

How Should Financiers Align with the Global Biodiversity Framework? **Five Key Principles.**

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BANKTRACK



Endorsements

The following 74 civil society organizations endorsed this briefing, which outlines five key principles for how banks and financiers should align with the Global Biodiversity Framework.



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Introduction

The twin biodiversity and climate crises plainly demonstrate how business as usual is leading the world down an economic and ecological dead end. Urgent action is needed now. Food security, public health, and equitable, economic prosperity depend upon maintaining healthy, biodiverse ecosystems. Yet the ability of the world's ecosystems to support life on Earth is deteriorating faster than ever before in human history.¹ The Kunming-Montreal Global Biodiversity Framework (GBF) aims to reverse this decline through a “whole-of-society approach,” where all sectors and actors are actively engaged in addressing biodiversity loss, restoring ecosystems, and protecting Indigenous Peoples’ rights. This includes the international financial sector. The GBF explicitly calls for “aligning all relevant public and private activities, fiscal and financial flows with the goals and targets of this framework.”²

As upstream enabling actors, public and private financial institutions play a critical role in accelerating, slowing, or preventing key drivers of biodiversity loss, based on the industries and activities they directly or indirectly finance. **In order to stop biodiversity loss and align financial flows with the GBF, financial institutions must take responsibility for their role in driving the biodiversity crisis, and commit to the following five key principles to guide all their activities:**

- 1. Halting and reversing biodiversity loss**
- 2. Respecting and prioritizing the rights of Indigenous Peoples and local communities**
- 3. Fostering a Just Transition**
- 4. Ensuring ecosystem integrity**
- 5. Aligning institutional objectives across sectors, issues, and instruments**

Five principles for Financial Institutions in implementing the Global Biodiversity Framework

1. Halting and reversing biodiversity loss

The GBF’s mission is “to halt and reverse biodiversity loss” by 2030. One of the most fundamental ways in which financial institutions can halt and reverse biodiversity loss while also supporting a Just Transition is to establish immediate moratoriums and prohibitions on harmful financing. This includes **prohibiting financing of activities and sectors that are driving nature destruction and therefore do not align with the targets of the Framework. These include, but are not limited to, the fossil fuel industry, large hydropower, industrial logging, industrial livestock farming, and industrial monoculture plantations.** Financial institutions must immediately stop financing the unchecked expansion of these sectors and put in place time-bound plans to phase-out continued financing to these sectors.

In addition to sectoral prohibitions, **financiers must prohibit harmful financing which directly or indirectly negatively impacts at risk, critical ecosystems which are essential for conserving biodiversity and regulating the climate**³. Examples of areas which should be off limits to harmful financing include internationally and nationally recognized areas^{4,5}, free flowing rivers⁶, intact primary and vulnerable secondary forests⁷, habitats with threatened and endemic species, as well as Key Biodiversity Areas⁸. Given the strong correlation between Indigenous Peoples and biodiversity protection, financiers should prohibit financing any activity that violates the rights of Indigenous Peoples.⁹ Financiers should also prohibit support for projects and activities that have not secured Indigenous Peoples’ Free, Prior, Informed Consent (FPIC) where there is a risk of impacts.

By strengthening exclusion policies for key sectors and critical ecosystems, financiers are able to significantly

What is the Global Biodiversity Framework?

The Kunming-Montreal Global Biodiversity Framework (GBF) is a landmark agreement to guide global action to preserve and protect nature through 2030. It was adopted by the State Parties to the Convention on Biological Diversity (CBD) in December 2022 at COP15 in Montreal, Canada, and replaces the Aichi Biodiversity Targets set in 2010. The framework calls for urgent action in achieving the Convention’s mission of halting and reversing nature loss by 2030. The GBF, along with the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), have clearly stated that land use change, pollution, climate change, and over-exploitation of natural resources are major drivers of biodiversity loss. Public and private financiers are closely linked to these drivers via the activities and sectors they choose to finance – therefore, it is increasingly important for financial institutions to align with the goals and targets set out in the GBF.

stop harmful sectors from destroying biodiversity and the climate, as well as protect affected communities and safeguard the world's remaining ecosystems, which are critical for maintaining a healthy and livable planet for all.

Finally, **financial institutions must ensure that their policies across all sectors are rooted in the concept of no biodiversity loss, rather than no “net” loss.**¹⁰ This is because a “net” loss approach relies on the concept of offsets in calculating “net” loss, which delays and undermines progress towards the core mission of categorically stopping and halting biodiversity loss. By developing biodiversity policies based on “no loss” frameworks and “do no harm” principles, financial institutions can use their leverage to ensure their clients are actually aligned in stopping and reversing biodiversity loss, as well as support a truly Just Transition that avoids false solutions.

2. Respecting and prioritizing the rights of Indigenous People and local communities

Indigenous Peoples and local communities are both increasingly experiencing an epidemic of violence as a result of harmful, extractive sectors. Sectors such as fossil fuels and industrial agribusiness are driving human rights violations among both communities, while simultaneously driving biodiversity loss.^{11,12}

Although Indigenous Peoples make up just 6.2% of the world's population, they protect 80% of the world's biodiversity.^{13,14} Research shows that higher biodiversity rates are connected to the presence of Indigenous Peoples, in part due to Indigenous Peoples' customary practices and knowledge of sustainably managing resources in their territories. Protecting the rights of Indigenous Peoples is thus critical for protecting biodiversity. The unique rights of Indigenous Peoples are enshrined in a growing body of international human rights instruments and jurisprudence. **These rights include the right to self-determination; the right to own, control, and use their lands, territories, and resources; and the right to give or withhold their Free, Prior, and Informed Consent regarding matters affecting them.**¹⁵ Notably, financial institutions should, by default, prohibit financing to any activity which impacts or may potentially impact areas with evidence of Indigenous Peoples living in voluntary isolation. In this case, the right of non-contact must be fully respected. Furthermore, if not yet developed, financiers should establish standalone Indigenous Peoples policies. While some financial institutions, such as the Inter-American Development Bank¹⁶ and the International Finance Corporation¹⁷, have established Indigenous Peoples policies, there is a major need to



improve existing policies as well as achieve widespread policy adoption across the financial sector to fully respect Indigenous Peoples' rights.¹⁸

There are also long-standing international best practices and standards for protecting the rights of local communities. For instance, while FPIC is a unique human right of Indigenous Peoples, it should also be used as an international best practice for consulting and engaging locally impacted communities. Ensuring communities can participate in decision making processes is critical for safeguarding their legal rights, as they can also play a major role in conserving biodiversity.¹⁹ Further, financiers should foster opportunities and financing for community based or locally led solutions and innovations.

As stated in the GBF, “the implementation of the framework should follow a human rights-based approach respecting, protecting, promoting and fulfilling human rights.”²⁰ In order to follow a human rights based approach, financial institutions must ensure that their policies and practices protect, prioritize, and center the human rights of impacted communities.²¹ This should include: implementing a zero tolerance approach towards the use of violence, the use of military force, and the criminalization of land, environmental, and human rights defenders, including through strategic lawsuits against public participation (SLAPPs);²² establishing a transparent and effective grievance mechanism which can be directly accessed by people affected or potentially affected by the financier's clients; disclosing information about financed clients and projects; and conducting robust due diligence to identify and address any violations of the rights of Indigenous Peoples and local communities.^{23,24} Due diligence processes must also include reviewing clients' backgrounds in identifying patterns of poor environmental and social performance, as such clients should not be eligible for future financing.

3. Fostering a Just Transition

In order to meet the mission and spirit of the GBF, financiers must shift their business model to create the conditions that foster a Just Transition for all.²⁵ Historically, financing unsustainable and industrial activities have forestalled key conditions needed for a Just Transition. For too long, affected communities have suffered in the name of development that is rooted in the expansion of harmful, extractive sectors, which in effect has precluded if not blocked other community-led solutions from emerging.²⁶ **One key condition for ensuring a Just Transition is to pivot from an extractive economy to a regenerative economy.** For financiers, this means prioritizing the ecological and social well-being of communities in support of sustainable development. It also requires promoting the regeneration of resources, instead of their extraction. In addition, **a truly Just Transition upholds the right to self-determination, in which communities are able to choose their own development paths and exercise their right to participate in decisions which impact their lives.** This means financiers should meaningfully engage and consult with affected communities *or step back* so that community-led development can occur from the bottom up.

Ensuring a Just Transition also requires avoiding false solutions. False solutions convey the illusion of progress for all, while driving ecological destruction and deepening economic inequalities. **It is critical that financiers avoid biodiversity²⁷ and carbon offset approaches, over-reliance on certification and disclosure schemes, and dependency on unproven, vague technologies,** as there is an abundance of longstanding evidence that these approaches are not effective in solving the root problems of biodiversity loss and climate change. **A Just Transition demands transformative change – there is no time for false solutions or shortcuts.**

4. Ensuring Ecosystem Integrity

Ensuring ecosystem integrity is needed in order for biodiversity to survive and thrive as part of a functional, healthy ecosystem.²⁸ The CBD supports this concept and defines an ecosystem approach as “a strategy for the integrated management of land, water and living resources that promotes conservation and sustainable use in an equitable way.”^{29,30} To ensure ecosystem integrity, taking an ecosystem-wide approach is crucial due to the complex web of interdependent plants, animals and micro-organisms that collectively play critical roles in providing key ecosystem functions such as regulating the climate, as well as maintaining soil, water and air quality.³¹ This approach was adopted at CBD COP2 in 1995 and remains a central principle in CBD implementation.³² The concept integrates ecological, economic, and social factors affecting a particular ecosystem as defined by ecological, not political boundaries.³³

Ensuring ecosystem integrity should be a key principle in financiers’ institutional policies. **Financial institutions should require funding proposals and assessments to evaluate cumulative, ecosystem-wide impacts prior to awarding financing, and prohibit financing to activities which seriously and negatively impact ecosystem integrity.** An ecosystem-wide approach in protecting ecosystem integrity is especially needed in the context of finance for development projects, which typically have indirect or cumulative impacts that may extend well beyond the project site boundaries. Given these foreseeable impacts, an ecosystem-wide approach in ensuring ecosystem integrity should be applied to all plans, policies, and management that may affect, or benefit from, the natural environment. To carry out this approach, financiers must not only assess the impacts of a singular project or activity within a value or supply chain, but also consider the impacts of the upstream, midstream, or downstream projects and activities that are required or dependent on the financed activity.



Examples of how financed activities can potentially impact an ecosystem's integrity:

- Extraction from oil and gas fields requires supporting infrastructure, such as LNG terminals and pipelines, which is often excluded from risk assessment processes, despite its impact on surrounding areas and ecosystems.
- Hydropower dams affect the entire watershed/basin of which they are a part, including both upstream and downstream, beyond the area impounded. If built, hydropower dams must be considered in a basin-wide context.³⁴
- Mining is inherently invasive and likely to cause damage beyond the mining site itself, including depleting and polluting water bodies and sources, as operations tend to have high water demands and produce wastewater and tailings.³⁵
- Large-scale, industrial agriculture – including animal agriculture and monocrop plantations – drives habitat loss through massive deforestation and results in major land, soil, and water degradation and pollution.³⁶
- Linear infrastructure, such as roads or powerlines, typically creates new access to previously remote areas, engendering new, local pressures on ecosystems as a result of increased access and an influx of more people to an area. These projects have been found to create a fishbone pattern of development that fragments and bisects ecosystems, thus exposing ecosystems to new pressures as well as potentially compromising their functioning.³⁷

5. Aligning institutional objectives across sectors, issues, and instruments

Biodiversity loss is deeply connected to other issues, including climate change, human rights, Indigenous Peoples rights, public health, and poverty, which is recognized throughout the GBF. However, policy responses to these challenges are often fragmented and limited in scope. The GBF clearly states that in order to fulfill the goals and targets of the framework, efforts to halt and reverse biodiversity loss must simultaneously meet other global societal goals and build on relevant multilateral agreements.

Financial institutions must integrate biodiversity considerations into all relevant policies as well as ensure there are no loopholes in biodiversity protection across different financial instruments. Further, **financial institutions must create strong coherence between biodiversity-related targets and other institutional objectives. For instance, biodiversity and climate approaches and targets must be complementary and simultaneous. This is because both the climate and biodiversity crisis share many of the same root drivers, including large scale industrial agriculture and livestock production, fossil fuels extraction, deforestation, ill-conceived infrastructure projects, as well as pollution from extractive industries, among others.** Furthermore, many of the ecosystems at risk from these root drivers possess tremendous biodiversity and climate value. Designing policy targets that intentionally reinforce one another will allow financiers to optimize

the “co-benefits and synergies of finance targeting the biodiversity and climate crises,” as stated in the Framework’s Target 19.

These institutional changes will require financiers to ensure adequate means of implementation. Financial institutions must invest in building internal capacity and expertise to establish and mainstream robust biodiversity policies and objectives. **At the same time, institutions must ensure that open dialogue with Indigenous Peoples and local communities is embedded in their due diligence and decision-making processes. Finally, boards and staff should be assessed in their ability to achieve cross-cutting goals, such as biodiversity, and be disciplined or rewarded for their performance as part of existing internal review processes regarding compensation and promotions.**



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