung\\_von](https://researchgate.net/publication/346393017_Erhebung_und_Bewertung_von)

ecosystems must be taken into account. This double materiality has also been factored into regulatory developments in recent years, particularly in the CSRD.

Figure 1: Connection of financial companies to impacts on biodiversity and dependence on ecosystem services



According to a study by PwC, more than 55% of global gross domestic product (GDP) is moderately or highly dependent on ecosystem services.<sup>5</sup> A study by the European Central Bank (ECB) found that around 72% of non-financial corporations in the Eurozone are highly dependent on ecosystem services, which poses risks for European financial companies.<sup>6</sup> In as early as 2022, the Network for Greening the Financial System (NGFS) recognised that nature-related risks could have a significant macroeconomic and financial impact.<sup>7</sup> For financial companies, taking a proactive approach to biodiversity is valuable not only from a risk management perspective, but also for identifying new growth opportunities. For instance, nature-based solutions – under the right conditions – can present opportunities for private sector financing and investment. These solutions can help unlock new sources of revenue while promoting ecosystem services and climate change adaptation measures in a cost-effective way.<sup>8</sup>

<sup>5</sup> PricewaterhouseCoopers (PwC). "Managing nature risks: From understanding to action". April 2023, [pwc.com/gx/en/strategy-and-business/content/sbpwc-2023-04-19-Managing-nature-risks-v2.pdf](https://www.pwc.com/gx/en/strategy-and-business/content/sbpwc-2023-04-19-Managing-nature-risks-v2.pdf)

<sup>6</sup> ECB. "Occasional Paper Series (No. 333) – Living in a world of disappearing nature: physical risk and the implications for financial stability". November 2023, [ecb.europa.eu/press/research-publications/occasional-papers/html/index.en.html](https://www.ecb.europa.eu/press/research-publications/occasional-papers/html/index.en.html)

<sup>7</sup> NGFS Press Release. March 2024, [ngfs.net/en/press-release/ngfs-acknowledges-nature-related-risks-could-have-significant-macroeconomic-and-financial](https://www.ngfs.net/en/press-release/ngfs-acknowledges-nature-related-risks-could-have-significant-macroeconomic-and-financial)

<sup>8</sup> European Investment Bank. "Investing in nature-based solutions". June 2023, [eib.org/en/publications/20230095-investing-in-nature-based-solutions](https://www.eib.org/en/publications/20230095-investing-in-nature-based-solutions)

The Green Finance Alliance (GFA) recognises the importance and close connection of biodiversity to climate goals and provides support to its members on this environmental topic. These guidelines on integrating biodiversity into the core business of GFA members form part of this support. The GFA is also planning further measures, such as webinars and workshops.

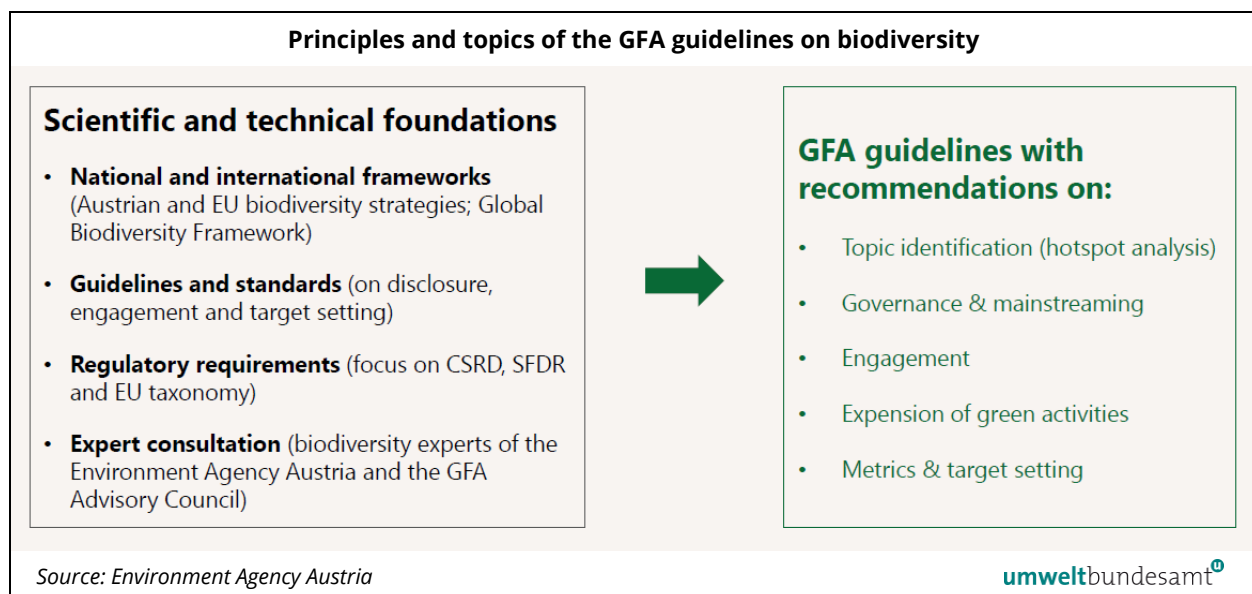
These guidelines focus on biodiversity, but also consider aspects relating to nature, as these two topics are closely interconnected. Biodiversity encompasses the diversity of living organisms, while nature includes both living and non-living elements and their interactions. Healthy soil, clean air and water are essential for biodiversity, while high biodiversity in turn contributes to the stability of natural systems. The most important terms and concepts are explained in the Glossary.



## 2 SCIENTIFIC AND TECHNICAL FOUNDATIONS

These guidelines for integrating biodiversity into the core business of GFA members are based on recognised frameworks and pre-existing guidelines. This chapter provides an overview of the relevant foundations on which the recommendations are based. Figure 2 shows the scientific and technical foundations used and the thematic areas that were taken into account for deriving the recommendations. These are described in detail in the following sub-chapters.

Figure 2: Overview of the scientific and technical foundations and the derived recommendations



### 2.1 International and national frameworks

#### 2.1.1 Global Biodiversity Framework

The Kunming-Montreal Global Biodiversity Framework (GBF) is the result of the 15th UN Biodiversity Conference (COP15) and contains four overarching goals for 2050 and 23 action-oriented targets for 2030 to halt and reverse the trend of ever-increasing species extinction and habitat loss. Amongst other things, the international community agreed on the following goals, which are particularly relevant for financial companies:<sup>9</sup>

- **Target 14 (Mainstreaming):** Integration of biodiversity in decision-making processes at all levels and successive alignment of all relevant public and private activities and financial flows with the objectives of the GBF.

<sup>9</sup> These targets represent a selection with particular relevance for financial companies and their core business. A complete presentation of the 23 GBF targets for 2030 can be found on the website of the Convention on Biological Diversity: [cbd.int/gbf/targets](https://cbd.int/gbf/targets)

- **Target 15 (Assess):** Companies assess, disclose and mitigate risks and negative impacts related to biodiversity.
- **Target 19 (Financing):** Mobilisation of 200 billion US dollars per year for biodiversity – including 30 billion US dollars through international financing.
- **Target 21 (Information):** Ensuring that knowledge is available and accessible in order to initiate measures to conserve biodiversity.

The following figure shows the GBF objectives with reference to the thematic areas of these guidelines.

Figure 3: 2030 targets of the GBF with relevance for financial companies and thematic areas of these guidelines

Objectives of the GBF with reference to the thematic areas of the GFA guidelines	
Topics of the GFA guidelines	2030 targets of the GBF with relevance for financial companies
Topic identification (hotspot analysis)	Target 15 (assess)
Governance and mainstreaming	Target 14 (mainstreaming)
Engagement	Target 14 (mainstreaming), Target 21 (information), targets relevant for portfolio companies
Expansion of green activities	Target 19 (financing), targets relevant for portfolio companies
Metrics and targets	Target 15 (assess), Target 19 (financing)

Source: Environment Agency Austria, based on Business for Nature<sup>10</sup> and UNEP FI<sup>11</sup>

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Other GBF 2030 targets related to reducing threats to biodiversity that may be relevant for financial companies as part of their strategy or through their relationship with customers and portfolio companies are:

- **Targets 1 to 4:** These targets focus on halting the loss of habitats. This includes the restoration of 30% of degraded ecosystems (Target 2) or the

<sup>10</sup> Business for Nature. "Sector actions towards a nature-positive future - Mapping the sector priority actions against the recommendations of the Global Biodiversity Framework and the Sustainable Development Goals". February 2024, [businessfornature.org/news/gbf-sdg-mapping](https://businessfornature.org/news/gbf-sdg-mapping)

<sup>11</sup> UNEP FI (United Nations Environment Programme Finance Initiative). "Banking on nature: What the Kunming-Montreal Global Biodiversity Framework means for responsible Banks". May 2023, [unepfi.org/nature/gbf-finance-sector/](https://unepfi.org/nature/gbf-finance-sector/)  
 UNEP FI. "Stepping Up on Biodiversity: What the Kunming-Montreal Global Biodiversity Framework means for responsible investors". April 2023, [unepfi.org/industries/investment/stepping-up-on-biodiversity/](https://unepfi.org/industries/investment/stepping-up-on-biodiversity/)

effective protection of at least 30% of the world's land, seas and inland waters. These targets are particularly relevant for sectors with high land use (direct or indirect), such as agriculture or mining.

- **Targets 5 to 8:** These targets relate to other drivers of biodiversity loss. These include invasive alien species (Target 6), pollution from plastics, fertilisers, pesticides and other pollutants (Target 7) and climate change (Target 8). These targets are particularly relevant for sectors that are associated with high levels of environmental pollution (e.g. chemicals, agriculture, manufacturing).

The various GBF targets relevant to financial companies are addressed in chapter 3 of these guidelines. GFA members are shown ways in which financial companies can contribute to achieving these targets.

### 2.1.2 EU Biodiversity Strategy for 2030

The EU Biodiversity Strategy for 2030 defines measures and commitments with the aim of promoting protection of nature and reversing the loss of biodiversity. It is a central component of the European Green Deal, which forms the basis for sustainable growth in the EU. The Biodiversity Strategy aims to put Europe's biodiversity on a path to recovery by 2030 and to actively combat habitat destruction and species loss.

#### **Key measures of the EU Biodiversity Strategy**

Key measures and commitments of the EU Biodiversity Strategy for 2030 are:<sup>12</sup>

- **Nature conservation:** Protection of at least 30% of the EU's land and marine areas and integration of ecological corridors as part of a Trans-European Nature Network by 2030. One third, i.e. at least 10%, is to be placed under strict protection.
- **Restoring nature:** Restoration of damaged ecosystems, for example by reducing the use of pesticides by 50% or increasing the amount of organically farmed agricultural land to at least 25% by 2030.
- **Financing and investment:** Provision of at least 20 billion euros annually for protecting and promoting biodiversity from EU funds as well as national and private sector sources.

In terms of financing, the Biodiversity Strategy refers to the [InvestEU programme](#), in which a special initiative for natural capital and the circular economy is to be launched. The aim is to mobilise at least 10 billion euros in public and private mixed financing between 2020 and 2030.

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<sup>12</sup> European Commission. "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – EU Biodiversity Strategy for 2030". May 2020, [eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0380](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0380)

### **Link to other EU measures**

The EU Biodiversity Strategy for 2030 is supported by other policy frameworks and programmes that, together, strengthen the regulatory environment to help promote biodiversity in Europe:

- **The European Green Deal**<sup>13</sup>: In addition to the goal of making Europe the first climate-neutral continent by 2050, the Green Deal also prioritises other environmental issues, such as the protection of biodiversity and ecosystems. The EU Biodiversity Strategy is part of the Green Deal.
- **Nature Restoration Regulation**<sup>14</sup>: This EU regulation, which came into force on 18 August 2024, aims to restore at least 20% of land and marine areas in the EU to a good condition by 2030 and all ecosystems in need of restoration by 2050. The Member States are to draw up an exact timetable for implementation in national restoration plans, which are to be submitted to the EU Commission by September 2026.
- **Deforestation Regulation**<sup>15</sup>: This regulation came into force on 29 June 2023 and aims to ensure that products such as wood, soy and coffee are only permitted in the EU if they are deforestation-free, i.e. they do not originate from areas that were deforested after 31 December 2020. Companies must comply with strict due diligence requirements, including collecting geolocalised information, conducting a risk assessment and submitting a due diligence declaration. Following a 12-month postponement by the EU Commission, the regulation will be fully applicable from December 2025, with smaller companies having until June 2026 to adapt their processes.
- **"Farm to fork" strategy**<sup>16</sup>: This strategy promotes sustainable food production and helps to reduce the negative impact of agriculture on biodiversity.

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<sup>13</sup> European Commission. "The European Green Deal". 2023, [commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en)

<sup>14</sup> EU. "Regulation of the European Parliament and of the Council on nature restoration and amending Regulation (EU) 2022/869 (EU, 2024)". June 2024, [eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L\\_202401991](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L_202401991)

<sup>15</sup> EU. "Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 concerning the making available on the Union market of certain raw materials and products associated with deforestation and forest degradation and their export from the Union and repealing Regulation (EU) No 995/2010". May 2023, [eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32023R1115](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32023R1115)  
EU. "Regulation (EU) 2024/3234 of the European Parliament and of the Council of 19 December 2024 amending Regulation (EU) 2023/1115 as regards the rules on the date of application" December 2024, [eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L\\_202403234&qid=1736229820280](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L_202403234&qid=1736229820280)

<sup>16</sup> European Parliament. "The Farm to Fork Strategy". October 2023, [europarl.europa.eu/factsheets/en/sheet/293547/die-strategie-vom-hof-auf-den-tisch-](https://europarl.europa.eu/factsheets/en/sheet/293547/die-strategie-vom-hof-auf-den-tisch-)

### 2.1.3 Biodiversity Strategy Austria 2030+

The [Biodiversity Strategy Austria 2030+](#) takes up the objectives formulated by the EU and at an international level and formulates national quantitative and qualitative targets for conserving biodiversity in Austria. Targets directly related to private financing and the financial sector include:<sup>17</sup>

- Provide sufficient funding for the conservation and restoration of biodiversity.
- Reduce subsidies that are harmful to biodiversity and redirect them in a positive direction.
- Develop financial products for economic activities that promote biodiversity.

In order to achieve these goals, the Austrian Biodiversity Strategy defines individual evaluation parameters and measures to be implemented immediately. Some of the measures relevant to financial companies are already covered by key performance indicators (KPIs) from the GFA Climate Navigation Cockpit (CNC). The CNC was introduced at the end of 2024 and offers GFA members a modular KPI system for managing their path towards achieving long-term climate targets. Further information on the CNC can be found in the [GFA executive summary](#), Chapter 5.1.1.2.

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<sup>17</sup> BMK. "Biodiversitäts-Strategie Österreich 2030+". November 2022, [bmk.gv.at/themen/klima\\_umwelt/naturschutz/biol\\_vielfalt/biodiversitaetsstrategie/biodiversitaetsstrategie\\_2030](https://bmk.gv.at/themen/klima_umwelt/naturschutz/biol_vielfalt/biodiversitaetsstrategie/biodiversitaetsstrategie_2030).

The objectives of the Austrian Biodiversity Strategy for financing and the financial sector are based on the EU Biodiversity Strategy for 2030, Chapter 3.3.2 Investments, pricing and taxation.

**Info box****The Austrian Biodiversity Strategy 2030+ and the GFA's CNC**

The Austrian Biodiversity Strategy lists the number of financial products certified with the Austrian Ecolabel 'UZ 49' as an indicator for evaluating progress towards these goals. The Austrian Biodiversity Strategy also refers to the use of biodiversity metrics for financial products. The GFA's CNC provides various metrics for the "expansion of green activities" steering module, which GFA members can use to steer the expansion of green activities. Even if these metrics focus primarily on climate targets, other environmental aspects are indirectly taken into account, e.g. metrics relating to the use of environmental ratings and labels/certifications.

In addition, the Austrian Biodiversity Strategy defines measures for which other CNC metrics can be used:

- Developing financial products with added value for the economy and the environment, e.g. green bonds or the use of labels and certifications.
- Implementation of the EU Taxonomy Regulation, which is applied to CNC KPIs
- Use of a standardised sustainability rating system, ideally with a focus on biodiversity.

In addition to the targets and measures directly related to the financial sector, the Austrian Biodiversity Strategy also refers indirectly to financial companies by defining sector-specific targets and measures for integrating biodiversity in all sectors. Through financing and investments, financial companies are also in contact with the transformation of these sectors. While the biodiversity strategy for individual sectors has strong overlaps with climate protection measures (particularly energy supply and transport), the necessary measures for other sectors go far beyond the topic of climate protection (e.g. industry, raw material extraction, tourism and agriculture).

## 2.2 Specialist literature

Technical guidelines, frameworks or standards cover various topics, including disclosure, engagement and target setting. In addition, there are initial approaches that integrate nature and biodiversity into transition plans. The guidelines presented in this chapter intend to serve as guidance for GFA members and as a basis for the recommendations for action in chapter 3.

Although the examined literature often has a specific focus, it frequently covers multiple related topics. A clear thematic distinction is therefore not always possible. For example, guidelines on disclosure may also contain recommendations on target setting or the consideration of biodiversity in business strategies.

### 2.2.1 Literature on disclosures

For financial companies subject to the CSRD, the disclosure of biodiversity-related topics is primarily governed by the requirements of the CSRD, provided that biodiversity is identified as material by the respective financial company. Within the voluntary disclosure standards, the Taskforce on Nature-related Financial Disclosures (TNFD) provides relevant disclosure recommendations for companies in the financial and real economy, which can also be used to support the implementation of a CSRD-compliant report. A comparison between the TNFD and the CSRD in relation to nature-related disclosures is presented in chapter 2.3.3.

#### ***Disclosure recommendations of the TNFD and LEAP approach***

The TNFD's disclosure recommendations and the LEAP (Locate, Evaluate, Assess, Prepare) approach provide the most comprehensive guidance currently available for organisations (financial companies and non-financial corporations) that want to assess and respond to the full range of their nature-related interactions.

The TNFD disclosure recommendations are divided into four areas, which are based on the structure of the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB):<sup>18</sup>

- Governance
- Strategy
- Risk & impact management
- Metrics & targets

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<sup>18</sup> TNFD. "Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations". September 2024, [tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content](https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content)

In addition to qualitative disclosures, quantitative metrics are also recommended for disclosure. In total, the TNFD defines 14 core global disclosure metrics, which are divided into impact and dependency metrics, as well as risks and opportunities. The cross-sector impact and dependency metrics relate to the company's direct operations and therefore not to the indirect influence of the core business of financial companies. The TNFD therefore assumes that these metrics are not material for financial companies. In contrast, the cross-sector TNFD core global metrics on risks and opportunities also relate to the core business of financial companies.

Table 1: TNFD core global disclosure indicators and metrics on risks and opportunities, source: TNFD<sup>18</sup>

Category	TNFD metrics	TNFD code no.
<b>Risks</b>	Assets, liabilities, income and expenses classified as vulnerable to <b>nature-related transition risks</b> (absolute value and relative value as a proportion of total value).	C7.0
	Assets, liabilities, income and expenses classified as vulnerable to <b>nature-related physical risks</b> (absolute value and relative value as a proportion of total value).	C7.1
	Description and value of significant <b>finances/penalties</b> received/litigation action during the year due to negative nature-related impacts.	C7.2
<b>Opportunities</b>	Financing or investments deployed towards <b>nature-related opportunities</b> , categorised by type of opportunity, with reference to a government or regulator green investment taxonomy or NGO taxonomy, where relevant.	C7.3
	Increase and share of revenue from products and services producing demonstrably <b>positive impacts on nature</b> , with a description of impacts.	C7.4

The topic of engagement is also considered, but in the context of engagement with local groups and affected stakeholders.

The disclosure recommendations are supplemented by detailed instructions on how to carry out the individual steps of the LEAP approach.<sup>19</sup> The LEAP approach is used for internal due diligence. The application of this approach is optional and not required to implement the disclosure recommendations of the TNFD. As part of the disclosure, primarily metrics, but also elements of governance are considered (in step P: Prepare).

### ***TNFD recommendations for financial companies***

The general disclosure recommendations and the LEAP approach are intended for both financial companies and non-financial corporations. In addition, the TNFD formulates recommendations specifically for financial companies. In addition,

<sup>19</sup> TNFD. "Guidance on the identification and assessment of nature-related issues: the LEAP approach". October 2024, [tnfd.global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/#publication-content](https://tnfd.global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/#publication-content)



tion to the previously mentioned cross-sector metrics on risks and opportunities (Table 1), core global metrics relevant to financial companies are recommended.

Table 2: TNFD core sector disclosure metrics for financial companies, source: TNFD<sup>20</sup>

Name	Description	TNFD code no.
<b>Exposure to sectors</b>	Exposure in absolute volume and as a relative portfolio share to a predefined set of sectors considered to have significant nature-related impacts and dependencies.	FI.C0.0
<b>Exposure to sensitive locations</b>	Exposure in absolute volume and as a relative portfolio share to companies with assets and/or activities in sensitive areas.	FI.C0.1

The localisation of assets and activities in areas with sensitive or vulnerable biodiversity is also covered in the European Sustainability Reporting Standards (ESRS), specifically in the E4 standard. However, there are differences between the TNFD and ESRS E4 in the consideration of these localisation topics. These differences are explained in more detail in chapter 2.3.3.

#### Info box

##### **Difference between the TNFD core sector metrics for financial companies and the TNFD core global metrics for risks and opportunities**

The metrics specifically for financial companies (FI.C0.0 and FI.C0.1) are aimed at analysing **potential impacts and dependencies**. The identification of actual impacts and dependencies requires further analyses, which may be based on these metrics, for example by exposed companies identifying relevant company-specific information as part of the engagement.

These metrics for financial companies are not metrics for nature-related risks or opportunities, but they can be used for the **initial assessment of exposure** to such risks and opportunities.<sup>21</sup> Risks and opportunities are covered by the TNFD through the core global metrics (C7.0 to C7.4). In addition to exposure, these also take into account the vulnerability and resilience of companies.

#### **Further literature on disclosure**

In addition to the disclosure recommendations of the TNFD, there are other voluntary disclosure standards on biodiversity and nature, such as the biodiversity

<sup>20</sup> TNFD. "Additional guidance for financial institutions". July 2024, [tnfd.global/publication/additional-disclosure-guidance-for-financial-institutions/#publication-content](https://tnfd.global/publication/additional-disclosure-guidance-for-financial-institutions/#publication-content)

<sup>21</sup> FMA. "Entwurf eines Leitfadens zum Umgang mit Nachhaltigkeitsrisiken" ["Draft guidelines for dealing with sustainability risks"]. November 2024, [fma.gv.at/en/fma/fma-consultations/](https://fma.gv.at/en/fma/fma-consultations/)

standard of the Global Reporting Initiative (GRI). The GRI disclosure standard contains information for organisations that report on their impact on biodiversity. It is based on the impact perspective and therefore only covers part of the double materiality of the CSRD.<sup>22</sup>

## 2.2.2 Literature on engagement

Engagement and dialogue with customers, invested portfolio companies and providers of third-party funds is a key lever for financial companies to integrate biodiversity into their core business. Through engagement, financial companies can play a central role in supporting and promoting nature-related measures.

Existing guidelines with a focus on engagement with customers and companies are shown in the following table.

Table 3: Overview of literature sources on biodiversity engagement with customers and portfolio companies

Institution and title	Primary target group	Description
<b>FfB – Guide on engagement with companies</b>	Investors	Guide to support investor engagement with portfolio companies. Complementary to the guide, Finance for Biodiversity (FfB) offers a template that investors can use for engagement, as well as an overview of collaborative engagement initiatives.
<b>UNEP FI – Nature Target Setting Guidance</b>	Banks	Guidelines for banks that focus on measures supporting the objectives of the GBF through portfolio-wide target setting and other efforts. In addition, the guide offers elements on governance and engagement with customers.
<b>TNFD – Discussion paper on nature transition plans</b>	Financial companies	Discussion paper containing draft guidance on nature-related transition plans for companies in the real and financial economy. The discussion paper covers all aspects of nature, with the exception of climate change, which is addressed by organisations such as GFANZ (Glasgow Financial Alliance for Net Zero). Engagement is covered as one of five aspects, alongside fundamentals, strategy implementation, metrics and targets, and governance.
<b>GFANZ – Nature in Net-zero Transition Plans</b>	Financial companies	Draft guidance on integrating nature and biodiversity into net-zero transition plans. It is based on the GFANZ guidelines "Financial Institution Net-zero Transition Plans" <sup>23</sup> and covers engagement as part of transition plans.
<b>NA 100 &amp; Ceres – Exploring Nature Impacts and Dependencies: A Field Guide to Eight Key Sectors</b>	Investors	Factsheets on nature-related impacts and dependencies for eight key sectors that can be used for engagement with portfolio companies from these sectors (general and sector-specific questions for dialogue are suggested).
<b>CISL – Let's Discuss Nature with Climate: Engagement Guide</b>	Financial companies	Guide to support the transition to a net-zero and nature-positive economy by supporting the interaction between banks and investment managers and their portfolio companies.

<sup>22</sup> GRI. "GRI 101: Biodiversity 2024". January 2024, [globalreporting.org/search/?query=gri+101](https://globalreporting.org/search/?query=gri+101)

<sup>23</sup> GFANZ. "Financial Institution Net-zero Transition Plans". November 2022, [gfanzero.com/our-work/financial-institution-net-zero-transition-plans/](https://gfanzero.com/our-work/financial-institution-net-zero-transition-plans/)

The literature sources listed in Table 3 provide the basis for the engagement recommendations for GFA members in chapter 3.2.2.2. In addition, financial companies can use guidelines for non-financial corporations in the real economy to identify sector-specific engagement issues. Relevant examples include:

- TNFD sector guidelines (see [TNFD website](#))
- Business for Nature sector guidelines (see [Business for Nature website](#))

The Science Based Target Network (SBTN) standards for setting nature-related targets are also relevant for engagement with customers and portfolio companies.<sup>24</sup> In general, the SBTN standards are primarily targeted towards non-financial corporations in the real economy. Financial companies can use the SBTN standards to define engagement targets, for example, when customers and/or portfolio companies implement nature-related targets.

In addition to engagement with customers and portfolio companies, engagement with other stakeholders, such as financial market participants ("peers") or public sector actors, can also be relevant for financial companies. These types of engagement are specifically addressed in the GFANZ and TNFD recommendations on integrating nature in transition plans.

### 2.2.3 Literature on target setting

There are primarily two internationally recognised guidelines that support financial companies in introducing nature-related target setting:

As part of the Principles for Responsible Banking (PRB), UNEP FI offers specific recommendations in a guide for banks on formulating nature-related objectives with reference to the GBF. UNEP FI defines a progressive approach in three successive steps:<sup>25</sup>

1. Basic understanding and prioritisation of relevant GBF targets.  
Banks should develop an in-depth understanding of biodiversity aspects. This includes, for example, analysing national biodiversity strategies, assessing impacts and dependencies, and identifying and prioritising relevant GBF targets.
2. Integrating nature into business practices.  
Building on the findings from the first step, nature aspects are integrated into the bank's business practices and targets are developed relating to these business practices ("practice targets"), for example with a focus on mainstreaming, capacity building within the bank and engagement with customers. Another focus is the expansion of nature-related financing.

<sup>24</sup> SBTN. "Set targets". [sciencebasedtargetsnetwork.org/companies/take-action/set-targets/](https://sciencebasedtargetsnetwork.org/companies/take-action/set-targets/)

<sup>25</sup> UNEP FI. "PRB Nature Target Setting Guidance". November 2023, [unepfi.org/industries/banking/nature-target-setting-guidance/](https://unepfi.org/industries/banking/nature-target-setting-guidance/)

### 3. Reducing negative impacts and increasing positive impacts.

In the final step, the focus is on reducing negative impacts and increasing positive impacts on the state of nature and developing targets related to these impacts ("impact targets").

Finance for Biodiversity (FfB) offers a framework that is aimed at investors (asset managers and asset owners) and focuses on investments in listed companies (equities and corporate bonds).<sup>26</sup>

There is currently no comprehensively recognised market standard for nature-related targets in insurance business. However, targets for individual measures (such as the expansion of green products or engagement activities) can also be transferred to the insurance sector. A specific SBTN standard for the financial sector is also not yet available.

#### **Info box**

##### **Current status of the SBTN and the financial sector**

In July 2024, the SBTN published revised technical guidelines for target setting in relation to land<sup>27</sup> and freshwater.<sup>28</sup> These guidelines are used by non-financial corporations to define science-based targets. The results of a pilot phase involving 17 international companies were published at the end of 2023.<sup>29</sup> Financial companies can use the SBTN standards as part of their engagement with customers and portfolio companies and work towards setting SBTN targets, particularly when engaging with larger and/or listed companies.

The SBTN is currently working on initial guidelines for the financial sector. This is not a complete target-setting standard for financial companies. Instead, the following points are addressed:<sup>26</sup>

- How can the SBTN approach be applied by financial companies?
- How can companies be supported in defining scientific, nature-related goals?
- What measures and targets can financial companies take and set now?

<sup>26</sup> FfB. "Nature Target Setting Framework for Asset Managers and Asset Owners". July 2024, [financeforbiodiversity.org/publications/nature\\_target-setting\\_framework\\_for\\_asset\\_managers\\_and\\_asset\\_owners-2/](https://financeforbiodiversity.org/publications/nature_target-setting_framework_for_asset_managers_and_asset_owners-2/)

<sup>27</sup> SBTN. "Land Technical Guidance". July 2024, [sciencebasedtargetsnetwork.org/resources/](https://sciencebasedtargetsnetwork.org/resources/)

<sup>28</sup> SBTN. "Freshwater Technical Guidance". July 2024, [sciencebasedtargetsnetwork.org/resources/](https://sciencebasedtargetsnetwork.org/resources/)

<sup>29</sup> SBTN. "SBTN Validation Pilot Summary Report". September 2024, [sciencebasedtargetsnetwork.org/case-studies/leading-the-way-initial-learning-from-sbtns-target-validation-pilot/](https://sciencebasedtargetsnetwork.org/case-studies/leading-the-way-initial-learning-from-sbtns-target-validation-pilot/)

## 2.3 Interface between frameworks and technical guidelines on regulatory requirements

The following EU regulatory requirements relating to the financial sector and biodiversity are explained in this chapter:

- CSRD (ESRS E4) – disclosure requirements
- SFDR – disclosure requirements (currently under revision)
- EU Taxonomy Regulation – classification system including DNSH (do-no-significant-harm) criteria

Other legal frameworks relating to biodiversity and nature-related risks in the financial market include CRR III (Capital Requirements Regulation)<sup>30</sup> and CRD VI (Capital Requirements Directive).<sup>31</sup> These require credit institutions to give greater consideration to ESG risks – including biodiversity and nature-related risks – in their corporate governance and risk management processes. The European Banking Authority (EBA) guidelines on the management of ESG risks, which come into force in January 2026, also address biodiversity and will be relevant for financial companies.<sup>32</sup> Under Solvency II, insurance and reinsurance companies must also take sustainability risks into account in their governance and risk management, which also includes paying attention to biodiversity and nature-related risks. As part of Solvency II, the European Insurance and Occupational Pensions Authority (EIOPA) is assessing the risk exposure of insurance and reinsurance undertakings in relation to biodiversity loss and is currently working on corresponding measures. EIOPA is due to submit a final report to the EU Commission by 30 June 2025.<sup>33</sup>

A detailed overview of relevant legal frameworks in connection with nature-related risks can be found in section 3.3 of the FMA guidelines on dealing with sustainability risks.<sup>34</sup>

The increasing relevance of biodiversity and other environmental issues for regulators and policymakers stems from the physical risks associated with climate

<sup>30</sup> EU. "Regulation (EU) 2024/1623 of the European Parliament and of the Council". May 2024, [eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L\\_202401623](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401623)

<sup>31</sup> EU. "Directive (EU) 2024/1619 of the European Parliament and of the Council". May 2024, [eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L\\_202401619](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401619)

<sup>32</sup> EBA. "Guidelines on the management of environmental, social and governance (ESG) risks". January 2025, [eba.europa.eu/publications-and-media/press-releases/eba-publishes-its-final-guidelines-management-esg-risks](https://eba.europa.eu/publications-and-media/press-releases/eba-publishes-its-final-guidelines-management-esg-risks)

<sup>33</sup> European Insurance and Occupational Pension Authority (EIOPA). "Consultation Paper on a report on biodiversity risk management by insurers". December 2024, [eiopa.europa.eu/consultations/consultation-report-biodiversity-risk-management-insurers-solvency-ii-review\\_en](https://eiopa.europa.eu/consultations/consultation-report-biodiversity-risk-management-insurers-solvency-ii-review_en)

<sup>34</sup> FMA. "Draft guidelines for dealing with sustainability risks". November 2024, [fma.gv.at/en/fma/fma-consultations/](https://fma.gv.at/en/fma/fma-consultations/)

change, biodiversity loss and the overall degradation of ecosystems. These developments pose an unprecedented challenge to the economy of the European Union and the stability of its financial system.<sup>35</sup>

### 2.3.1 EU disclosure obligations (CSRD and SFDR)

As part of the CSRD, the European Sustainability Reporting Standards (ESRS) specify the reporting obligations for companies in the various areas of sustainability. For reporting on the topic of biodiversity and ecosystems, ESRS E4 is to be used. The structure of ESRS E4 follows the same pattern as the other ESRSs and contains disclosure requirements and associated application requirements. Companies that identify the topic of biodiversity as material in their materiality analysis should/must report<sup>36</sup> on the following topics in accordance with ESRS E4:

- Transition plan and consideration of biodiversity and ecosystems in strategy and business model
- Strategies related to biodiversity and ecosystems
- Measures and resources related to biodiversity and ecosystems
- Objectives related to biodiversity and ecosystems
- Impact parameters related to biodiversity and ecosystem change
- Expected financial impact from material risks and opportunities related to biodiversity and ecosystems

The recommendations in chapter 3 of these guidelines provide support for preparing a robust and science-based report within the framework of the CSRD/ESRS.

As part of the delegated act on the Sustainable Finance Disclosure Regulation (SFDR),<sup>37</sup> financial market participants must disclose a statement on the main adverse impacts of investment decisions on sustainability factors. This declaration also includes two biodiversity-relevant metrics. The disclosure of activities (always in relation to the invested companies) that have a negative impact on areas with biodiversity in need of protection is mandatory. There is a voluntary metric relating to real estate portfolios, specifically the development of land. Voluntary metrics that are not listed under the biodiversity category also de-

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<sup>35</sup> See recital 38 of CRD VI.

<sup>36</sup> Note: The materiality analysis can extend to individual disclosure requirements, i.e. it is not mandatory to report on all disclosure requirements of the ESRS. In addition, some of the disclosure requirements of ESRS E4 are formulated as "optional" provisions. This means that they do not necessarily have to be reported on.

<sup>37</sup> EU. "Commission Delegated Regulation (EU) 2022/1288". April 2022, [eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32022R1288](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32022R1288)

scribe biodiversity impacts (such as metrics on soil degradation, soil sealing, investments in companies without sustainable land use/agricultural practices and deforestation).

In addition, fund management companies that declare sustainable funds in accordance with Article 8 or 9 of the SFDR<sup>38</sup> must disclose the share of EU Taxonomy-aligned investments within these funds.

### 2.3.2 EU Taxonomy Regulation

The EU Taxonomy Regulation<sup>39</sup> and the associated delegated acts form a classification system that identifies economic activities which make a substantial contribution to one of the six EU environmental objectives without significantly harming the other environmental objectives. For the environmental objective of protecting and restoring biodiversity and ecosystems, the EU Taxonomy Regulation contains two economic activities and the associated criteria that must be achieved in order to demonstrate a substantial contribution. These two economic activities are: 1) conservation, including restoration, of habitats, ecosystems and species; and 2) hotels, vacation accommodation, campsites and similar tourist accommodation.

If a financial company finances or invests in these economic activities and the technical screening criteria are met (thereby demonstrating EU Taxonomy alignment), then these financing activities and investments contribute to the expansion of green activities as described in chapter 3.2.2.3. In addition, the topic of biodiversity is also included in the EU Taxonomy Regulation DNSH criteria in the other five environmental objectives. For example, the construction of offshore wind turbines, which makes a substantial contribution to climate protection, is only EU Taxonomy-aligned if it does not hinder the achievement of a good environmental status. The DNSH criteria within the framework of the EU Taxonomy Regulation can provide support in identifying nature-related risks, particularly in order to avoid trade-offs between the different environmental objectives.

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<sup>38</sup> EU. "Regulation (EU) 2019/2088 of the European Parliament and of the Council". December 2019, [eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R2088](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R2088)

<sup>39</sup> EU. "Regulation (EU) 2020/852 of the European Parliament and of the Council". June 2020, [eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852)

### 2.3.3 Comparison of EU disclosure requirements and the TNFD

As part of the support services provided by the European Financial Reporting Advisory Group (EFRAG), a TNFD-ESRS correspondence mapping was created in collaboration with the TNFD.

As the TNFD framework covers all aspects of nature (except climate change), the scope of the correspondence mapping also extends to all nature-related ESRSs (ESRS E1 on climate change insofar as links between climate change and the other nature topics are presented). Reference is also made to parts of the social and governance ESRSs.

The document is available to download on [the EFRAG website](#) and contains an overview with key conclusions and the detailed correspondence mapping in tabular form.

The key conclusions represent commonalities between the ESRS and TNFD approaches. Amongst others, the definitions of nature-related impacts, dependencies, risks and opportunities are consistent with each other, as are the general reporting structure and the key reporting disclosures and metrics. The TNFD also allows for the application of double materiality as specified in the ESRS standards and the TNFD LEAP approach can be applied meaningfully in the materiality analysis.

Overall, the two approaches are very compatible with each other. As far as individual reporting points are concerned, the ESRS and TNFD can complement each other efficiently. Detailed information can be found in the [correspondence mapping](#).



### 3 RECOMMENDATIONS FOR INTEGRATING BIODIVERSITY FOR GFA MEMBERS

The recommendations in these guidelines were primarily developed for GFA members. However, they can be used as a guide by all interested financial companies. Depending on the needs and maturity level of the financial company in question, they can focus on different subject areas.

#### 3.1 Scope of application of the recommendations

The following table shows the areas to which the recommendations for integrating biodiversity are applied.

Table 4: GFA fields of action and scope of these guidelines

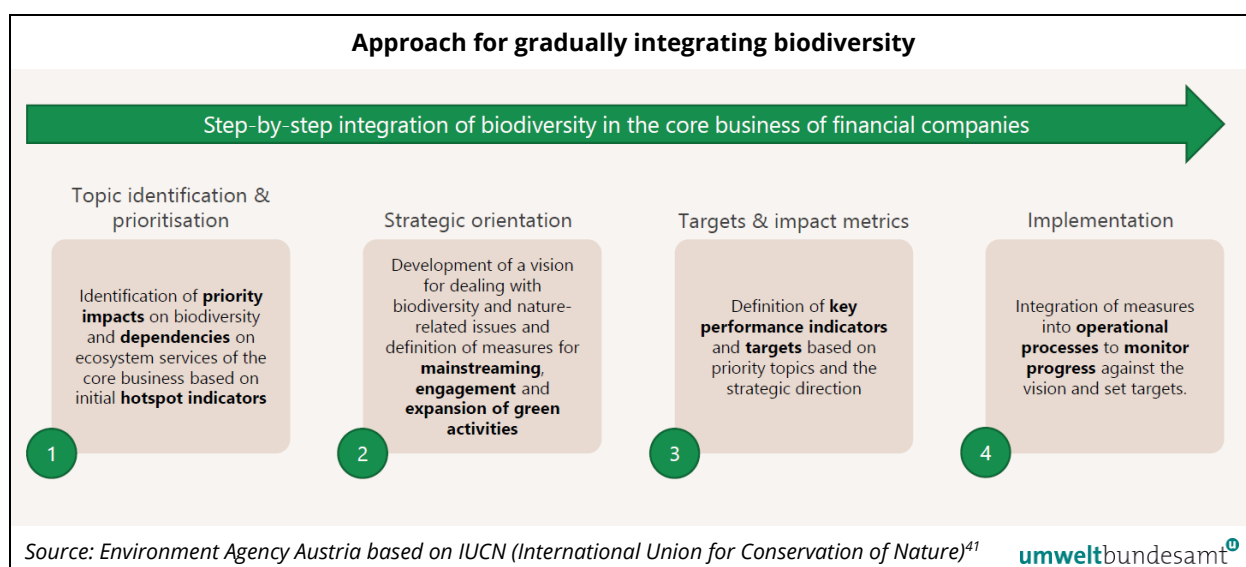
GFA field of action	Reference to biodiversity topics
<b>Investment and lending portfolio</b>	<p>The recommendations in these guidelines relate to the investment and corporate loan portfolio of GFA members. Loans to private individuals are not considered. Investments in government bonds are not explicitly considered in these guidelines, as there are not yet any established standards on biodiversity and government bonds. However, international initiatives are beginning to address this issue.<sup>40</sup></p> <p>The recommendations were developed from an Austrian perspective, but deal with issues of global relevance. They are therefore also applicable to international investment and loan portfolios.</p>
<b>Underwriting portfolio</b>	<p>The recommendations relate to insurance business with companies. Business with private customers is not included.</p>
<b>Operational ecology</b>	<p>Biodiversity-related topics in the context of operational ecology are already partially covered by existing GFA criteria, such as the EMAS (Eco-Management and Audit Scheme) certification or consideration of the Austrian Action Plan for Sustainable Public Procurement (naBE).</p> <p>In general, elements of the biodiversity strategy for operational ecology should be presented separately from those for core business so that a clear distinction can be made. The focus of these guidelines is on the core business of the GFA members.</p>

<sup>40</sup> Finance for Biodiversity. "FFB Foundation launches sovereign debt focus group to bridge the nature-finance gap". January 2025, [financeforbiodiversity.org/ffb-foundation-launches-sovereign-debt-focus-group-to-bridge-the-nature-finance-gap/](https://financeforbiodiversity.org/ffb-foundation-launches-sovereign-debt-focus-group-to-bridge-the-nature-finance-gap/)

## 3.2 Measures and recommendations in detail

The following sub-chapters describe the recommended measures in detail, classify them in the context of the frameworks described above, and refer to existing guidelines and regulatory requirements. The measures are divided into different areas, which are based on the structure of the climate-related GFA criteria. This subdivision is intended to enable GFA members to integrate them gradually into their core business, as shown in the figure below.

Figure 4: Recommended approach for gradually integrating biodiversity into the core business of GFA members



Various types of metrics and objectives based on them are taken into account in the approach to integrating biodiversity and explained in more detail in the following sub-sections. The table below provides an overview of these metrics.

Table 5: Overview of relevant metrics in the context of these guidelines

Metrics <sup>42</sup>	Sub-categories	Examples	Field of application
<b>Process-oriented metrics</b>	Governance metrics	Number of Supervisory Board members with skills and expertise in nature-related topics	Strategic orientation (see chapter 3.2.2.1)
	Engagement metrics	Proportion of companies with EMAS certification (in %)	Strategic orientation (see chapter 3.2.2.2)

<sup>41</sup> Based on the IUCN approach to corporate biodiversity performance planning and monitoring. See IUCN. "Guidelines for planning and monitoring corporate biodiversity performance". 2021, [iucn.org/resources/publication/guidelines-planning-and-monitoring-corporate-biodiversity-performance](https://iucn.org/resources/publication/guidelines-planning-and-monitoring-corporate-biodiversity-performance)

<sup>42</sup> The TNFD distinguishes between four categories of metrics: "response metrics" (process-oriented metrics) and "dependency and impact metrics" are covered in these guidelines. "Risk and opportunity metrics" and "location prioritisation metrics" are not the focus of these guidelines.

Metrics <sup>42</sup>	Sub-categories	Examples	Field of application
	Metrics for expanding green activities	Share of Article 8 and 9 funds (in accordance with SFDR) with the environmental objective of biodiversity in the total investment portfolio (in %)	Strategic orientation (see chapter 3.2.2.3)
<b>Dependency and impact metrics</b>	Hotspot metrics	Portfolio share in sectors with high or very high dependencies on ecosystem services (in %)	Topic selection and prioritisation (see chapter 3.2.1)
	Metrics on impact drivers	Surface sealing (in km <sup>2</sup> or ha)	Targets and impact metrics (see chapter 3.2.3)
	Metrics on the state of nature – ecosystems	Mean Species Abundance (MSA); <sup>43</sup> Potentially Disappeared Fraction of Species (PDF) <sup>43</sup>	
	Metrics on the state of nature – species	Species Threat Abatement and Restoration metric (STAR) <sup>43</sup>	

### 3.2.1 Topic selection and prioritisation

To identify and prioritise relevant nature and biodiversity-related topics, financial companies should calculate initial hotspot metrics<sup>44</sup> on their exposure to impacts on biodiversity and dependencies on ecosystem services. GFA members can use the two core TNFD metrics for the financial sector as a guide (see also chapter 2.2.1 "Literature on disclosures")

- Exposure to sectors
- Exposure to sensitive locations

Both hotspot metrics can be used as part of a CSRD materiality analysis and for the initial assessment of nature-related risks.<sup>45</sup> In general, the prioritisation is based on a comparison of the portfolio composition and sector-specific and/or location-specific nature-related data.

<sup>43</sup> An explanation of the indicator can be found in chapter 3.2.3 and in the report "[Betriebliche Biodiversitätsbewertung](#)" ("Corporate biodiversity assessment") by the Environment Agency Austria.

<sup>44</sup> The term "hotspot metric" is used to distinguish these from other impact and control metrics.

<sup>45</sup> FMA. "Entwurf eines Leitfadens zum Umgang mit Nachhaltigkeitsrisiken" ("Draft guidelines on handling sustainability risks"). November 2024, [fma.gv.at/fma/fma-konsultationen/](https://fma.gv.at/fma/fma-konsultationen/)

### **Exposure to sectors**

GFA members are advised to calculate and disclose the absolute and relative investment and financing volumes or gross premiums (underwriting portfolio) in the following sectors on an annual basis:

- Those with significant dependencies on ecosystem services
- Those with a significant impact on the state of ecosystems

The calculation of these metrics follows the heat mapping approach and ensures that financial companies identify relevant impacts and dependencies at sector level. In doing so, the companies use a pre-defined list of priority sectors of relevant impacts and relevant dependencies. The selection of priority sectors can be based on the following sources, for example:

- **TNFD sector list** (see Annex 1): This list is based on sector-specific impacts and dependencies. It is not possible to differentiate between exposure to impacts and dependencies. In addition, the TNFD provides relevant, sector-specific metrics for the respective sectors.
- **UNEP-WCMC – ENCORE**: ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) provides a qualitative assessment (from "very high" to "very low") of the impacts and dependencies of about 100 economic activities from different sectors.
- **SBTN – Materiality Screening Tool**: This tool is based on the ENCORE assessment scheme and provides additional assessments of the impacts and dependencies of the value chain.
- **UNEP FI – Key sector mapping**: UNEP FI identifies key sectors and compares them with the TNFD, ENCORE and SBTN sector lists. In addition, it provides sector-specific recommendations for investors and the engagement process.
- **WWF – Biodiversity Risk Filter (BRF)**: The "Inform Module" of the BRF, which is based on the sector assessments of ENCORE (for the analysis of dependencies) and SBTN (for the analysis of impacts), is used to analyse sector exposure. This module provides user ratings for 26 sectors divided into 33 metrics.

When calculating exposure to sectors, GFA members are advised to use tools or data sources to enable the following points to be taken into account:

- Consideration of the impact and dependencies of the portfolio companies' supply chains. This is made possible by, for example, using appropriate tools such as ENCORE or the SBTN Materiality Screening Tool.
- Breakdown of investment, credit and insurance volumes with (very) high dependencies or impacts by ecosystem services or influencing factors.
- Disclosure of the most important ecosystem services and influencing factors.

### ***Exposure to sensitive locations***

For calculating exposure to activities or companies with sites in sensitive locations, GFA members are first of all advised to check the extent to which localisation data on the sites is already available. If that localisation data is not available to a sufficient extent, they should aim to improve the data availability, for example by taking the following measures:

- Adoption of a systematic approach to collect localisation data for new business transactions (loans/insurance) or new investments.
- Separate engagement with relevant customers that can be considered part of the nature-related engagement strategy.
- Evaluation of the purchase of relevant data from external providers (primarily relevant for large and/or listed companies).
- Analysis of the CSRD disclosures of companies that have identified biodiversity as a material environmental topic.

#### ***Info box***

#### **Importance of localisation data for dealing with biodiversity**

Location data refers to geographical information (GPS coordinates or addresses) on the locations of companies or their physical assets. This asset-level location data includes locations of buildings, production facilities, mines or agricultural land. Where possible, financial companies should use the more detailed asset-level location data in their analyses. This enables a more accurate understanding of exposure and potential impacts. If such data is not available, they can also use approximate values, such as data on corporate structures or company headquarters.

Localisation data is crucial for enabling financial companies to evaluate their exposure to areas with biodiversity in need of protection. In addition, this data plays a central role with regard to other nature-related topics:

- Analysis of financed impacts on the state of nature and biodiversity and calculation of related metrics (see chapter 3.2.3)
- Analysis of exposure to sites with nature-related relevance that go beyond areas with biodiversity in need of protection, such as areas with high water-related physical risks.
- Compliance with regulatory requirements, such as the DNSH check under the EU Taxonomy Regulation and calculation of metrics under the SFDR ("activities negatively affecting biodiversity-sensitive areas").

Localisation data also provides the basis for analysing physical climate risks. It is therefore not only crucial for dealing with biodiversity, but also other environmental issues. Therefore, financial companies should continuously improve the availability and quality of localisation data.

If localisation data is available, GFA members are encouraged to disclose –on a best-effort basis – the investment and financing volumes or gross written premiums (in euros), along with the corresponding portfolio share (in %), related to activities in (or near) biodiversity-sensitive areas. The following non- exhaustive data sources can be used as a basis for determining the relevant areas:

- **Protected areas**
  - Environment Agency Austria: [Austrian nature protection sites](#)<sup>46</sup>
  - European Environment Agency (EEA): [European protected sites](#)
  - UNEP-WCMC: [World Database on Protected Areas](#)<sup>47</sup>
- **Key Biodiversity Areas (KBA)**
  - KBA Partnership: [World Database of Key Biodiversity Areas](#)<sup>47</sup>
- **Habitats of endangered species**
  - IUCN: [IUCN Red List of Threatened Species](#)<sup>47</sup>

Other data sources can also be used to compare the locations of portfolio companies with areas with increased nature-related risks, such as physical water risks. Existing data sources include, for example, the [Water Risk Atlas & Tools](#) from the World Resources Institute (WRI) and the [Water Risk Filters](#) from WWF.

Due to limited data availability, GFA members are encouraged to take a step-by-step approach. It may be helpful to initially focus the analysis on specific asset types – for example, newly granted loans with a known use of proceeds or the investment portfolio.

### Info box

#### Topic selection and prioritisation in frameworks and regulation

The recommended hotspot metrics can serve as a basis for identifying relevant impacts and dependencies and the associated risks and opportunities. They contribute directly to **Target 15 of the GBF** (assessment of risks and impacts). The KPIs can also be used for internal awareness raising and thus help promote mainstreaming within a financial company. This can contribute to **Target 14 of the GBF** (mainstreaming) (see Figure 4).

In the context of the regulatory requirements, the recommended approach and the potential impacts and dependencies identified as a result can make an important contribution to enabling a robust **materiality analysis under the CSRD**.

<sup>46</sup> In addition, a recent study by Environment Agency Austria provides an overview of Austrian biodiversity hotspot regions, i.e. regions with a high level of natural diversity of endangered assets: [umweltbundesamt.at/aktuelles/presse/news2024/hotspots-der-biodiversitaet-in-oesterreich](https://umweltbundesamt.at/aktuelles/presse/news2024/hotspots-der-biodiversitaet-in-oesterreich)

<sup>47</sup> Also accessible via IBAT (Integrated Biodiversity Assessment Tool): [ibat-alliance.org](https://ibat-alliance.org)

### 3.2.2 Strategic orientation

As a basis for strategic orientation with regard to biodiversity, it is recommended that the GFA members develop an in-depth understanding of the Austrian and European Biodiversity Strategies 2030 and the GBF. The frameworks address both risks arising from the loss of biodiversity and the growth opportunities that can arise from a stronger focus on biodiversity. Based on these frameworks, a plan for dealing with biodiversity-related issues should be drawn up that takes into account (national and international) targets and aims to make a relevant contribution to their implementation. Concrete measures are needed to implement this plan. Recommendations for selected strategic elements are presented in the following sub-chapters (Governance and mainstreaming; Engagement strategy; Expansion of green activities).

#### 3.2.2.1 Governance and mainstreaming

Mainstreaming biodiversity means that biodiversity issues are internalised into the strategic and operational processes of the financial company itself. This creates the conditions for the successful implementation and realisation of a holistic biodiversity strategy and for managing biodiversity-related performance. For mainstreaming within their own company, GFA members should consider the measures presented in the table below.

Table 6: Overview of recommended governance and mainstreaming measures and governance metrics

Category	Description of individual measures
<b>Awareness raising and training</b>	Raising employee awareness of biodiversity in general (impacts, dependencies and risks) and in the context of the financial sector and the real economy. Introduction of biodiversity-related training.
<b>Integration into governance and corporate structures</b>	<p>Raising awareness and involving the Management Board and management in biodiversity-related topics.</p> <p>Integration of biodiversity into relevant areas of the company (including risk management, customer advisory services, and portfolio and product management), guidelines and processes.</p> <p>Building new capacities to consolidate expertise within the sustainability team and other relevant areas of the company.</p> <p>Consideration of biodiversity in the remuneration policy (through quantitative or qualitative metrics).</p> <p>Introduction of governance metrics and target setting based on them, e.g.:</p> <ul style="list-style-type: none"> <li>• Number of members of the Management Board/Supervisory Board (absolute and relative) with skills and expertise in nature-related topics.</li> <li>• Metrics on the frequency of meetings of the Management Board/Supervisory Board in which nature-related topics were discussed.</li> </ul>
<b>Integration into operational decision-making processes</b>	<p>Identification of biodiversity issues relevant to the core business using relevant metrics.</p> <p>Integration of biodiversity into the climate strategy of financial companies to define a holistic nature/environment strategy.</p>

In addition to mainstreaming within their own company, financial companies should also encourage their customers to raise awareness and take biodiversity into account. This aspect is described in more detail in chapter 3.2.2.2 (Engagement strategy).

**Info box**

**Governance and mainstreaming in frameworks and regulation**

By mainstreaming biodiversity within existing corporate structures, GFA members make a direct contribution to the implementation of GBF Target 14 (integration of biodiversity into decision-making processes at all levels). In addition, the integration of biodiversity into relevant corporate areas and governance processes is an important prerequisite for financial companies to support the implementation of the Austrian and EU Biodiversity Strategies, as well as to manage risks and seize opportunities.

In relation to the CSRD, governance and mainstreaming measures can provide content for implementing the disclosure requirements of ESRS 2 Governance and Strategy, ESRS E4-1 Transition Plan and ESRS E4-2 Policies.

According to the TNFD,<sup>48</sup> nature and biodiversity should be taken into account in training measures and in the corporate culture as part of nature-related transition plans.

**3.2.2.2 Engagement strategy**

Financial companies can engage with different stakeholder groups. In addition to their own business customers and partner companies, other groups – such as government actors and interest groups – can also be the target of engagement activities.

Direct business customers are usually the primary target group for engagement. The following explanations therefore focus on this stakeholder group.

An engagement strategy should include all aspects necessary for a structured engagement process. These include, for example:

- **Engagement goals:** The overarching engagement goal should be aligned with the nature-related corporate strategy and can, for example, aim to increase transparency and improve data availability.
- **Prioritisation approach:** The selection and prioritisation of companies to enter into dialogue with can be based on the results of the hotspot analysis described in the chapter 3.2.1, which is based on a combination of portfolio composition and sectoral potential impacts and dependencies.

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<sup>48</sup> TNFD. "Discussion paper on nature transition plans". October 2024, [tnfd.global/nature-transition-plans/](https://tnfd.global/nature-transition-plans/)



- **Engagement topics:** The content for engagement can be both general and sector-specific. Examples and possible sources are listed in Table 7.
- **Engagement methods/channels:** An engagement strategy should include methods, i.e. the communication channels that will be used for dialogue. Examples include participation in engagement initiatives or direct, bilateral company dialogue.
- **Measuring success:** In order to measure the effectiveness of engagement, qualitative and/or quantitative metrics should be defined and collected regularly. An escalation process (in the event of unsuccessful engagement) should also be defined in advance.

Table 7: Examples of engagement topics

Topic	Description
<b>Raising awareness of impacts, dependencies and risks</b>	<p>The GFA member is committed to ensuring that</p> <ul style="list-style-type: none"> <li>• companies identify biodiversity impacts/dependencies and take into account their upstream and downstream value chains.</li> <li>• companies use a science-based approach for the materiality analysis with a solid data basis.</li> </ul>
<b>Disclosure of location data</b>	<p>The GFA member is committed to ensuring that companies disclose geographical data on their locations, in particular to identify activities in or near areas with biodiversity in need of protection.</p>
<b>Consideration of sector-specific guidelines</b>	<p>The GFA member is committed to ensuring that companies are guided by existing initiatives to identify biodiversity-related risks (e.g. the TNFD) and that sector-specific guidelines are taken into account (see Table 3 in chapter 2.2.2 ). In addition, tools such as ENCORE can be used to identify sector-specific engagement issues.</p>

Table 8 provides examples of engagement metrics for measuring success. These metrics are based on those of the Climate Navigation Cockpit<sup>49</sup> (steering module "impact engagement") and have been adapted to the topic of biodiversity. Due to the lack of nature-related disclosures and validated, science-based targets, the metrics presented are currently only applicable to a limited extent. However, they should be seen as possible options for future steps.

<sup>49</sup> The Climate Navigation Cockpit is a set of KPIs that was developed as part of the GFA. Further information can be found in the [GFA executive summary](#), Chapter 5.1.1.2.

Table 8: Examples of metrics for measuring the success of engagement

Metric	Description
<b>Proportion of companies with disclosure of nature-related impacts</b>	<p>Proportion of the portfolio volume made up of companies with disclosure of nature-related impacts compared to the total portfolio volume.</p> <p>The calculation and disclosure of impacts on the state of biodiversity is fundamental to integrating biodiversity into the corporate strategy. In the EU, numerous companies will have to disclose their impacts in the coming years due to the CSRD. However, not all portfolio companies will be affected by the disclosure obligation. In addition, nature-related data points are partly conditional and must be introduced for smaller companies (&lt;750 employees) after a transition period of two years (for the ESRS E4). To gain a better understanding of the financed impacts at an early stage, it may be useful to encourage companies to disclose nature-related impacts earlier. Sector-specific metrics should be disclosed (e.g. land use for agricultural companies).</p>
<b>Proportion of companies with EMAS certification</b>	<p>Proportion of the portfolio volume made up of companies with an operational environmental management system in accordance with the EMAS Regulation compared to the total portfolio volume.</p> <p>EMAS stands for "Eco-Management and Audit Scheme" and is an operational environmental management system with the aim of achieving continuous improvement in operational environmental protection. It is based on the corresponding EU regulation.<sup>50</sup> Alongside other environmental issues, biodiversity is a core topic of the EMAS Regulation and is therefore suitable for companies as a biodiversity management tool.</p>
<b>Proportion of companies with (validated) nature-related targets</b>	<p>Proportion of the portfolio volume made up of companies with (validated) nature-related targets compared to the total portfolio volume.</p> <p>When calculating the indicator, a distinction should be made between validated, science-based and non-validated targets. While only three companies have currently set SBTN-validated targets, further company targets are to be validated from the beginning of 2025. For small and medium-sized enterprises (SMEs), such validation will initially not be relevant or feasible.</p>
<b>Number of nature-related exchange formats with companies</b>	<p>The number of engagement exchange formats carried out, and the quantitative targets based on them regarding the number, frequency and reach of the formats, can be used to measure engagement efforts.</p>

**Info box****Engagement in frameworks and regulation**

Financial companies can contribute to the implementation of **GBF Target 14** (mainstreaming and integration of biodiversity in decision-making processes at all levels) by raising awareness of biodiversity issues amongst companies, especially smaller companies with fewer resources, as part of their engagement. In addition, engagement can also be aimed at creating transparency and facilitating information exchange (**GBF Target 21**).

With regard to the CSRD, engagement measures can be relevant in the materiality analysis and in the implementation of disclosure requirements for **actions relating to ESRS E4-3** and for **targets under E4-4**.

<sup>50</sup> European Commission. "Eco-Management and Audit Scheme (EMAS)". September 2024, [green-business.ec.europa.eu/emas\\_en](https://green-business.ec.europa.eu/emas_en)

### 3.2.2.3 Expansion of green activities

Similar to climate protection, investments in sustainable solutions by both public and private sector actors play a central role. Although the majority of nature-related funding currently comes from public sources, private sector capital flows are steadily increasing and are crucial to closing the "biodiversity financing gap" and achieving the GBF targets (Target 19 – mobilising 200 billion US dollars per year for biodiversity, see chapter 2.1.1). In the period from 2020 to 2024, the funding provided by the private sector increased around fourfold. This increase also expands the investment universe through which financial companies can make their contribution.<sup>51</sup>

GFA members are advised to manage the expansion of green activities with regard to nature and biodiversity by using metrics based on the "expansion of green activities" steering module in the Climate Navigation Cockpit (see [GFA executive summary](#)) and to set targets. The tables below show the prerequisites for establishing a focus on nature and biodiversity.

Table 9: Metrics for the expansion of green activities in investment portfolios with a focus on biodiversity

Metric group	Description with regard to biodiversity
<b>Expansion of the sustainable fund portfolios</b>	<p>The SFDR<sup>52</sup> currently defines two types of funds that focus on sustainability:</p> <ul style="list-style-type: none"> <li>Article 8: Funds promoting environmental and/or social characteristics.</li> <li>Article 9: Funds with a sustainable investment objective.</li> </ul> <p>Ecological characteristics or the sustainable investment objective can relate to the environmental objective of biodiversity. According to MSCI, there were 24 funds with a focus on biodiversity ("pure-play biodiversity labelled funds") as at September 2024. Of these, 13 of the 24 are SFDR Article 9 funds and 10 of them are SFDR Article 8 funds (one fund is an SFDR Article 6 fund).<sup>53</sup></p> <p>Sustainable funds based on green labels and certifications still play a subordinate role with regard to biodiversity. Biodiversity is one of several sustainability objectives that can be considered within the Austrian Ecolabel UZ 49. In addition to the UZ 49, other European labels take biodiversity-related aspects into account in the certification process (e.g. FNG label and Nordic Swan Ecolabel).</p> <p>Example metric: Proportion of Article 8 and 9 funds with biodiversity as an environmental objective in the investment or fund portfolio (in %).</p>

<sup>51</sup> UNEP FI. "Private finance for nature in 2024: Scaling, moving up the capital continuum and connecting to impact". June 2024, [unepfi.org/wordpress/wp-content/uploads/2024/06/Nature-finance-overview.pdf](https://unepfi.org/wordpress/wp-content/uploads/2024/06/Nature-finance-overview.pdf)

<sup>52</sup> EU. "Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector". December 2019, [eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R2088](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R2088)

<sup>53</sup> MSCI. "Under the Canopy: Shedding Light on Biodiversity Funds". October 2024, [msci.com/www/blog-posts/under-the-canopy-shedding-light/05046758566](https://msci.com/www/blog-posts/under-the-canopy-shedding-light/05046758566)

Metric group	Description with regard to biodiversity
<b>Expansion of investments in green bonds</b>	<p>The Green Bond Principles (GBP) defined by the International Capital Market Association (ICMA) are voluntary guidelines that encourage issuers to provide transparency and disclosure and make reference to various types of green projects, including the protection and restoration of biodiversity.<sup>54</sup> As part of the expansion of green activities for biodiversity, GFA members should pay attention to the biodiversity-related use of proceeds.</p> <p>Building on the GBP, the International Finance Corporation (IFC) offers a Biodiversity Finance Reference Guide to help financial companies address and minimise factors relating to biodiversity loss.<sup>55</sup></p> <p>Example metric: Proportion of invested green bonds with biodiversity as an environmental objective in the total portfolio volume (in %).</p>
<b>Expansion of sustainable direct investments</b>	Sustainability ratings from external agencies can be used for expanding direct investments that take biodiversity into account (shares and corporate bonds). Attention should be paid to explicitly considering the environmental target of biodiversity. Ideally, an isolated assessment of biodiversity should be available, which can be used as the basis for the performance metric.
<b>Expansion of EU Taxonomy-aligned investments</b>	<p>Financial companies can use two approaches to manage biodiversity in the expansion of green activities based on the EU Taxonomy Regulation and to set targets in this regard:</p> <ul style="list-style-type: none"> <li>● Contribution to the environmental objective of biodiversity – applicable to two sectors (accommodation and environmental protection and restoration activities).</li> <li>● Avoidance of significant impairments (DNSH).</li> <li>● Example metric: Share of EU Taxonomy-aligned investments with biodiversity as a significant environmental objective in the total investment portfolio (in %).</li> </ul>

Table 10 shows metrics for the expansion of green activities with a focus on biodiversity for lending portfolios based on the "sustainable finance" sub-module of the CNC.

Table 10: Metrics for the expansion of green activities in loan portfolios with a focus on biodiversity

Metrics group	Description and additional requirements with regard to biodiversity
<b>Expansion of green standard-based financing</b>	GFA members that issue green bonds based on a recognised standard/framework (see also "Expansion of investments in green bonds" in Table 9) in order to generate fresh capital to expand their green financing may consider including biodiversity-related aspects (in isolation) in their green financing.
<b>Expansion of EU Taxonomy-aligned financing</b>	As for the "Expansion of EU Taxonomy-aligned investments" in Table 9, the EU Taxonomy Regulation can also be used for management and target setting in lending business.

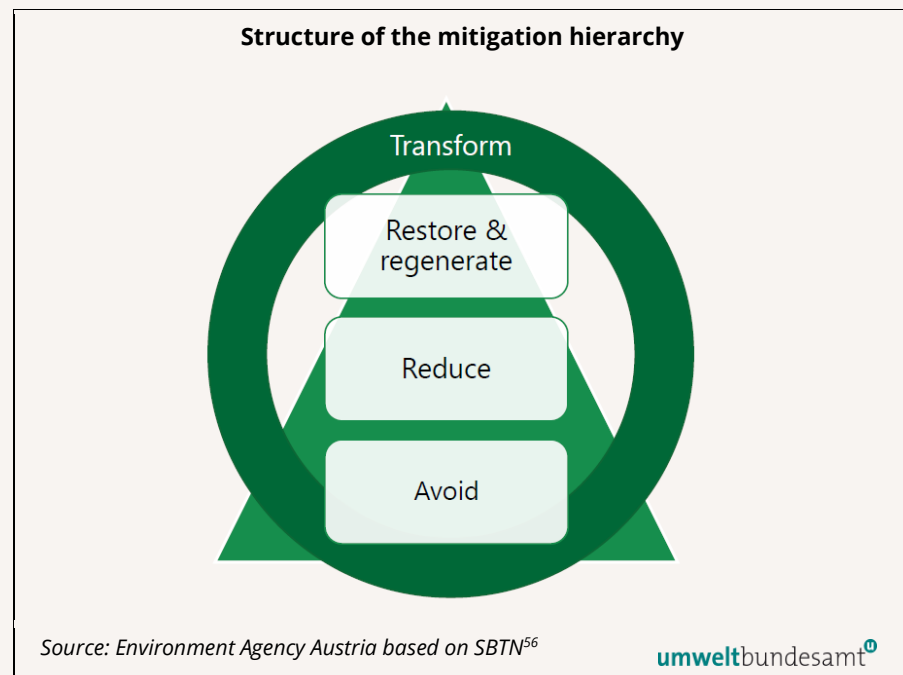
<sup>54</sup> ICMA. "Green Bond Principles". June 2022, [icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/](https://icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/)

<sup>55</sup> IFC. "Biodiversity Finance Reference Guide". May 2023, [ifc.org/en/insights-reports/2022/biodiversity-finance-reference-guide](https://ifc.org/en/insights-reports/2022/biodiversity-finance-reference-guide)

**Info box****Additional insights: the mitigation hierarchy**

Before financial companies consider the use of biodiversity offsets and credits, negative impacts on biodiversity should first be avoided or reduced or restoration and regenerative measures promoted using the mitigation hierarchy.

Figure 5: Mitigation hierarchy based on SBTN



While the approaches to identifying green activities listed in Table 9 and Table 10 aim to avoid and reduce negative impacts and restore biodiversity, biodiversity offsets and biodiversity credits are increasingly being used, particularly in the context of so-called "nature positive" targets.<sup>57</sup> However, such offsetting/compensation measures should be viewed critically, as the focus should be on mitigation measures.

<sup>56</sup> SBTN. "Step 4 – Act", [sciencebasedtargetsnetwork.org/companies/take-action/act/](https://sciencebasedtargetsnetwork.org/companies/take-action/act/)

<sup>57</sup> The Nature Positive Initiative defines "nature positive" as a global goal: by 2030, the loss of nature should be halted (compared to 2020) and reversed; by 2050, nature should have fully recovered. It supports companies in contributing to this goal, including through relevant metrics.

**Info box****Expansion of green activities in frameworks and regulation**

By expanding green activities, GFA members can contribute directly to the implementation of measures under the Austrian Biodiversity Strategy and the achievement of **GBF Target 19**. In addition, important contributions can be made towards achieving other GBF targets.

With regard to the CSRD, the expansion of green activities can support the implementation of the disclosure requirements for **ESRS E4-1 (Transition plan)** in connection with **ESRS 2 (Impacts, risks and opportunities)** and to **E4-2 (Policies)** and **E4-3 (Actions)**.

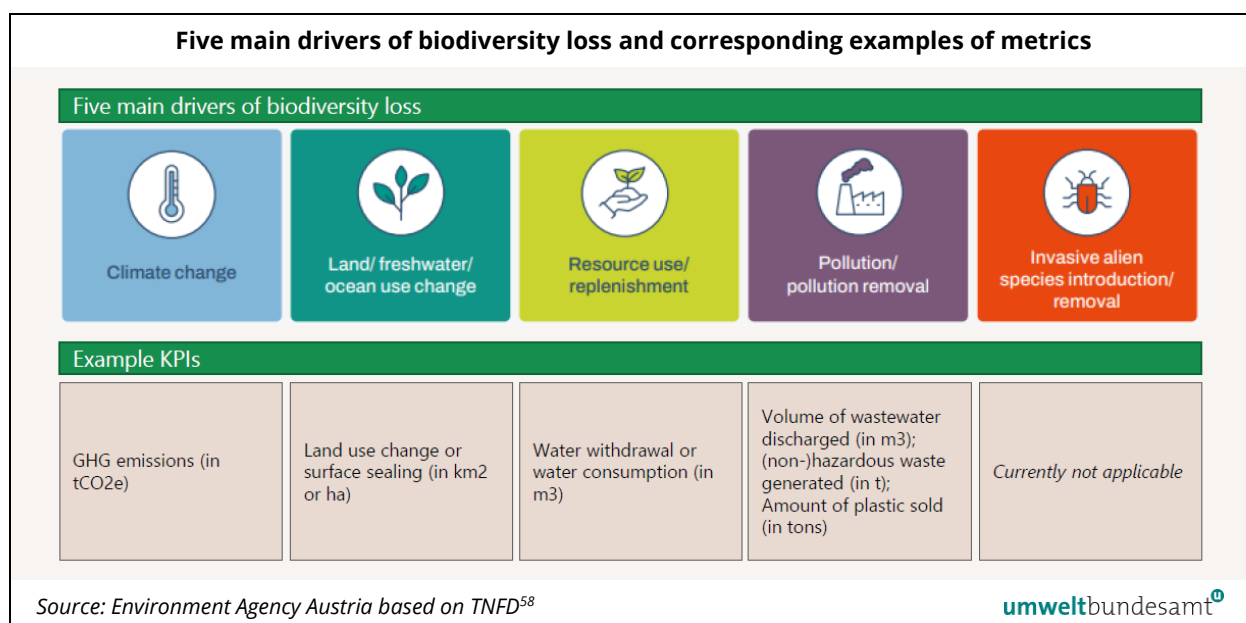
**3.2.3 Targets and impact metrics**

The following section describes performance metrics and steering indicators that can be used to measure progress against specific targets. Two types of impact metrics are discussed for this purpose:

- Metrics on specific impact drivers
- Metrics on the state of nature

While metrics on drivers of biodiversity loss describe the impacts linked to one of the five main drivers, metrics describing the state of nature aggregate impacts on multiple drivers.

Figure 6: Examples of metrics for the main drivers of biodiversity loss



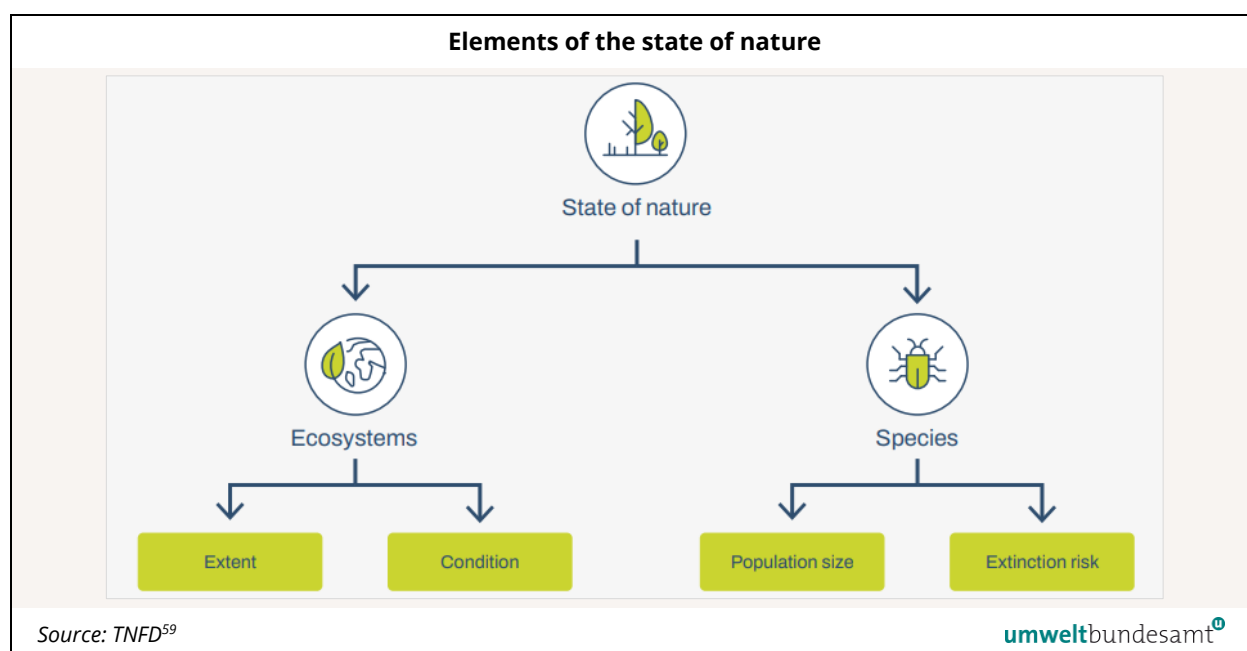
<sup>58</sup> Based on TNFD. "Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations". September 2024, [tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content](https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content)

GFA members are encouraged to define relevant metrics on specific impact drivers and use them for portfolio steering and target setting. When selecting these metrics, GFA members should consider the results of the topic identification and prioritisation process to ensure the relevance of the selected metrics. On the one hand, metrics should be defined for priority drivers, and on the other hand a sectoral portfolio breakdown should be applied when calculating and using these metrics (for example, water consumption is a material impact in the production of food, but not in the service sector). This allows GFA members to limit the data required.

Metrics on impacts on the state of nature can describe impacts on various elements (see Figure 7), including:

- Extent of ecosystems
- Condition of ecosystems
- Population size of species
- Extinction risk of species

Figure 7 : Elements of the metrics for describing impacts on the state of nature



Examples of metrics that describe the impact on ecosystems (often referred to as biodiversity footprints) are Potentially Disappeared Fraction of Species (PDF) and Mean Species Abundance (MSA). PDF shows the loss of species within a certain period of time due to various influencing factors (e.g. land use). MSA describes the richness of species (abundance) after human intervention compared

<sup>59</sup> Based on TNFD. "Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations". September 2024, [tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content](https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content)

to the natural state. The Partnership for Biodiversity Accounting Financials (PBAF) standard on financed biodiversity impacts provides an overview of similar metrics and underlying models.<sup>60</sup>

One example of a metric for the impact on the status of species is the Species Threat Abatement and Restoration (STAR) metric. This measures the contribution that investments/mitigation measures can make towards reducing the extinction risk of species. This metric is used via online tools such as [IBAT](#). A detailed description of the STAR metric (and other metrics such as MSA and PDF) can be found in Environment Agency Austria's report on [corporate biodiversity assessment](#).

Different metrics on impacts on the state of nature (such as the state of ecosystems or extinction risk) should be used in a complementary way. Furthermore, these metrics should be used together with metrics on individual drivers of biodiversity loss. This means that financial companies should not use a single metric to describe their impact on biodiversity and nature. It is important that they use a combination of several complementary metrics. A qualitative contextualisation of the various metrics used to classify the results is also necessary so that the metrics can be used for portfolio management and for identifying measures.

#### Info box

##### Impact metrics and targets: limitations, benefits and reference to requirements

Impact metrics that aggregate multiple drivers of biodiversity loss into one metric (often referred to as biodiversity footprints) can help financial companies gain a better understanding of the biodiversity impact they are financing. That makes it possible to conduct a quantified comparison between drivers of biodiversity loss and portfolio components. These metrics therefore make an important contribution to defining measures, prioritising fields of action and preparing for target setting.

However, aggregated metrics are only recommended to a limited extent for the objective itself and for portfolio management. Financial companies should take into account the underlying limitations of the methodology and data basis. Due to their lower complexity, metrics on individual drivers of biodiversity loss provide a more common alternative. Therefore, GFA members are advised to use multiple, complementary metrics that consider relevant drivers and different elements of the state of nature.

The metrics mentioned in this chapter can help financial companies in implementing the disclosure requirements for **E4-4 targets** and **E4-5 impact metrics**.

<sup>60</sup> PBAF. "Biodiversity Footprinting Standard: Financed Impact". October 2024, [pbafglobal.com/standard](https://pbafglobal.com/standard)



When setting targets, financial companies should consider the national and international frameworks presented in chapter 2.1, as well as their own portfolio composition. Examples of possible targets are:

- No financing of new surface sealing compared to a base year.
- Reduction of financed land use change in key sectors (e.g. real estate sector) by X% from a base year to 2030.
- Reduction of financed water consumption in key sectors (e.g. food production) by X% from a base year to 2030.

### 3.2.4 Implementation

Integrating biodiversity into the core business of financial companies is an iterative process, characterised by continuous learning and ongoing improvement. A key outcome of the implementation step is the development of a monitoring plan, which should include the following elements:

- **Selection of relevant metrics:** What metrics are to be considered in monitoring (selection based on the previous steps)?
- **Data collection methods:** How are the selected metrics and underlying data collected, processed and/or calculated?
- **Data collection timing and frequency:** When and how often is the required data collected?
- **Responsibilities:** Which areas within the financial company are responsible for data collection and processing, and which external stakeholders (such as portfolio companies or data providers) are relevant for data collection?

Additionally, the implementation step should involve creating a database containing biodiversity-related data and selected metrics. This database can serve as a central instrument for managing and structuring the relevant information.

Another important component is the establishment of a monitoring system that operationalises the selected metrics. This system can include dashboards or maps, for example, which prepare the metrics and make them available to decision-makers within the financial company. This ensures that the collected data is used effectively to drive the integration of biodiversity into business processes and enable informed decision-making.

## 4 CONCLUSIONS AND OUTLOOK

The national and international regulatory developments described in chapter 2 and the increasing availability of literature on the financial sector and biodiversity show the high relevance of this topic and the associated risks and opportunities. Although the environmental topic of biodiversity is still relatively new compared to climate change, private financial companies are increasingly taking biodiversity into account.

GFA members are advised to focus intensively on the topic of biodiversity in order to tackle the challenges of climate change and biodiversity loss with an integrative approach. To ensure that this is in line with existing developments, GFA members can make use of the recommendations in these guidelines and the referenced literature. This should enable them to identify the impacts of their core business on biodiversity and its dependencies on ecosystem services, and to manage the associated risks. At the same time, financial companies can identify and exploit new growth opportunities by expanding green activities. The following table summarises the topics covered in these guidelines and how they relate to the CSRD and the GBF.

Table 11: Overview of the relationship between the recommended measures and CSRD disclosure requirements<sup>61</sup> and GBF targets

Subject area	Reference to CSRD disclosure requirements	Reference to GBF 2030 targets
<b>Topic selection and prioritisation</b>	Materiality assessment	GBF Target 14 (mainstreaming and integration of biodiversity in decision-making at every level) and Target 15 (assessment, disclosure and reduction of risks and impacts)
<b>Strategic orientation – governance and mainstreaming</b>	Disclosure requirements on governance and strategy for ESRS 2 and ESRS E4-1 (Transition plan) and E4-2 (Policies)	GBF Target 14 (mainstreaming)
<b>Strategic orientation – engagement</b>	Materiality analysis and disclosure requirements for ESRS E4-3 (Actions) and E4-4 (Targets)	GBF Target 14 (mainstreaming) and Target 21 (transparency, information and knowledge exchange)
<b>Strategic orientation – expansion of green activities</b>	Disclosure requirements for ESRS E4-1 (Transition plan) in connection with ESRS 2 (Impacts, risks and opportunities) and E4-2 (Policies) and E4-3 (Actions)	GBF Target 19 (mobilisation of 200 billion US dollars per year for biodiversity)
<b>Targets and metrics</b>	Disclosure requirements for ESRS E4-4 (Targets) and E4-5 (Impact metrics)	GBF Target 15 (assessment) and Target 19 (mobilisation of financing)

<sup>61</sup> The table only shows the reference to the general disclosure requirements and ESRS E4 (biodiversity). The recommended measures in these guidelines can also be used for the implementation of other nature-related environmental standards (E2, E3, E5).

## 5 GLOSSARY

**Biodiversity:** The variability of living organisms from all sources, including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part. This includes diversity within species, between species and of ecosystems (CBD, 1992).<sup>62</sup>

**Ecosystem:** A dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit (CBD, 1992).<sup>63</sup>

**Nature:** Depending on the context, this term can have different meanings. According to the IPBES Conceptual Framework (IPBES, 2015), nature includes all non-human living things and their interaction with other living or non-living physical entities and processes. This definition recognises the fact that interactions connect humans with nature and its sub-components (e.g. species, soils, rivers, nutrients).<sup>62</sup>

**Nature-based solutions:** Measures to protect, sustainably manage and restore natural or altered ecosystems that can address societal challenges effectively and adaptively. They also support human well-being and biodiversity (IUCN, 2016).

**Ecosystem services:** Services provided by ecosystems that offer benefits for economic and other human activities. Ecosystem services are generally divided into four categories: provisioning, regulating, cultural and supporting services (IPBES, 2019).

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<sup>62</sup> This definition is also used in the current specialist literature (NGFS, TNFD).

<sup>63</sup> This definition is also used in current specialist literature and is essentially in line with the definition of the EU Nature Restoration Law.

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## LIST OF ABBREVIATIONS

BMLUK .....	Federal Ministry for Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management
BRF .....	Biodiversity Risk Filter
CISL.....	Cambridge Institute for Sustainability Leadership
CNC .....	Climate Navigation Cockpit
CSRD .....	Corporate Sustainability Reporting Directive
DNSH.....	Do-no-significant-harm
EBA.....	European Banking Authority
EEA .....	European Environment Agency
EFrag .....	European Financial Reporting Advisory Group
EIOPA .....	European Insurance and Occupational Pensions Authority
EMAS .....	Eco-Management and Audit Scheme
ENCORE .....	Exploring Natural Capital Opportunities, Risks and Exposure
ESRS .....	European Sustainability Reporting Standards
FfB .....	Finance for Biodiversity
GBF.....	Global Biodiversity Framework
GBP.....	Green Bond Principles
GFA.....	Green Finance Alliance
GFANZ.....	Glasgow Financial Alliance for Net Zero
IBAT .....	Integrated Biodiversity Assessment Tool
ICMA.....	International Capital Market Association
IFC.....	International Finance Corporation
IPBES .....	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IUCN.....	International Union for Conservation of Nature
KBA.....	Key Biodiversity Area
KPIs.....	Key Performance Indicators

SMEs.....	Small and medium-sized enterprises
MSA .....	Mean Species Abundance
NA100 .....	Nature Action 100
PBAF.....	Partnership for Biodiversity Accounting Financials
PDF.....	Potentially Disappeared Fraction of Species
SBTN.....	Science Based Targets Network
SFDR.....	Sustainable Finance Disclosure Regulation
STAR .....	Species Threat Abatement and Restoration metric
TNFD .....	Taskforce on Nature-related Financial Disclosures
UNEP FI.....	United Nations Environment Programme Finance Initiative
UNEP-WCMC .....	United Nations Environment Programme World Conservation Monitoring Centre
WRI .....	World Resources Institute

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