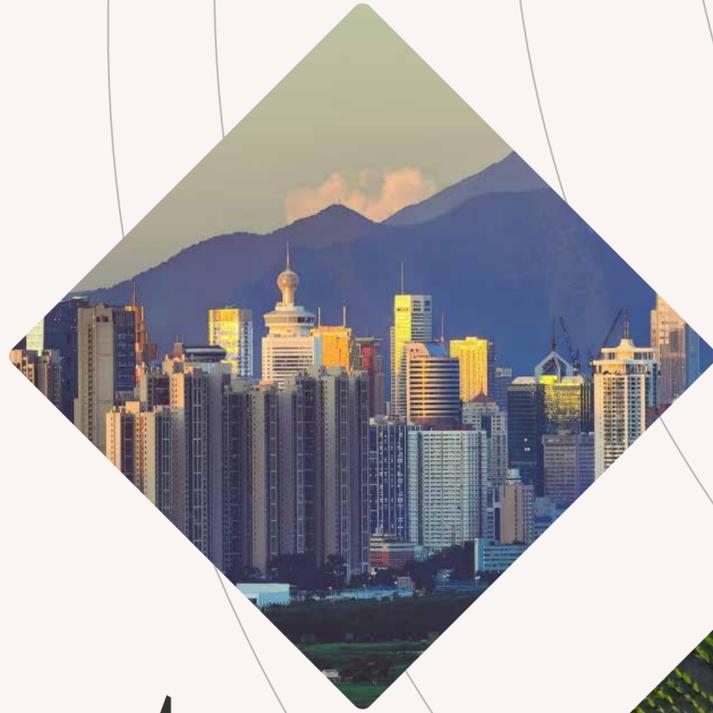




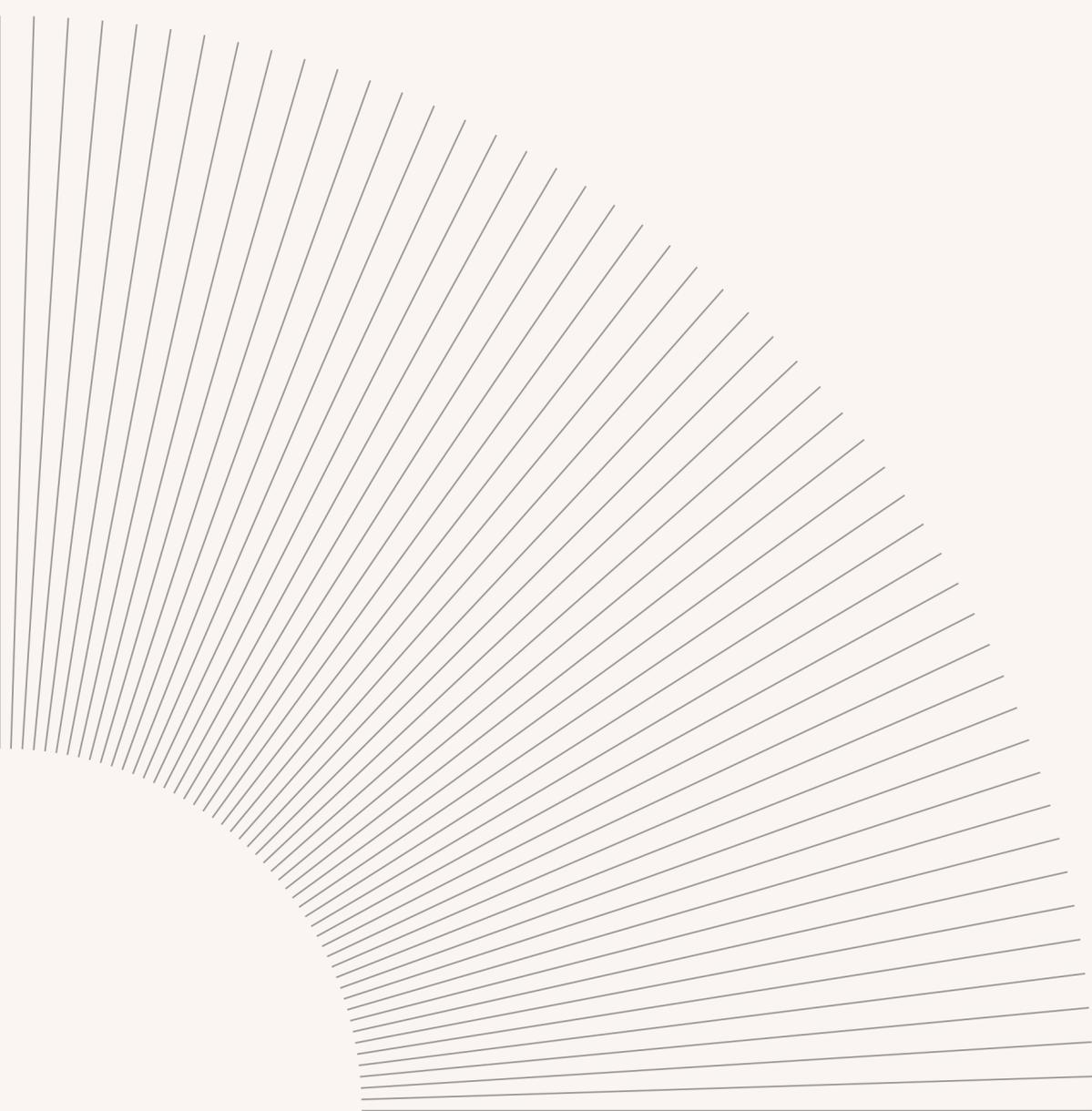
The Nature on the Balance Sheet Initiative

Progress Report

March 2026



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Executive Summary

For decades, the global economy has focused almost exclusively on financial, business, and physical capital. Success was measured by balance sheets, and value was defined by cash flow. We now live in an era of profound volatility and uncertainty, growing social inequality, and a dangerous imbalance with our natural systems. This narrow conception of the type of capital that counts has become a systemic risk. Prioritizing financial information is no longer sustainable for long-term competitiveness: the economic system needs an update to get closer to a world where economies are built to deliver real value.

This structural failure — in which nature over US\$150 trillion in value is unaccounted for — continues to drive poor decision-making, degraded resilience, and mounting fiscal and financial risk. The Nature on the Balance Sheet Initiative seeks to correct this foundational gap by integrating natural capital, including associated nature and climate risks, into mainstream financial and economic decision-making, moving nature from the periphery of sustainability reports into the core of balance sheets, financial accounts, and sovereign economic planning.

This report tracks the progress made against the Roadmap that was launched in June 2025 (Figure 1). It demonstrates a mixed response with development in some areas but also some barriers that still need to be overcome.

Early proof points across businesses, investors, and governments confirm that natural capital assessment, accounting, and financial recognition can strengthen operational resilience, inform investment decisions, and reshape macro fiscal stability. Companies like Belterra and Vale Base Metals (VBM), asset managers such as Manulife Investment Management, and national level pilots in Uganda illustrate the feasibility and benefits of embedding nature considerations in today decisions. However, systemic friction in the Roadmap persists. Market failures, particularly the lack of financial recognition for resilience benefits, continue to distort incentives. Countries underinvest in natural capital because macro fiscal tools do not account for resilience, and rating agencies insufficiently reward proactive environmental stewardship. The result is a misalignment where nature-positive action is not yet rewarded, keeping businesses and countries from moving towards the recognition of nature in finance.



To accelerate progress, the Nature on the Balance Sheet Initiative has set out tailored Action Agendas for some of the key actors involved: Chief Financial Officers (CFO), Boards, Investors, Finance Ministers, and Central Bankers. Each group plays a unique, indispensable role in moving nature into the heart of economic decision-making, but it is only when they all act with a common understanding of value that nature will be recognized in financial accounts.

There are other capitals (such as human, social and produced capital) that should always be taken into consideration. Growth in one capital at the expense of other leads to further disruption in the system. There are also other accelerators – no more so than artificial intelligence (AI). Given AI's rapid proliferation and uptake across the global economy, we believe that it has a significant potential in closing data gaps, improving measurement integrity, enabling scalable, real-time integration of natural capital into decision systems. Nevertheless, AI comes with a substantial set of risks as well, particularly its high energy intensity and potential to replace labor and some of these risks are well beyond the remit of this Initiative.

The Initiative is made up of many partners with different skills. This diversity of approach behind a common vision is what will ultimately make the Nature on the Balance Sheet Roadmap a reality and mean that the true value that nature provides is realized. It is the hope of the Initiative that this form of collaboration is a model that can be replicated across the Enablers, Power Holders, and Roadmap Actions to drive this critical work forward.

“Growth in one capital at the expense of other leads to further disruption in the system.”

What We Mean by “Nature on the Balance Sheet”

Putting nature on the balance sheet means integrating natural capital into the same decision frameworks that guide financial and economic choices today, so that the value of nature, to both society and to the reporting entity itself, is consistently considered alongside financial capital and is treated with the same rigor as financial capital. Over time, information on natural capital moves from supplementary sustainability reporting into management decisions, financial accounts, and macroeconomic policy tools. Putting nature on the balance sheet does not mean assigning a single price to the natural world or commodifying nature. Instead, nature counts for businesses, communities, and governments in at least three ways:

1

Nature as natural capital akin to infrastructure: Ecosystems and biodiversity represent stocks of natural capital that generate flows of ecosystem services — such as water regulation, climate resilience, and raw materials — that underpin business performance and economic stability, just like physical infrastructure, such as energy grids, transport networks, and digital systems. Just like physical infrastructure, well-maintained natural capital enhances resilience and lowers systemic risk; degraded natural capital impairs productivity, increases volatility, and weakens asset performance.

2

Nature as a source of risk and opportunity: The degradation of natural capital creates material physical and transition risks, while its protection and restoration can unlock new sources of long-term value, investment, and resilience.

3

Nature as a source of value: Beyond the provisioning services and risks/opportunities emanating from nature, humans also value nature for its value, and there is strong evidence that nature improves human well-being. Such value can also be captured through the roadmap.

The goal is a system where the value of nature is consistently weighed alongside financial performance so that its life sustaining value is not undermined to ensure a more stable and resilient economic future.

The Current Status & Roadmap



Nature, including the stocks of biodiversity, land, freshwater, oceans, soils, and the atmosphere, underpins every economy, community, and businesses. The health of our planet is fundamental to our way of life and continued flourishing. Current estimates put the combined economic value of ecosystem services at US\$150trillion, more than annual global GDP with the potential of annual losses of US\$479 billion under a business-as-usual scenario. Yet these benefits are rarely captured in core financial or economic accounts. Economic and financial decision makers are putting a price on nature, and that price is typically zero. This leads to poor decision-making, as nature-related dependencies, impacts, risks, and opportunities are often overlooked or underestimated in business decisions, capital allocation, and public policy, leading to their significant degradation. The Nature on the Balance Sheet Initiative responds to this system gap.

The Nature on the Balance Sheet Roadmap

The Nature on the Balance Sheet Roadmap, (the “Roadmap”), published in June 2025, provides a step-by-step staircase to move from understanding how organizations depend on and impact nature, to accounting for natural capital, and ultimately to recognizing nature within financial and economic decision-making. Indeed, without recognition, natural capital considerations are considered optional, external, and easy to defer. When it enters balance sheet accounts, it impacts profit, capital allocation, fiduciary duties, Weighted Average Cost of Capital (WACC), insurance premia, credit ratings; in short it becomes un-ignorable.

“Economic and financial decision makers are putting a price on nature, and that price is typically zero.”

Scaling up nature on the balance sheet

The Roadmap shows how organizations can progress along a journey to recognize nature as a driver of value and risk – from assessment to accounting to financial recognition – in a way that is aligned with existing accounting and regulatory systems. It sets out a five-action process to add nature to the balance sheet designed to be logical and scalable:

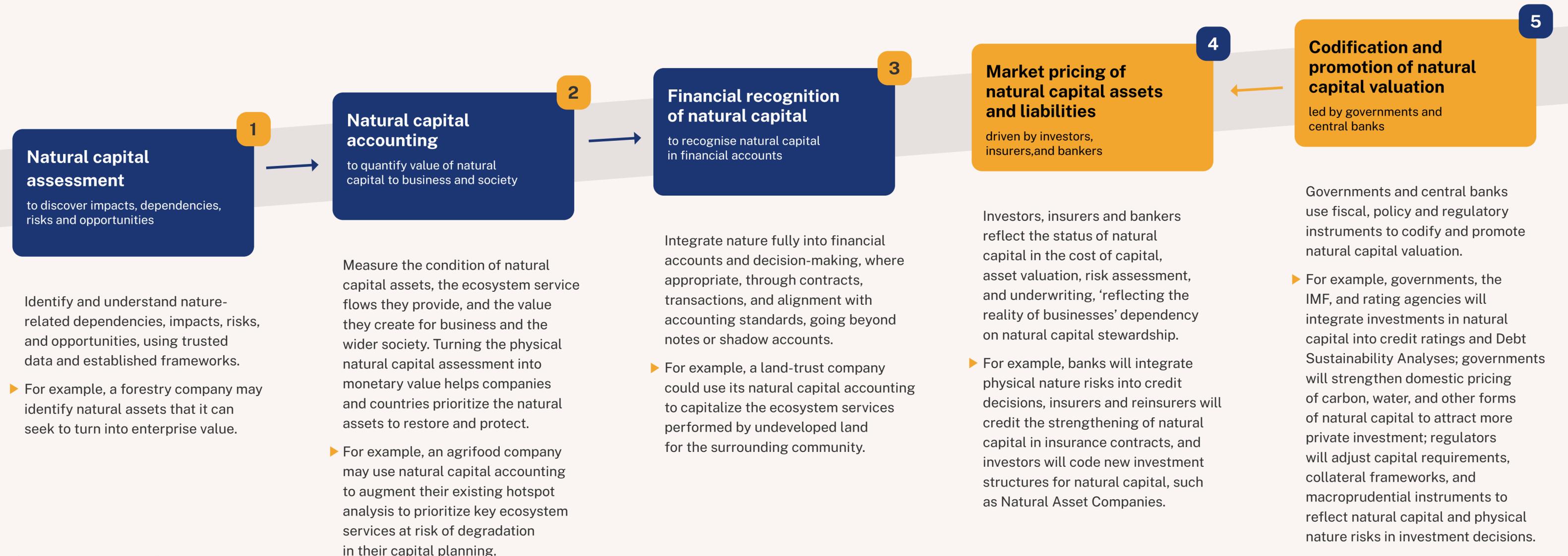
Figure 1. The Five-action Staircase

Building nature balance sheet

Discover, quantify, recognize value in a consistent format

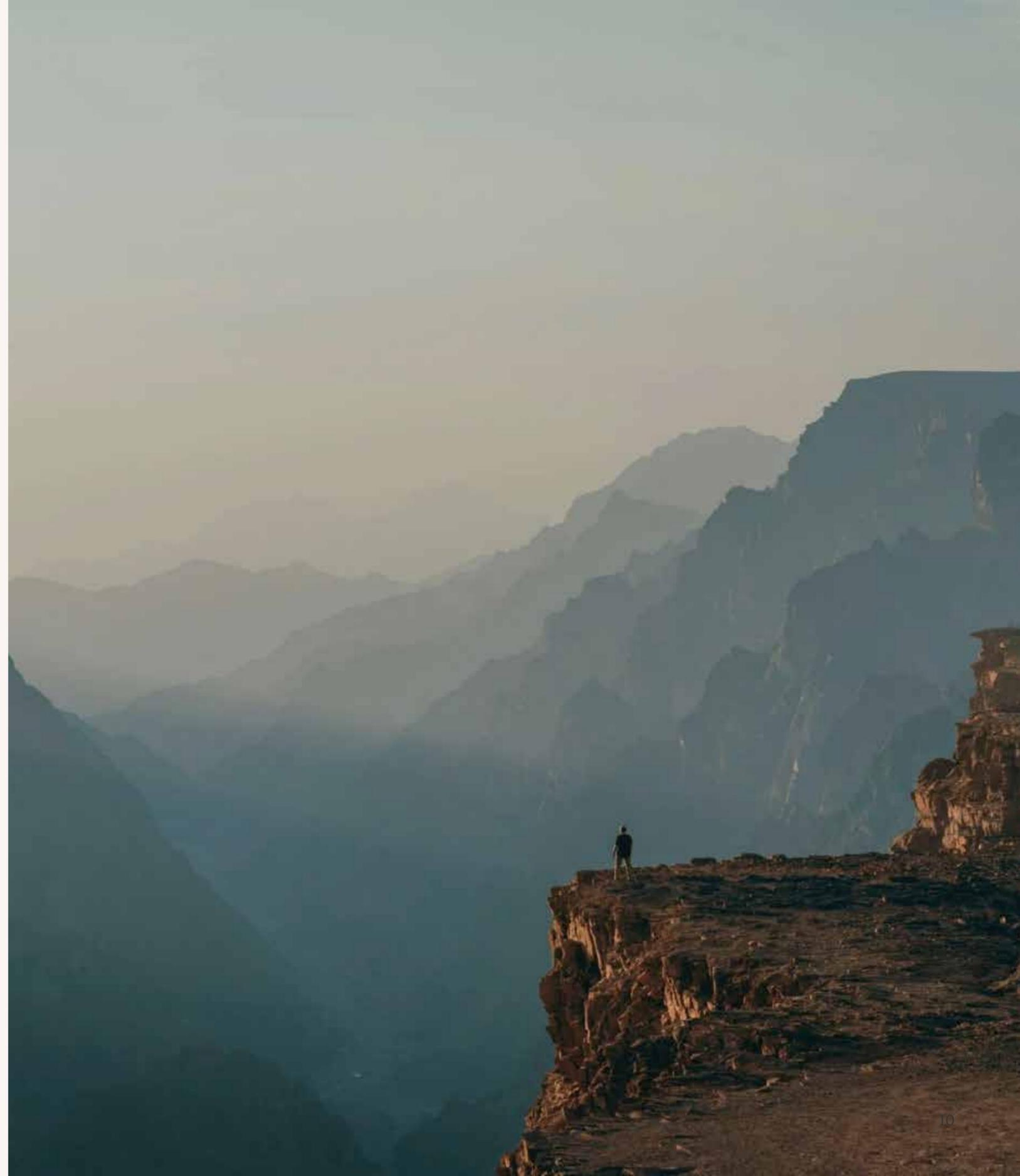
Rewarding nature balance sheet

Revaluation of companies; recognizing nature assets; macro-steering; restructuring debt; and new markets / financial products



The Roadmap identifies five enabler groups. Their coordinated action at a systems level is essential to achieve the economy-wide recognition of the value driven by nature. While the importance of these groups stands, the Nature on the Balance Sheet Initiative recognizes an opportunity in outlining specific actions that need to be taken by key powerholders to update the economic system, so that it is relevant to the world we live in today. This report provides an update on the implementation of the Roadmap and sets the context for these tailored Action Agendas across the economic system. These Agendas –developed through interviews, pilots, and engagement by the Initiative team – translate a shared framework into role-specific actions, while keeping a common direction of travel.

“ Coordinated action at a systems level is essential to achieve the economy-wide recognition of the value driven by nature. ”





Key Learnings: Achievements, Barriers, Challenges

The Nature on the Balance Roadmap has been endorsed by enablers across the economic system, and the concept of Nature on the Balance Sheet has made it into the policy mainstream. A consensus is emerging that the Roadmap can tackle the systematic under-valuation of natural capital and associated nature-climate risks, and at the same time, the past year has demonstrated a nuanced mosaic of readiness with the key learning being a persistent friction among subsystems.

There have been exciting developments worldwide, including Germany's NatureflächenbedarfsGesetz, China's green infrastructure advancements, the Bank of England and Oxford's innovations in natural capital metrics, as well as the IMF's inclusion of a climate module in Debt Sustainability Analysis allowing for potential natural capital inclusion. Additionally, the setting of common standards for impact accounting for value creation – needed to underpin the natural capital assessment and accounting – has advanced by the strategic merger of the International Foundation for Valuing Impact into the Capitals Coalition. If on one side, the transition envisioned in the Nature on the Balance Sheet Roadmap is possible and already underway with Actions 1 and 2 gaining momentum, on the other side the elements of the system – valuation, data, policy – are operating but not aligned and flowing. The system can move rapidly, but there is little consistency or interoperability between the parts.

Early proof points across business, finance, and government that the Initiative have engaged with show that natural capital assessment, accounting, and financial recognition are taking root in real-world decisions, highlighting a central reality: nature risks are already shaping organizations and countries' debt dynamics and creditworthiness, acting as a penalty.



“Companies and asset managers are still unable to recognize nature’s value in the present market.”

Progress is being made against these barriers. Businesses such as Belterra and Vale Base Metals (VBM) illustrate how nature-related data at the asset and landscape level can strengthen operational resilience, improve long-term strategy, and reinforce social license to operate. Financial institutions like Manulife Investment Management demonstrate how integrating nature-related risks and opportunities enhances portfolio resilience and supports more informed investment decisions. The Forestry Natural Capital Project set by the International Sustainability Forestry Coalition with support of the Task Force for Nature-related Financial Disclosure (TNFD) has shown it is possible to look at nature on the balance sheet at a sectoral level and potentially change investment models at scale. While these examples show that natural capital accounting proves the value of resilience, financial analysis is still needed to demonstrate its relevance and impact to stakeholders, and that companies and asset managers are still unable to recognize nature’s value in the present market (i.e., including nature resilience in procurement models, strengthening the relationship between natural capital stocks and nature-related risks, etc.). Emerging national-level works such as Uganda’s effort to operationalize a KPIs-linked approach as a logical way to make resilience visible, measurable, and financially material, show how natural capital can be embedded in development planning, fiscal strategy, and long-term macroeconomic stability to inform debt sustainability analyses and credit ratings.

Across all actors, artificial intelligence (AI) is emerging as a powerful accelerator. AI can reduce the cost of generating and validating nature related data, automate ecosystem condition assessments, support internal performance dashboards, accelerate natural capital accounting, and enable predictive analytics for financial recognition and risk modelling. The Initiative highlights AI’s role in closing data gaps, improving measurement integrity, and enabling scalable, real-time integration of natural capital into decision systems. What we are lacking is more diverse proof points, particularly at higher levels of the Roadmap involving capital markets, macro fiscal policy, and central banking, which, given their powerful systemic role, can unlock broader change. Indeed, while progress is being made on assessment, accounting, disclosure, and emerging market signals, Action 5 of the Roadmap remains the least developed and least operationalized.

As this report shows, there are clear entry points for demonstrating the feasibility of rapid progress, which can inspire action. The next phase will focus on deepening the technical work, clarifying pathways for financial and policy recognition, and scaling the logical examples that demonstrate how nature can be measured, valued, and ultimately brought onto balance sheets.

Action Agendas

- CFO: Moving from Risk to Resilience
- Board of Directors: Ensuring Robust Governance and Risk Management
- Investor: From Traditional to Integrated Return Assessment
- Finance Minister: Embedding Nature and Resilience into Growth Strategies and Credit Ratings
- Central Banker: From Fragility to Systemic Stability

To enhance and advance the Roadmap, the Nature on the Balance Sheet Initiative has developed in consultation with leaders in each of the co-horts, tailored Action Agendas for key powerholders. These provide specific actions that economic decision-makers can take to translate the Roadmap into action: the CFO, the Board of Directors, the Investors, the Finance Minister, the Central Banker. Each Agenda connects nature to the decisions that matter most for that role – whether capital allocation, financial reporting, risk management, or public policy. For each actor there is a case for action, opportunities that can be taken, a status card on progress against the roadmap, and the Initiative opinion on their progress. The actions that an individual actor takes will succeed when the economic system is updated to recognize the value of nature, whilst at the same time the system will only do this, when there is enough evidence to change. So, it is when all of these actions are taken together that nature will be recognized.

By integrating nature into core financial processes, CFOs can reduce risks and above all, unlock new opportunities for long-term value creation.

“ It is when all of these actions are taken together that nature will be recognized. ”



CFO: Moving from Risk to Resilience

“It’s a story of value creation, extending the CFO’s role to Chief Value Officer.”

*Richard Spencer, ICAEW
(Board Intelligence, 2024)*

The Case for Action

Nine out of ten organizations that are integrating nature strategically expect increased revenue ([BDO, 2025](#)) and some see a substantial financial return from it, with the potential to boost Firm Value by as much as 36% ([Impact ROI, 2025](#)). Indeed, enhancing natural capital can increase revenues — not only through higher productivity or new revenue streams (i.e., green premiums, nature-related credits), but also reduced costs — from lower operational cost or improved access to capital and license to operate. A fundamental shift is required: integrating nature considerations into financial planning and analysis and financial reporting ([Roxburgh, 2025](#)).

Modern CFOs have a significant opportunity to support the CEO and Board in optimizing the balance sheet to deliver a broader, more holistic definition of value. The CFO role spans four critical dimensions:

- Recognizing the financial value of nature-related risks and opportunities, including asset impairments, revaluation of assets, recognition of new assets or reduced liabilities.
- Liaising across the organization to embed nature into capital allocation, planning, and performance management.
- Building data infrastructure and controls that make robust, accurate measurements of nature and its considerations visible and manageable.
- Engaging with investors, auditors, and boards who increasingly demand nature-related transparency.

Opportunities

- ▶ Partner with teams across the organization to conduct a natural capital assessment to identify material dependencies and impacts, risks and opportunities, with particular focus to natural capital viewed as an expense or non-productive asset from a financial standpoint.
- ▶ Build internal support mechanisms to measure natural capital assets in a systematic way, enhancing early risk and opportunity identification.
- ▶ Distinguish the organization as a leader with customers, suppliers, and investors by reporting against the Task Force for Nature -related Financial Disclosures Framework.
- ▶ Create cross functional partnerships to embed Nature across processes and decision making.
- ▶ Connect with industry working groups, for example the Forestry Natural Capital or Mining Project, in a competition compliant manner, to address systemic barriers.

CFO: Status card

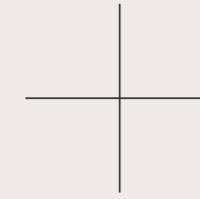
The awareness is there, but action is not: for CFOs to lead and instill confidence in investors and lenders, a CFO must be capable of demonstrating the value of nature on their balance sheets.



A 2025 Forbes study identified a correlation between the fastest growing companies and their integration of operations.

76%

76% of 690 finance leaders identified the positive opportunity from an increased focus on sustainability for its potential to drive innovation and operational efficiency.



85%

85% of the 1,600 leaders surveyed intend to continue with sustainability disclosure regardless of regulatory changes and 97% agree that strong sustainability reporting offers a competitive edge.

92%

A survey of 350 investment decision-makers in 2024 flagged an uneasy 92% as believing the risks to short-term performance still outweigh long-term benefits of most ESG investments.

The Initiative's opinion

Whilst some leading Chief Financial Officers (CFO) understand the rational for including natural, social and human capital information in their strategic decision-making, they are not doing this as they feel limited by the other actors in the Roadmap. If there are auditable standards and financial incentives, then we would see more activity by CFOs.

The Board of Directors: Ensuring Robust Governance and Risk Management

“ It is no different from managing other risks; it requires focused attention, integration into the Board of Directors’ existing governance processes and conscious decisions.

*Peggy Smyth,
Audit Chair, Etsy*

”

The Case for Action

Nature-related risks — such as water scarcity, soil quality, disease progression, biodiversity loss, and evolving regulation — are current or emergent material drivers of financial performance and business resilience. When organizations overlook these risks, they expose their operations, people, and investors to significant financial vulnerabilities.

Indeed, failing to identify and manage material nature-related risks could constitute breach of fiduciary duty. The new IFRS sustainability standards (S1, S2, and more work on nature) and EU regulations require board-level accountability, making this a governance imperative, not an optional CSR initiative.

Even if failure to account for nature-risks do not rise to the level of fiduciary breach, based on jurisdictional differences, many major investors now vote against Directors at companies with inadequate environmental disclosure.

Opportunities

- ▶ Prioritize management to conduct an organizational materiality assessment, identifying significant nature-related dependencies and impacts with location-specificity, reflecting the importance of context and geography and allowing prioritization.
- ▶ Establish board committee oversight (Audit, Risk, or Sustainability Committee) with a clear mandate to oversee implementation and disclosure, with transparency to the full Board. Include both investor-representative directors and company-representative directors in this body to ensure multiple perspectives are present.

Directors can fulfil their responsibilities and support the Executive Teams in managing natural capital risks by:

- Partnering with the Executives to ensure nature-related considerations are integrated into strategy, capital allocation, and long-range planning processes through materiality assessments and scenario analysis.
- Verifying that nature-related risks — regulatory penalties, resource scarcity, stranded assets, reputational damage — are identified and managed within enterprise risk management with the same rigor as financial risks.
- Overseeing adequacy of nature-related disclosures in financial statements and sustainability reports, ensuring robust controls and engaging with auditors on material risks.
- Responding to investor expectations, proxy advisors, and shareholder proposals on environmental performance.

Board of Directors: Status Card

Despite growing awareness of sustainability at Board level, there is still a fragile sense of confidence in them being able to deliver the strategic shifts necessary to fully realize the potential value of nature to the business.



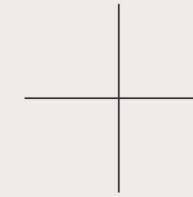
There is great variation in the quality and quantity of nature information reaching boards, and an even greater variation in the ability of those Boards to interpret the information strategically. Board packs are still heavily “curated” towards comfortable areas and often biased towards compliance-borne measurement metrics.

49%

In a survey of over 1,000 practicing accountants by the Association of Chartered Certified Accountants (ACCA), 49% of respondents flagged the Board as the stakeholder group needing the most skills development in using sustainability information.

15%

15% of over 200 business cited a lack of board support as a reason for inertia on ESG.



50%

50% of over 500 executives expressed a desire that more board time was spent on ESG as a critical area amid emerging risks. This skills gap costs valuable insights, an aversion to short-term CapEx or OpEx expenditures might be familiar territory but is likely incompatible with longer-term fiduciary duties and costing the company real opportunities.

The Initiative's opinion

With recent rulings and a review of 'true and fair representation, there is clearer expectation of directors' duties to have oversight of foreseeable environmental risks and opportunities. Further training and education of boards is needed to build their confidence in this area, which is new to many of them. The update of management board packs to include tools such as integrated balance sheets in a recognizable format can be very helpful in visualizing otherwise complex trade-offs.

Investor: From Traditional to Integrated Return Assessment

“ If private finance can be incentivised to move capital at sufficient scale, then it has the power to mobilise the substantial sums of investment needed for a just and nature positive climate transition.

*Thomas Tayler,
Head of Climate Finance,
Aviva Investors Sustainable Finance
Centre for Excellence*

”

The Case for Action

There is increasing evidence that given a long enough time horizon, nature risks translate into traditional financial risks. By increasing the understanding of these dynamics, asset managers can unlock new nature-positive investments and increase the resilience of their portfolios. However, many investors still struggle to measure or understand how to embed these risks connection into their analysis, valuations and portfolios.

When investors integrate nature into decisions, they're not abandoning return focus — they're improving return analysis by:

- Identifying hidden or previously unidentified risks that will erode future returns.
- Capturing value creation opportunities others missed.
- Achieving more resilient risk-adjusted performance.

Opportunities

- ▶ Embed nature-related considerations into the due diligence analysis simultaneous with financial modelling to help provide a comprehensive understanding of the investment's viability, cash flow, and potential risk-adjusted returns.
- ▶ Determine how the quality of ecosystems influences the prices of assets (such as land or infrastructure) and modifies discount rates to reflect potential future value and risk. Using this understanding to add nature to the analysis of a company's financial health, future earnings and industry trends can lead to a more comprehensive asset valuation.

- Protecting long-term portfolio resilience - Ignoring nature means operating with blind spots. It's a financial oversight: it is no longer just a “niche” concern, but a fundamental driver of financial performance. In short: if you care about your returns, you must care about nature.

Investors should maintain their focus on opportunities, returns, risk, valuation, cash flows and add resilience by enhancing their analysis with nature-related variables to determine more realistic investment outcomes within their investment horizon.

- ▶ Include ecosystem degradation, barriers from regulatory compliance, or social license-to-operate issues in stress testing. Determine relevant nature-related risk policies and embed them into stewardship.
- ▶ Consider exposure to nature-related systemic risks and opportunities can create nature-aware investment statements and strategies. This could include targeted stewardship policies, real time data feeds for faster evaluation or exploring new opportunities to invest in nature.

Investor: Status Card

There are real examples of investors not only compiling natural capital information but integrating it into mainstream assessment processes. Overall, there is support from investors on the importance of understanding nature-risk exposure.

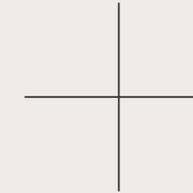
There are some encouraging examples: Union Bancaire Privée uses biodiversity-related scores to inform its investment decisions; Robeco have developed a Biodiversity Traffic Light approach to identify 'leaders' and 'laggards' in the nature space, the insights from which can be incorporated into investment strategies; and SEB Asset Management contacted 100 Swedish investee companies to encourage integrating sustainability targets into executive pay schemes.



Along with the growing interest from the ISSB to develop nature standards based on Task force for Nature-related Financial Disclosure (TNFD), there is a consistent demand for more effective nature-related disclosures from investors.

98%

98% of respondents to the 2025 Responsible Investor survey found nature to be either very or somewhat concerning to the future of financial markets, 92% identified nature as one of the most important sustainability topics to be addressed.



58%

The TNFD's 2025 Status Report boasts promising engagement from investors, with 58% of respondents citing a clear value in guiding risk management and portfolio construction.

The Initiative's opinion

Whilst investors and particularly banks are starting to take risks into account, the regulations need to catch up with them.

The Finance Minister: Embedding Nature and Resilience into Growth Strategies and Credit Ratings

Nature and climate are two sides of the same coin and finance ministers have already shown leadership by forming a coalition on climate—demonstrating that climate action is a shared responsibility beyond environment ministries.

*Finance Ministers and CEOs Unite
for Groundbreaking Dialogue
on Nature Finance at COP16*

The Case for Action

A partial collapse of ecosystem services could result in a decline of global GDP of 2.3% per year by 2030, with developing countries facing potential GDP losses of up to 10% annually (CGC and Systemiq, 2025). Further, nature is the critical infrastructure that underpins economic stability and fiscal resilience (47% of wealth in low-income countries), yet this value remains largely invisible in national accounts. One of the most powerful levers for change remains underused: enabling finance ministries to integrate natural capital and investments in nature-climate resilience into the heart of economic decision-making.

By investing in nature's resilience, finance ministers can enhance growth trajectories, reduce disaster recovery costs, improve productivity and livelihoods, stabilize insurance markets and reduce systemic risks¹. In this way, integrating the economic benefits of investing in climate and nature resilience into macro fiscal frameworks can lower the cost of capital (e.g. through better credit ratings) and increase debt carrying capacity to enable more investments.

Finance ministers are architects of growth strategies that must be resilient. They can unlock more growth and fiscal

space by positioning nature as infrastructure that must be maintained to deliver services to the economy, as a driver of resilience across the economy, and a source of intrinsic value. To this end, Finance Ministers can consider three levers:

- Embedding the economic benefits of investments in nature and climate resilience into debt sustainability analysis (DSA) and sovereign credit risk ratings, making them visible in growth projections for rating agencies, IMF macro fiscal surveillance, and creditors.
- Reforming subsidy regimes — phasing out environmentally harmful subsidies and redirecting fiscal flows toward nature-positive outcomes.
- Working with regulators, the private sector, and — where appropriate — international partners to establish the financial architecture — including guarantees, insurance mechanisms, and market infrastructure — that enables private capital to flow into nature restoration and conservation at commercial or near-commercial terms.

Opportunities

- ▶ Develop open-access tools to quantify the economic benefits of resilience investments into macro fiscal frameworks and debt sustainability analysis.
- ▶ Repurpose environmentally harmful subsidies in agriculture, fisheries, and fossil fuels to meet resilience to free up budgetary resources and enhance growth.
- ▶ Work on innovative financing instruments such as sustainability-linked bonds, debt-for-nature swaps, sovereign guarantees, and disaster risk clauses in debt agreements.
- ▶ Embed nature-related risks into prudential regulation to activate insurance markets, drive better disclosure and strengthen risk management by banks and institutional investors.
- ▶ Establish clear governance frameworks, robust verification, and benefit sharing for nature markets, including biodiversity credit systems, to mobilize international and domestic private investments.
- ▶ Develop national environmental-economic accounts under the UNSEEA framework to give finance ministers visibility of their country's natural capital and inform policies to preserve this capital and strengthen growth.

Finance Minister: Status Card

There are early shoots of green that show how the flow of finance - both public and private - can increase to close the “biodiversity finance gap”. But progress needs to accelerate significantly: that success will require systemic changes in macrofiscal surveillance.

The case of Uganda – Uganda is an emerging leader, having introduced macro-fiscal KPIs that translate existing national- and program-level and targets and data into credible, verifiable macro-fiscal KPIs, allowing the government to clearly quantify how resilience measures strengthen Uganda’s growth and credit profile. This work is now being integrated into the IMF/ World Bank DSA, so that other countries can benefit.



The Initiative’s opinion

This is macro critical and it is now becoming clearer as to how finance ministers can address this. Reform of the Debt Sustainability Analysis framework provides a critical opportunity for integrating nature and climate resilience into macro fiscal frameworks.

The Central Banker: From Fragility to Systemic Stability

“ This is not some kind of a flower power, tree-hugging exercise. This is core economics. This is core financial stability, core macroprudential, core price stability.

*Frank Elderson, ECB
(Financial Times, 2023)*

The Case for Action

The prevailing economic model treats nature as an inexhaustible resource. Although ecosystem services are valued at \$150 trillion annually, they are absent from macro-fiscal projections and debt-sustainability frameworks. This “nature blindness” for central bankers constitutes a significant, unpriced systemic risk.

By dismissing ecological collapse as a vague “externality,” central banks overlook the physical dependencies of soil health, water security, and climate resilience that underpin price stability. This systemic oversight results in mispriced capital and hidden inflationary shocks, leaving the financial system exposed to “off-balance sheet” risks. To move from fragility to resilience, it is necessary to transition to a model in which natural capital is a foundational pillar

of financial stability. By integrating nature into national accounts and quantifying ecological dependencies through stress tests, the cost of capital finally reflects the physical reality of the planet.

While businesses and investors assess their individual risks, central bankers hold the levers that can channel change through the entire economy simultaneously, by turning voluntary best practices into mandatory market signals.

Opportunities

- ▶ Establish leadership by reviewing the Central Bank’s own portfolio and foreign exchange reserves to align with nature-positive outcomes, setting the standard for the private sector.
- ▶ Build partnerships with the Ministry of Finance to demonstrate how natural capital accounting stabilizes long-term debt dynamics.
- ▶ Modify collateral frameworks to prioritize assets with high nature-resilience and impose higher capital requirements on activities that cause significant ecological degradation.
- ▶ Build support across key stakeholders through a pilot “Nature Stress Test” on the top five domestic banks to measure their exposure to ecosystem service failures (e.g., pollination collapse or water scarcity).
- ▶ Work with international bodies (like the TNFD) to mandate that financial institutions disclose their “nature footprint.”

Central Banker: Status Card

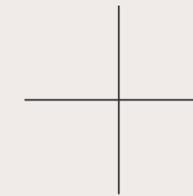
There are many encouraging examples of Central Bank's acknowledging and integrating nature risk into existing processes. Despite positive examples, we still are not seeing institutionalized nature-risk stress tests being routinely applied, and there might be a confusion of remit and a fear of any nature and biodiversity initiatives being perceived as fiscal policy over-reach.

De Nederlandsche Bank, DNB have recently released a Climate and Nature-related Risk guide for all insurers, pension funds, investment firms and payment institutions under their supervision, and informs the Bank's risk assessment processes and regulation.



MNB (Magyar Nemzeti Bank) have expanded their climate-related risk exposure analysis of financial assets to include an analysis of broader nature-related risks, given the close interrelationship of ecosystem, biodiversity and climate. Other strong examples are seen from the Banque de France and Banco Central do Brasil.

Nature-related risks have scarcely entered monetary operations [...] nature and social risks are often acknowledged only superficially, and enforcement remains limited



30%

The European Bank has introduced a new disclosure indicator that will measure "exposure of the ECB's and the Euro system's corporate portfolios to sectors with material dependencies or impacts on nature". The addition has already helped quantify the risk that approximately 30% of corporate bond holdings have direct exposure to sectors with the highest nature-related risk (utilities, food, real estate), with similar findings for the Bank's own portfolio and staff pension fund.

The Initiative's opinion

Building from the good experience of climate stress testing, nature and physical risk testing can be adopted to integrate these risks into capital requirements.

Conclusion

Whilst it is becoming clearer, particularly in an age of burgeoning AI tools, that it is possible to measure nature in ways that were unthinkable only a few years ago, it is not happening at scale and there are still many barriers. The experience over the last couple of years has highlighted the importance of policy, and that actors working alone are unlikely to succeed. As the Action Agendas explore, even when leaders understand the benefits, they are still held back from action by, what is often perceived as ‘others not doing their part’. So, whilst a leading CFO can see that structuring information around all four capitals can provide information in a format that is useful for decision-making, they are not doing it as there is not the necessary standards, assurance, financial mechanisms or policy in place to support them. The biggest opportunity therefore is not with any individual part of the system or one particular actor, but in how they work together.

Collaboration at this scale is hard, particularly in times of geopolitical uncertainty, but there are a growing number of leaders coming together through the Capitals Coalition who are willing to work together. As the arrows on the Roadmap show, we need to build pressure by continuing the bottom-up case studies and experimentation in assessment and accounting, as well as strengthening the policy and financial mechanisms. We are witnessing a fundamental shift in how we value the world, and now it’s time to move beyond traditional metrics and pivot toward a world where success is measured by how well we recognize, measure and protect the natural systems we all depend on.

What this Initiative has shown is that when all the actors act with a common understanding of value, then nature’s value become visible and can be recognized in financial accounts.



Toward a world where success is measured by how well we recognize, measure and protect the natural systems we all depend on.

In addition to facilitating the flow between the Action Agendas of the Roadmap and working with each of these groups of actors to build confidence in the approach and empower them to deliver on these Agendas, here are 9 actions we intend to take:

1 Work to include climate and nature risks and their mitigation in credit decisions and insurance contracts to enable broader consideration of natural capital in financing decisions. For example, it is technically feasible but far from standard practice for commercial credit to farmers to consider physical climate and nature risks as well as the positive impact of resilient farming techniques. Similarly, insurance companies can and should advise their clients on how to strengthen natural capital to reduce insurable risks, which should in turn be reflected in insurance premia and contracts.

2 Integrate the economic benefits of investments in natural capital in credit ratings and debt sustainability analyses, as currently pioneered by Uganda, to make these investments count for finance ministers, which in turn will attract greater political attention to them.

3 Engage key systems actors to catalyze collaboration and coordination to create a coalition of the willing, removing first mover risk and barriers.

4 Complete the standardization of valuation methodologies through the independent Impact Value Standards Board (IVSB). This will provide a standardized baseline for those working across the Roadmap to value ecosystem services, thus lowering barriers to entry.

5 Empower feasibility of progress, helping to identify opportunities for movement by powerholders.

6 Build out natural capital tools, such as integrated profit and loss accounts, to support internal management decisions (Step 1). This will better allow Boards, CFO's and Management teams to build a common understanding of the risks and opportunities they are facing.

7 Publish guidance and analysis at the level of specific accounting policies & definitions, and asset taxonomies by jurisdiction to help companies move from Step 2 to Step 3.

8 Analyze how artificial intelligence can accelerate data measurement & collection, analysis, assurance, and reporting.

9 Develop a policy matrix of best policy practices that realize the financial value of natural capital.

For more information

Go to the [Nature on the Balance Sheet Initiative](#) webpage
or contact info@capitalscoalition.org



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