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BLOG POST

HOW FINANCIAL INSTITUTIONS CAN LEAD ON BIODIVERSITY

WHY BIODIVERSITY MATTERS

The global economy depends essentially on natural resources. Over half of the world GDP depends on natural ecosystem services, such as soil fertility and pollination.[1] Therefore, preserving nature's well-being and strengthening our economic resilience has gained higher attention. In fact, the World Economic Forum's Global Risks Report 2025 has identified biodiversity loss and ecosystem collapse as the second global risk for the next 10 years, this includes the destruction of natural capital due to species extinction or reduction as a consequence from environment and human economic activities.[2] With this in mind, keeping biodiversity and its natural ecosystems functioning has become more than ever, a direct economic interest for finance.

The relevance of biodiversity finance is supported by scientific evidence that we're experiencing major and rapid biodiversity losses on land and sea that urgently needs to be addressed.[3] Marine impacts alone are striking, as overfishing has caused the total biomass of predator fish species to diminish by 52% between 1970 and 2000; and one third of the world's monitored fisheries have reached their biological limits.[4] This has resulted in an intensified food security risk, highly exposing the livelihoods of coastal communities dependent on the fishing industry.

As biodiversity loss and its interlinked risks are more evident and widely recognized, the global political sphere has raised its collective work for leveraging and managing economic and financial resources to preserve natural capital and consequently achieve long-term positive impacts on our society.[5] Since the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) in 2022, governments and economic actors have converged on clear and necessary financing actions. In early 2025, the Convention on Biological Diversity (CBD COP 16) convened in Rome with the adoption of the first global strategy to finance biodiversity, with the objective of mobilizing resources for the implementation of GBF and closing the US$700 billion annual gap on biodiversity funding.[6] To do so, convened parties agreed on scaling investments through the establishment of market infrastructure and financial products and mechanisms, as well as creating standardized documentation and reporting requirements.[7] In addition, this inaugural global strategy includes the new annual global target of reaching US$200 billion by 2030 from public and private financial sources.[8]

In addition, biodiversity will continue being a key point in upcoming international assemblies. COP30, which will be held from November 10th to 21st in Belém, Brazil, has structured its agenda around six axes to concentrate joint efforts for mitigation, adaptation, finance, technology and capacity building: Energy, Industry & Transport; Forests, Oceans & Biodiversity; Agriculture & Food Systems; Cities, Infrastructure & Water; Human and Social Development; and Cross-cutting issues.[9] Moreover, the COP30 includes the following key objectives to be delivered as part of the second pillar of the agenda ("Stewarding Forests, Oceans and Biodiversity"): emphasizing efforts to conserve, protect, and restore nature and ecosystems with solutions for climate, biodiversity and desertification.[10]

WHY BIODIVERSITY MATTERS TO FINANCIAL INSTITUTIONS?

Biodiversity loss represents a direct and systemic risk for financial markets; as it affects cash flows and collaterals, resulting in credit, operational, liquidity and reputational risks.[11] For instance, decreased pollination poses a credit risk as it negatively affects agriculture production and profits, and increases input costs. Nevertheless, biodiversity loss brings an opportunity for the financial sector to not only mitigate the destruction of natural capital, but also preserve by financing conservation and restoration practices such as sustainable value chains, eco-tourism, and Nature-based-Solutions, among others.

Moreover, risk management and opportunity development for the financial sector is reinforced with the biodiversity finance agreement of COP16. The global biodiversity finance strategy explicitly calls on financial institutions (FIs) to breach the funding gap by:

1. Reinforcing safeguards and methods for monitoring, reporting and disclosing biodiversity investments and impacts;
2. Expanding biodiversity investments through impact funds, blended finance, and public-private partnerships;
3. Strengthening transparency and disclosure of nature-related risks and impacts by aligning to international standards and recommendations such as the Taskforce for Nature-related Financial Disclosures (TNFD).[12]

The implementation of these actions will allow the effective alignment of FIs' portfolios with GBF's targets and National Biodiversity Strategies and Action Plans (NBSAPs),[13] increasing financing to new and nature positive pipelines including restoration, blue economy and regenerative production projects. Biodiversity finance becomes more relevant for the Latin America and the Caribbean (LAC), as 31% of the region's income is associated with biodiversity.[14] As a response, LAC FIs have boosted its actions and commitments for biodiversity finance through different schemes.

WHAT FIS ARE DOING: INSTRUMENTS, EXAMPLES, AND INITIATIVES.

Financial Instruments

Last year, Latin America saw the first issuances of biodiversity bonds by two Colombian FIs. In July 2024, BBVA Colombia issued the world's first biodiversity bond. The bond was structured into two tranches: one US$35 million tranche subscribed by the IDB Invest and another US$35 million tranche subscribed by the IFC.[15] The proceeds of this inaugural biodiversity bond will finance reforestation, regenerative agriculture, and habitat restoration with defined eligibility and reporting indicators. The eligible categories were aligned with the criteria defined in IFC's Biodiversity Finance Reference Guide. A couple of months later, Banco Davivienda issued Colombia's second biodiversity bond for US$50 million.[16] IFC also served as an anchor investor for this transaction. This bond will finance conservation, sustainable production, water management, blue economy, and circular economy categories. These categories are described in Davivienda's Biodiversity Financing Framework that also includes safeguards (exclusions, geospatial screening, UNESCO protections) and a monitoring, reporting and verification (MRV) system.[17]

The LAC thematic bond market has also seen a rise of nature conservation indicators in sustainability-linked instruments. In July 2025, Chile updated its Sustainability-Linked Bond Framework by including a fourth key performance indicator (KPI) for terrestrial protection and effective management. This KPI is structured into two subcomponents focusing on i) expanding protection coverage, and ii) promoting effective management of protected areas.[18]

Nature Risk Management

Mexican bank Banorte offers a practical example for mainstreaming nature into risk management. The bank has integrated the TNFD framework within its governance and risk management processes, in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).[19] Banorte's Environment and Social Management System (ESMS), developed in 2012, applies IFC Performance Standards and Equator Principles, and has been updated to include the identification and management of nature-related risks.[20] As part of this process, Banorte collaborated with WWF Mexico on the development of methodologies to integrate nature-related risks across its portfolio.[21]

Banorte's nature commitments have been institutionalized over the last decade. Aside from the advancement of its ESMS, the FI developed its Natural Capital Policy back in 2019 and in 2023 it became a member of the TNFD Working Group, becoming the first Mexican institution to adopt the TNFD recommendations.[22]

Innovation

To advance their biodiversity finance commitments, LAC FIs can benefit from other FIs' nature journeys around the globe. BNP Paribas is a global leader in developing and implementing innovative initiatives and mechanisms to advance its biodiversity commitments. The Group acknowledges its crucial role in mitigating biodiversity loss, by supporting clients in their transition toward more sustainable practices and collaborating with non-financial stakeholders to restore nature.[23]

Since 2010, BNP Paribas has implemented financing and investment policies to support its clients' climate and ecological transitions by offering sustainable financial solutions. The Group also invests in startups committed to the ecological transition, and assesses all corporate clients against biodiversity-related criteria.[24] In this regard, BNP Paribas has increased its investments in Nature Tech startups, such as NatureMetrics, which leverages DNA technology through a digital platform to measure and monitor biodiversity.[25] In addition, in partnership with the Blue Alliance, the Group launched in 2024 "Blue Finance", the first impact loan facility dedicated to coral reef conservation. This US$35 million impact loan facility provides financing to reef-positive businesses that strengthen the blue economy and the protection of Marine Protected Areas, initially in Indonesia, the Philippines, Tanzania and Cabo Verde.[26]

Biodiversity loss is not only an environmental issue, but a recognized development and economic issue. With a new global finance strategy in place, financial institutions play a key role in its effective implementation by supporting their clients and strengthening their nature positive and biodiversity finance portfolios. To build on this pivotal momentum, financial institutions can lead the advancement of biodiversity finance by structuring credible instruments, managing and disclosing nature-related risks under TNFD, and unlocking new financing opportunities that reduce their portfolio risk while supporting innovative finance solutions.

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ABOUT HPL

HPL is a dedicated consulting firm that strongly recognizes the significance of sustainable financing in mobilizing resources for the betterment of society and the environment. Our specialized services are designed to accelerate capital flows towards sustainable initiatives.

If you're looking to elevate your organization to the next level in sustainable finance, or if you're interested in issuing a green, social, or sustainability-linked bond, our expert team is here to provide you with guidance and assistance every step of the way. You can reach out to us through LinkedIn, email, or our website to explore the comprehensive services we offer. Together, we can embark on a path towards making a meaningful contribution to the global sustainability agenda. HPL has developed user-friendly methodologies and tools to help their clients assess compliance with international climate finance taxonomies and adopt international methodologies to measure financed emissions. HPL has designed the HPL CAT (Carbon Accounting Tool), which aims to enhance clients' ability to track financed emissions of scope 3 (category 15). This tool focuses on improving the quality of data related to greenhouse gas emissions. HPL CAT offers a detailed and personalized approach for each client, helping them set realistic and achievable goals and develop action plans that facilitate an orderly and effective transition to a low-carbon economy.