

# Scaling Nature Finance: Practical Insights for DFIs and Investors

Nature underpins life on Earth and the global economy. It safeguards human well-being and economic prosperity. Yet, today’s economic systems and consumption patterns are driving the loss of nature at a rate never seen before.

The adoption of the [Kunming-Montreal Global Biodiversity Framework \(GBF\)](#) by 188 countries at COP15 – in our hometown – calls for urgent and collective action to **halt and reverse biodiversity loss by 2030 and set nature on a path to full recovery by 2050**, relative to a 2020 baseline. Achieving this global goal demands a system-wide transformation across all economic sectors.

At FinDev Canada, this imperative motivated us to embed nature into our climate impact goal and strengthen our approach to nature. In early 2025, we partnered with [The Biodiversity Consultancy](#) to review available nature finance frameworks and guidance, define a roadmap for tracking and measuring nature finance, and build foundational knowledge across our organization.

In this brief, we share practical insights for peer DFIs and investors, presented as a series of incremental concepts. It brings together the key takeaways from our engagement with The Biodiversity Consultancy and the latest guidance and resources available post-COP30. Looking ahead, we remain committed to fostering collaboration, strengthening industry linkages, and sharing learnings as our journey evolves.

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## I. Entry Points for Nature Action

To contribute to the goals and targets of the GBF, development banks, financial institutions, and investors can take action across three interconnected entry points (see Figure 1):

### 1) MANAGING NATURE AND BIODIVERSITY RISKS IN TRANSACTIONS

This involves complying with and driving compliance with international best standards such as the IFC’s Performance Standards, particularly PS6, PS4, PS3, and PS1, to mitigate risks to nature.

### 2) ASSESSING AND RESPONDING TO THE NATURE-RELATED RISKS, DEPENDENCIES, IMPACTS, AND OPPORTUNITIES AT THE PORTFOLIO LEVEL

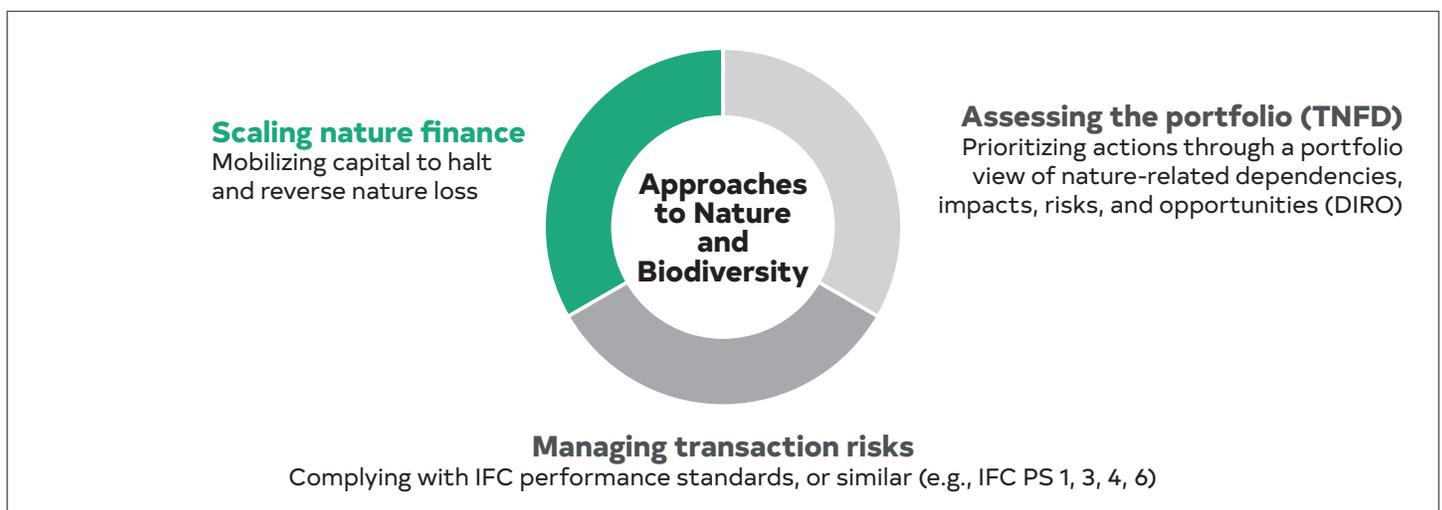
Frameworks like the Taskforce for Nature-related Financial Disclosures (TNFD) extend risk management beyond individual transactions to portfolios and organizations. They encourage institutions to evaluate both their impacts on biodiversity and the financial risks posed by nature loss – a concept known as *double materiality*.

### 3) SCALING NATURE FINANCE

Proactively identifying and allocating capital to activities that support GBF implementation, enhance nature, and/or reduce drivers of nature loss.

As achieving the global goal to halt and reverse biodiversity loss by 2030 and set nature on a path to full recovery by 2050 requires an economy-wide transformation, financial institutions, DFIs, and investors have a responsibility to track and scale nature finance across their portfolios. In this brief, we share practical insights on **scaling nature finance**.

FIGURE 1: ENTRY POINTS FOR NATURE ACTION





## II. Building Blocks for Scaling Nature Finance

In this brief, we share practical insights for peer DFIs and investors, organized as incremental concepts illustrated in the figure below.



### 1. Definitions to build a common understanding of nature finance



The first building block in scaling nature finance is establishing a clear, shared understanding of what it means.

According to the **MDB Common Principles for Tracking Nature Finance**, nature finance refers to financing that contributes to the GBF mission to halt and reverse biodiversity loss by 2030 and achieve full recovery by 2050 (relative to a 2020 baseline). This is done by investing in at least one of the four activity groups outlined in Table 1. Importantly, these activities must go beyond meeting environmental and social (E&S) risk management compliance requirements – they should be undertaken with a deliberate purpose to uplift nature or reduce drivers of its decline.

Key market actors have built upon this definition, signaling growing alignment across the financial industry. Examples include the IFC Biodiversity Reference Guide, UNEP-FI and Finance for Biodiversity’s working model for the private financial sector, and the ICMA Guide for Sustainable Bonds for Nature.

TABLE 1: FOUR ACTIVITY GROUPS OF NATURE FINANCE

Group A	Group B	Group C	Group D
Restoration and conservation of biodiversity or ecosystem services	Reduction of the direct drivers of biodiversity or ecosystem services loss: (i) land and sea use change, (ii) overexploitation of natural resources, (iii) pollution, (iv) spread of invasive species, and (v) climate change	Integration of nature-based solutions across economic sectors	Design and implementation of enablers for Groups A-C, such as policies, tools, or other sectoral instruments

## 2. Tracking nature finance



The second building block for scaling nature finance is understanding the [MDB Common Principles for Tracking Nature Finance](#) to define and categorize nature finance investments.

These principles provide guidance to define nature finance opportunities and optionally categorize them as either Nature Mainstreaming Finance (NMF) or Nature Positive Finance (NPF), as summarized in Figure 2.<sup>1</sup>

FIGURE 2: NATURE FINANCE SUB-CATEGORIES

<b>Nature Finance</b> <i>Finance that contributes to the GBF mission to halt and reverse nature loss by 2030 and achieve full recovery by 2050.</i> Criteria: Must meet the NMF criteria at minimum	
<p><b>Nature Mainstreaming Finance (NMF)</b></p> <p><i>Finance that supports the economic transition away from practices as driving nature loss.</i></p> <p>Criteria:</p> <ul style="list-style-type: none"> <li>(i) Investments that support activities in Groups A, B, C, and/or D, and</li> <li>(ii) are not undertaken solely for environmental risk management compliance</li> </ul>	<p><b>Nature Positive Finance (NPF)</b></p> <p><i>Finance that delivers measurable positive gains for nature.</i></p> <p>Criteria:</p> <ul style="list-style-type: none"> <li>meets all NMF criteria, and</li> <li>(iii) has metrics to demonstrate measurable positive gains for nature compared to business-as-usual, and</li> <li>(iv) it is not expected to introduce significant adverse environmental risks</li> </ul>

### Nature Mainstreaming Finance (NMF)

The purpose of NMF is to recognize added value for nature beyond compliance (e.g., risk management offsets or measures to meet net gain goals). NMF can occur in diverse and less evident economic sectors such as infrastructure, energy, and waste management.

Proactively screening and promoting NMF across all investments is essential in driving a broader, long-term transition toward an economy that values nature.

### Nature Positive Finance (NPF)

The purpose of NPF is to recognize financed activities specifically designed to deliver measurable positive gains for nature, relative to an appropriate baseline or a business-as-usual scenario (i.e., continuing current practices without change).

NPF requires measurable indicators to demonstrate these substantive positive gains for nature over time, and ensure that no significant adverse environmental risks and impacts are introduced.



<sup>1</sup>The [MDB Common Principles for Tracking Nature Finance](#) take precedence as the primary source of information. Please refer to the latest publication for the most accurate and up-to-date details.

## ILLUSTRATIVE EXAMPLES

### Example 1: Biodegradable Packaging Company

A company produces biodegradable alternatives to plastic packaging and undertakes land restoration with native species.

- Nature finance, specifically **NMF**:
  - Under **Group B**, the full investment value given that the company's core operations reduce a driver of nature loss: **pollution**.
  - However, since the portfolio company lacks metrics to demonstrate measurable gains for nature, it would not be considered as NPF.
- Nature finance, specifically **NPF**:
  - Under **Group A**, the portion of the investment allocated to land restoration with native species, provided there is a measured baseline and monitoring system to show positive outcomes for nature relative to business-as-usual. These activities must also avoid introducing significant environmental risks.



### Example 2: Forestry Plantation

A company manages forestry plantations of non-native tree species for timber products and implements land restoration to offset environmental risks.

- The investment is **not nature finance**:
  - Timber production and introducing non-native species are direct drivers of nature loss – **land use change** and **spread of invasive species**.
  - Measures undertaken solely for environmental compliance do not count as nature finance.



### Example 3: Wastewater Treatment Plant

A project builds a wastewater treatment plant to reduce water pollution.

- Nature finance, specifically **NMF**:
  - Under **Group B**, as it reduces a driver of nature loss: **pollution**.
- Nature finance, specifically **NPF**:
  - The full investment could also count as NPF if it includes metrics to demonstrate measurable and substantive positive gains for nature and does not introduce environmental risks.



## OVERARCHING PRINCIPLES

Similar to the principles used for tracking climate finance, the following MDB Common Principles apply to support consistent and comparable tracking of nature finance:<sup>2</sup>

- Ex-ante tracking: Use estimated values at the time of investment approval.
- Track financial commitments, not disbursements, to avoid double counting.
- Apply a conservative approach when estimating the value of nature finance.
- Ensure granularity in the use-of-proceeds data.
- Clearly and transparently identify nature finance and climate finance under separate tags.

<sup>2</sup> The [MDB Common Principles for Tracking Nature Finance](#) take precedence as the primary source of information. Please refer to the latest publication for the most accurate and up-to-date details.

### 3. Taxonomies to identify eligible nature finance activities

1. DEFINITIONS

2. TRACKING  
NATURE FINANCE

3. TAXONOMIES

4. METRICS

The third building block for scaling nature finance is knowing how to identify eligible nature finance activities – those within the four activity groups A-D (Table 1) that contribute to the GBF mission of halting and reversing biodiversity loss by 2030 and achieving full recovery by 2050.

Listed here are three practical resources for DFIs and investors:



#### Resources to identify eligible nature finance activities

##### 1. [MDB Common Nature Finance Taxonomy \(2025\)](#)

Released at UN Climate Change COP30, the [MDB Common Nature Finance Taxonomy](#) provides a standardized list of activities that qualify as nature finance in line with the [MDB Common Principles for Tracking Nature Finance](#). The list is organized by seven economic sectors and the four activity groups A-D (Table 1). It is tailored to the development context in which MDBs and DFIs operate, covering sectors such as forestry and agriculture, mining and energy, and financial services.

##### 2. [ICMA Sustainable Bonds for Nature: A Practitioner's Guide \(2025\)](#)

This voluntary guide supports the issuance of credible nature-themed bonds, loans, and other debt instruments. Its appendix includes an indicative list of eligible nature-related activities organized across the 10 categories of the Green Bond Principles, such as renewable energy, energy efficiency, green buildings, and circular economy. This structure intentionally reflects the interconnectedness of nature and climate, facilitating financial instruments to incorporate climate and nature themes.

##### 3. [IFC Biodiversity Finance Reference Guide \(2023\)](#)

This guide helps identify and structure investments that qualify as biodiversity finance. It is organized into three main categories, each with sub-categories: (1) Investments that generate biodiversity co-benefits, (2) Investments in biodiversity conservation and restoration, and (3) Investments in nature-based solutions. Examples of qualifying activities are provided across diverse economic sectors, including aquaculture, waste management, tourism, and infrastructure.

## 4. Metrics to measure benefits to nature

1. DEFINITIONS

2. TRACKING  
NATURE FINANCE

3. TAXONOMIES

4. METRICS

The fourth and final building block for scaling nature finance is ensuring that metrics are in place to monitor and demonstrate measurable outcomes for nature.

While NPF requires metrics to show positive gains on nature relative to a business-as-usual scenario, it is considered best practice to define and monitor metrics for NMF as well.

At FinDev Canada, we view effective measurement not only as a technical necessity but as a strategic imperative to drive accountability in nature finance.

Given that nature outcomes are highly localized and context-specific, each investment will demand tailored metrics. Below are practical resources to guide the selection of relevant metrics:



### Resources to select relevant nature finance metrics

#### **1. ICMA Sustainable Bonds for Nature: A Practitioner's Guide (2025)**

Provides suggested metrics for eligible nature-related activities across the 10 categories of the Green Bond Principles, supporting credible nature-themed bonds, loans, and other debt instruments.

#### **2. IFC Biodiversity Finance Metrics for Impact Reporting (2024)**

A supplemental list of metrics aligned with the [IFC Biodiversity Finance Reference Guide](#), organized by its three main categories and their sub-categories.

#### **3. Financing Nature: A Practitioner's Guide to Results Metrics Selection (2025)**

Released at COP30, this guidance helps to build a theory of change with linked metrics to show how a nature finance investment aims to reduce the drivers of nature loss (NMF) and/or deliver positive outcomes for nature (NPF), using three types of metrics:

(1) Response metrics: capture **actions implemented** to address drivers of nature loss. These actions range across protection, management, reduction, and restoration.

(2) Pressure metrics: show how much response actions **reduce the drivers of nature loss**.

(3) State metrics: show resulting improvements in the **state of nature**. These align with indicators from the [Nature Positive Initiative's State of Nature Metrics](#).

The guide includes a generalized list of metrics organized by type (response, pressure, state) and by the five drivers of nature loss.



### III. Implementation

Establishing a clear understanding of the building blocks for scaling nature finance – definitions, tracking nature finance, taxonomies, and metrics – has been essential in shaping FinDev Canada’s approach.

As we move toward operationalizing our approach, we share three pragmatic implementation reflections for DFIs and impact investors to consider:

#### 1. Cross-functional collaboration

Understanding and effectively applying the [MDB Common Principles for Tracking Nature Finance](#) requires distinct inputs and expertise in both environmental risk management and development impact. From a technical standpoint, operationalizing these principles demands early and close collaboration between these teams.

To successfully scale nature finance over time, engagement with Investment teams and Senior Management from the outset are critical. Targeted knowledge sessions can help build internal awareness and alignment. At FinDev Canada, we delivered tailored sessions with our Executive team and across the organization, using portfolio-based examples to bring these concepts to life.

#### 2. Dual nature-climate lens

Nature and climate are deeply interconnected, and many activities deliver benefits for both. For example, regenerative agriculture supports nature while enhancing climate mitigation and adaptation.

However, not all nature finance is automatically climate finance, and vice-versa. A project preventing the spread of invasive species would count as nature finance only, while a solar energy farm without targeted nature benefits would count as climate finance only.

This is why we are committed to screen our investments with a dual nature-climate lens, so we can identify opportunities that deliver benefits for both nature and climate, and assess trade-offs. The [ICMA Sustainable Bonds for Nature Guidance](#) provides examples of activities with dual benefits, such as:

##### Renewable energy projects using nature-based solutions

- Agrivoltaics
- Integrating vegetation supporting pollinators in solar farms
- Artificial reefs in offshore wind farms
- Biofuel produced from use sustainably sourced biowaste (e.g. agricultural and forestry waste, sludge)



## Infrastructure projects integrating nature-based solutions, which reduce pollution and improve energy efficiency

- Green roofs and facades for cooling
- Vegetated buffer zones to reduce pollution runoff
- Constructed wetlands to improve water quantity and quality
- Native bivalves and seaweed to reduce water pollution
- Mangroves for coastal protection

## Climate adaptation and resilience projects

- Regenerative and climate-smart agricultural practices
- Cultivation of climate and disease resilient crop varieties
- Fire management and fire risk reduction programs

In all cases, only the portion of the investments allocated to nature benefits is labelled as nature finance.



## 3. Dual nature-gender lens

Women are key agents of change in advancing positive outcomes for nature. Investing at the intersection of gender and nature presents another significant opportunity for DFIs and the broader investment ecosystem.

This is why we intend to mainstream a dual nature-gender lens in our investment process by leveraging existing frameworks, namely the [2X Criteria](#) and the [MDB Common Principles for Tracking Nature Finance](#), to drive positive outcomes for both nature and gender equality.



## Conclusion

Scaling nature finance is not just an opportunity – it is an urgent necessity to halt biodiversity loss by 2030 and set nature on a path to full recovery by 2050. DFIs and investors have a unique role to play by mobilizing capital and embedding nature considerations into investment process and strategies.

Scaling nature finance requires cross-functional collaboration and integrated lenses—nature-climate and nature-gender. By adopting clear definitions, tracking mechanisms, and metrics, we can move beyond intent to action.

At FinDev Canada, we are committed to advancing this goal through collaboration, knowledge sharing, and continuous learning. Together, we can accelerate the transition toward an economy that values and restores nature, building resilience and prosperity for generations to come.