POLLINATION

Nature Finance Focus

TRACKING GLOBAL TRENDS IN NATURE INVESTMENT

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Foreword

MARTIJN WILDER AM
Founder & CEO

ZOE WHITTON
Managing Director,
Head of Strategy and Impact

Nature financing is at the heart of Pollination's vision and mission. Helping financial institutions and organisations find ways to deploy capital effectively on climate and nature is the core of our DNA, and is something we have sought to do since we were founded.

Nature finance is a focus of ours because the capital need for the maintenance and recovery of natural assets, and the challenges delivering this finance presents, are both substantial. This is not only because the numbers are large, but also because nature presents specific challenges for financial institutions. Although natural capital is essential to much of the economic activity that makes up global GDP, finding ways to finance its maintenance and improvement has historically been challenging.

Nonetheless, capital markets are broad and wide, and we are lucky enough to work across them. In this report we highlight a number of models we see developing across markets which we think present the scale and depth needed for financial institutions to engage meaningfully on nature. We will need diverse solutions for nature, including in capital markets. Capital deployment needs to address nature impacts and reduce dependencies among major industries, while also supporting emerging nature solutions and direct conservation activities.

In these pages you will find some models that are well established, alongside others in which we see significant promise and growth. These won't by themselves be enough to close any financing gaps, but they do give sizable pathways to deploy capital into nature. By showcasing these tangible case studies, we aim to provide ideas and options which can be taken up by the global bank or investor, or by the major corporate.

The stakes for getting nature finance flowing are high. We now know that nature underpins supply chains, production systems and long-term value creation. Building resilience into our economic foundations, starting with nature, is critical.

LEAD AUTHORS

Zoe Whitton
Managing Director,
Head of Impact

Mila Cerecina
Executive Director

Kate Rayson
Executive Director

Cassandra Austen
Director

Georgina Murray
Associate Director

POLLINATION CONTRIBUTORS

Nick Anstett
Managing Director

Phil Cohn
Managing Director

Lauren Drake
Executive Director

Ella Edwards
Associate

Megan Flynn
Managing Director,
Global Head of Advisory

Carter Ingram
Managing Director

Beth Keddie
Managing Director

Hamish Reid
Managing Director

Adriano Scardino
Director

Sophie St John
Director

Alex Teicher
Associate

Laura Waterford
Executive Director

EXTERNAL CONTRIBUTORS

Lucy Almond
Director and Chair,
Nature4Climate

Martin Berg
Chief Executive Officer,
Climate Asset Management

Kyoko Nagase
Director, Mizuho
Financial Group, Inc.

Katharine Tapley
Global Head of
Sustainable Finance,
ANZ

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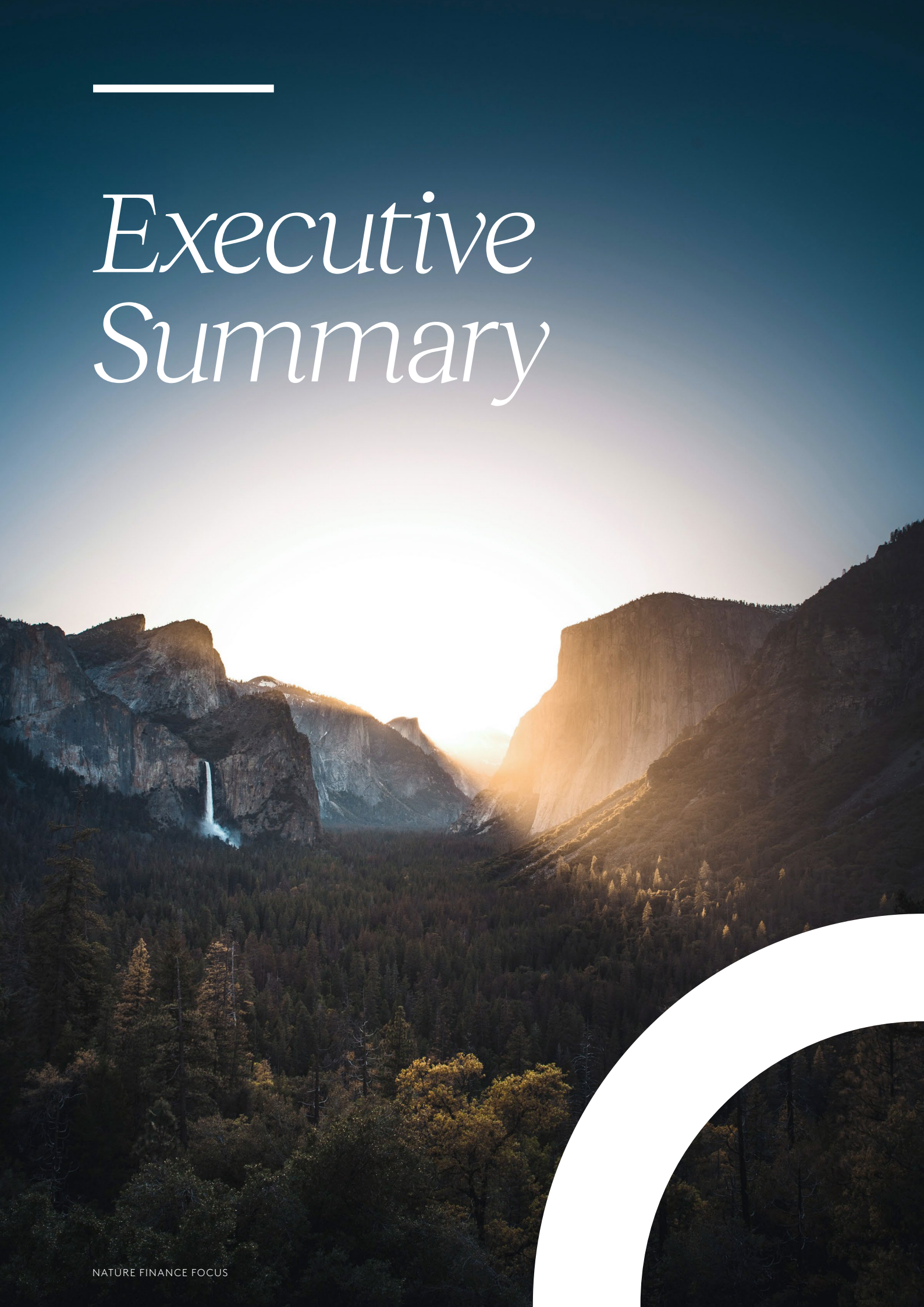


Executive Summary

BUILDING A BROADER PICTURE OF NATURE FINANCE

At Pollination we are always thinking about nature finance. Our day-to-day work keeps us on the topic, whether we're working to identify pathways to fund specific nature solutions, or working to help Financial Institutions (FIs) identify deployment opportunities. As the focus on climate adaptation grows globally and the evidence for nature solutions for adaptation also lifts, a growing portion of even our climate-related work also involves nature financing.

Nonetheless, among our major clients nature financing is often seen as a somewhat mysterious (and sometimes unappealing) category. Many of our clients approach us with the impression that nature finance (or even nature-related activity) is niche, and largely inaccessible. Regularly, the imagination of nature-related financing often begins and ends with conservation activity, supported by NGOs and governments. Clients also reflect that much of what they see in the space is sub-scale, relies on grant funding rather than debt or equity funding, and is hard to aggregate.

In this report we aim to show the many ways in which capital is already being deployed – at scale – into nature investments. In the first Nature Finance Focus Report in 2023 (NFF1) we noted that nature-related investment includes investment which reduces the impact of everyday economic activities on nature, as well as investment which improves the state of nature directly. In this report we follow the same thinking – framing nature financing as financing and investment which funds both of these types of activity. Using this approach helps us identify spaces in which large financial institutions can realistically participate in nature financing at scale.

PATHWAYS FOR NATURE FINANCING

REDUCING RISK AND IMPACT ON NATURE

Mapping the use of and exposure to nature across the portfolio of investments. Establishing approaches to observe these reliably, and to reduce and manage them.

Activities: Identifying impacts and dependencies, portfolio materiality and risk/opportunity assessments, impact reduction targets, company engagement.

IMPROVING THE STATE OF NATURE

Identifying and developing models which result directly in nature improvements, or which provide products and services which enable the improvement of nature.

Activities: Natural asset improvement funds, nature technology investments, blended conservation focused investments.

WE SEE GROWING OPPORTUNITY FOR FINANCIAL INSTITUTIONS TO ENGAGE WITH NATURE AT SCALE

Our biennial survey of investors (see page 48) indicates that despite politicisation, institutional investors have increasing interest in opportunities in the theme, and growing deployment appetite. Investor interest in nature has risen, particularly among larger institutional investors. Nonetheless, identifying what is and is not an opportunity to deploy can be challenging for FIs.

As nature financing can be hard to categorise and identify, we use a map to help clarify and navigate opportunities in the space (see below). We focus particularly on financing or investment opportunity which is undertaken at some scale and with participation from private financial institutions (including being accessible via government debt). This map covers only a sub-set of broader nature financing (which includes significant contributions from public institutions, NGOs and philanthropies), but still helps us navigate the space.

We see increasing activity and increasing deployment in a number of categories – including activity driven by corporates. Among corporates, we note the steady emergence of nature-linked corporate debt alongside specific supply chain facilities designed to change production models. We also note the emergence of green and hybrid infrastructure, and the growth of private equity and real assets funds focussed on nature improvements for specific assets. We see continued development globally in NBS-related crediting finance. Finally, we note nature tech VC and the continued issuance of government-backed conservation bonds as specific deployment opportunities, albeit with lesser scale.

These categories highlight the growth of opportunity for financial institutions in nature. Our approach to highlighting these categories is largely unscientific – indeed, we haven't identified these using any criteria other than where we see significant activity in market across our work with clients and industry conversations, and the potential for further scale. Nonetheless, with growing interest among financial institutions to engage in the space, the activity even in these categories highlights the growing set of opportunities for large-scale financing on the theme.

MAP OF HIGH NATURE FINANCING ACTIVITY AND POTENTIAL IN 2025

HIGHLY ACTIVE CATEGORIES

TRANSITION (REDUCING RISK AND IMPACT) ⟷ DIRECT AND ENABLING (FINANCING SOLUTIONS)

Nature linked corporate debt	Supply chain finance	Natural Capital funds	Natural & hybrid infrastructure	NbS environmental crediting	Conservation bonds and debt	Nature tech investing
Growing use of nature-related metrics in corporate linked debt.	Increasingly used to support regenerative production in soft commodity supply chains.	Growth of fund focussed on the improvement of natural capital on specific assets.	Growing use of nature based solutions to buffer and extend existing infrastructure.	As NBS-based crediting grows, the value chain is consuming finance across all mechanisms.	Conservation bonds continue to develop, with high focus on direct solutions.	Increased VC activity on nature, as the number of new firms in nature tech grows.

UNSURPRISINGLY, NATURE FINANCING AT SCALE OFTEN ACTS ON EXISTING ASSETS OR SUPPORTS SIGNIFICANT EXISTING ECONOMIC COMMITMENTS

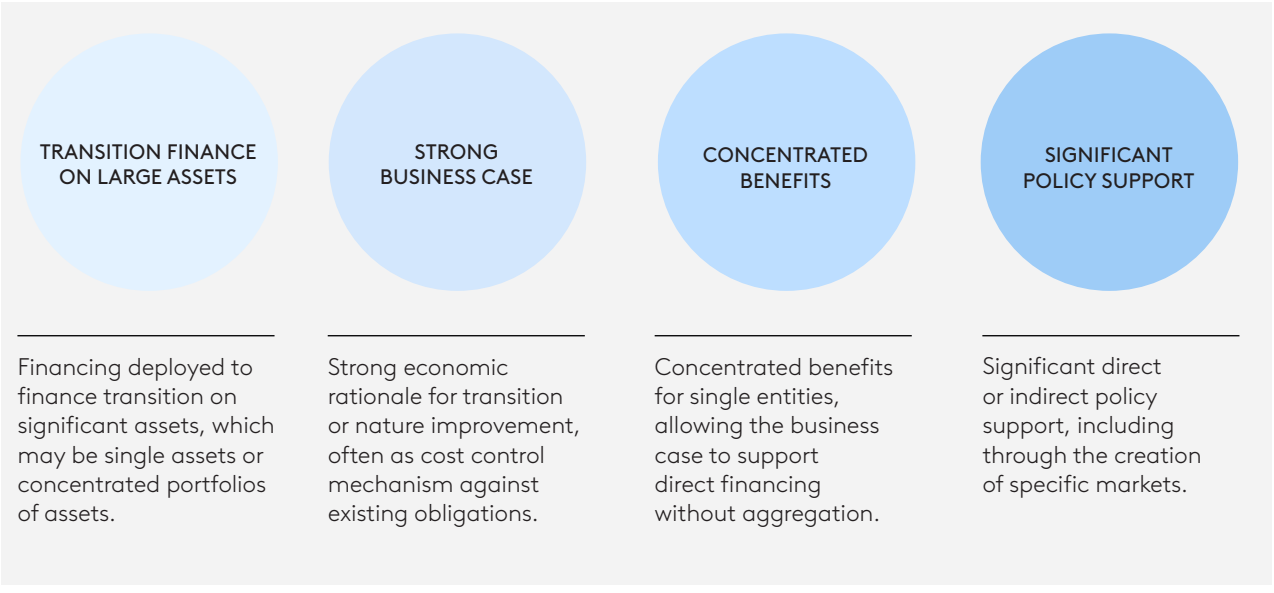
Deploying financing at scale is easier when it's transition finance. Transition finance largely acts on existing assets, and therefore deployment in these approaches is greater. In our framework we consider nature linked corporate debt, supply chain finance and asset improvement funds all in the transition category, and all three are some of the largest-scale financing opportunities included in this report.

Large-scale nature financing models almost universally have a strong and immediate business case. Strong economic drivers are present across almost all the categories highlighted. While some of these are well and broadly understood, some are less broadly visible. In supply chains and in green infrastructure for example, we see models developing which improve natural capital to reduce the cost faced by major soft commodity consumers and by utilities to deliver against their existing strategies or obligations.

Where impacts are spread across too many parties, obvious solutions become too hard to finance. We believe this is the case in a number of categories which have less activity than we think they warrant (such as standalone NbS for adaptation, which is promising but hard to connect with private institutional finance). Although these solutions in these categories clearly have benefits for a number of parties, they often appear to be too distributed to make execution and financing viable at scale.

In some cases we see significant nature funding delivered via adjacent business cases. This is the case for NbS-based carbon crediting, in which a nature benefit is delivered and financed by a carbon reduction or removal. NbS-based carbon credits have come under significant fire in recent years, and while efforts are underway to improve integrity of credits and markets, tensions are likely to continue given their use-case to offset emissions. However, these models continue to present a significant and growing line of funding into natural capital improvement, a feature which is presently largely adjacent to the direct business case for many of these credits.

FACTORS WHICH SUPPORT NATURE FINANCING AT SCALE



WE SEE INCREASED INTEREST IN NATURE OPPORTUNITIES ACROSS INSTITUTIONAL INVESTORS

This year we took the opportunity to repeat our survey of the institutional investor landscape on the topic, and we observed an increased awareness of both risk and opportunity. Investors observe more risk from nature in 2025 than they did in 2023 across both sectors and asset classes, with insurance related asset managers and pension funds particularly upping their view of risk. Nonetheless, investors also seem to be more oriented toward opportunity – with new opportunities for value being far and away the greatest motivator for activity in the space in 2025.

The results suggest a shift in posture from investors – highlighting a focus on deployment. This year investors highlighted barriers which suggest efforts at active execution – a lack of returns, pipeline and capability (vs. a lack of interest). The number of respondents not looking to increase their allocation to nature-related investments dropped sharply compared to 2023, showing growing interest in deploying on the theme. Correspondingly, investor use of various strategies to deploy into nature seem to have risen slightly, with a growing emphasis to non-organic approaches among large investors, particularly in the UK.

Even as observed risk from politicisation has grown, investor appetite has not been dampened. Unsurprisingly, observed risk from politicisation has risen, but off a high base, and interestingly largely outside of the US. Nonetheless, a jump in interest in acquisitions and partnerships as deployment strategies (notably for larger and UK-based firms), suggests increasing activity and confidence among investors on the topic.

Nature finance in 2025

IF NATURE FINANCE IS TO SUCCEED, IT WILL NEED PARTICIPATION FROM MAJOR FINANCIAL INSTITUTIONS

Nature has been a growing area of interest and engagement from the financial sector across the past five years following the advent of the Taskforce on Nature-Related Financial Disclosures (TNFD). Despite a global market environment which is increasingly bifurcated (and in some places hostile to ESG and sustainability) financial institutions are continuing to lift their engagement.

The extent of our systemic nature dependence is increasingly well understood. All of the world's GDP is dependent on nature, with half of the world's GDP (US$44 trillion) either moderately or highly dependent on nature and its services.[1] The nature transition – the process of reversing negative impacts to nature and restoring it – has been estimated as being able to unlock US$10 trillion in global business opportunities and create 395 million jobs by 2030.[2]

Achieving systematic improvement in nature is expected to require significant financing effort. It is estimated that between US$150 billion to US$440 billion per year is required to halt biodiversity loss, whereas current funding stands at only US$52 billion annually.[3]

This gap necessitates both innovative mechanisms and policy shifts, but also the engagement of financial institutions at scale. Although governments, development institutions, NGOs and philanthropies can, and do, undertake very significant work on nature finance, financial institutions are the only institutions capable of moving sufficient finance to answer these needs.

NATURE FINANCE MUST INCLUDE TRANSITION AND ENABLING FINANCE

Nature finance is a broad church. Nature financing can be considered to apply to a range of activities, and can take a range of formats or structures. Nature financing can also engage a broad range of counterparties, from NGOs and philanthropies through to corporate banks and global asset managers. Despite this breadth, we often speak to institutions who are both focussed on a narrow vision of nature financing (sometimes limited to conservation financing) and also convinced they can't participate.

In contrast to this view, we see two questions for capital providers to answer on nature, and these encompass a broad domain of financing activity. The first and most popular question is how finance can be deployed against nature specific solutions (such as conservation). However, finance providers of all kinds also need to engage with a second question, which is how to manage the nature risk and impact exposure of their existing portfolio or book.

In this report we wanted to take a different approach, focusing on emerging solutions and going beyond institutional investors alone. In the past two years the range of solutions we encounter across the capital markets landscape has been growing and deepening. In this report we include examples of where we see these emerging solutions more regularly, noting they only describe part of a much wider landscape.

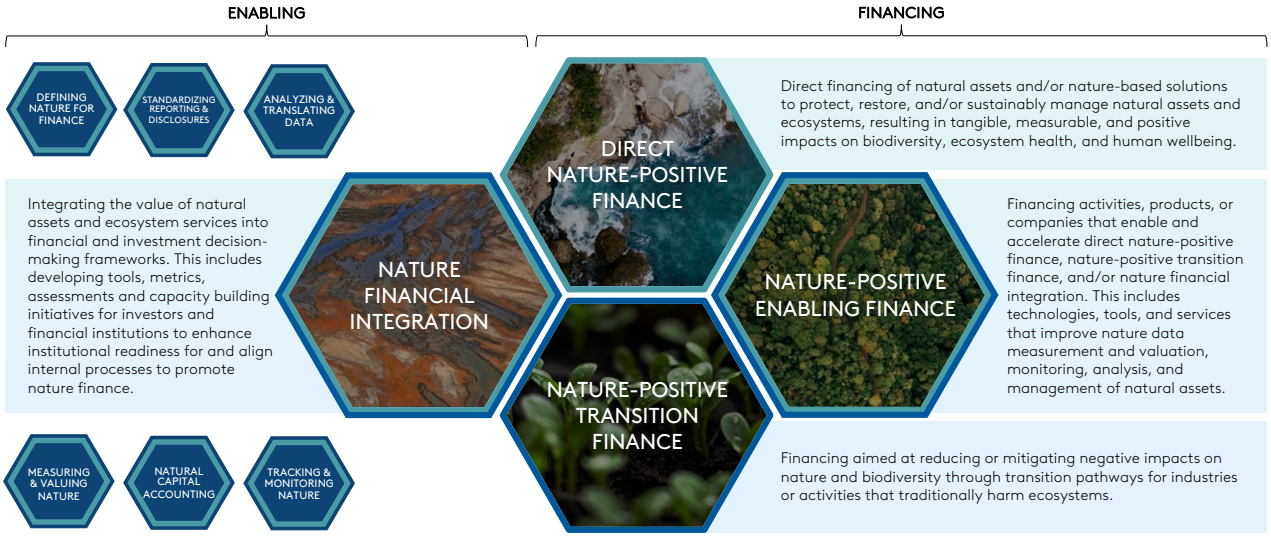
Dealing with this second category doesn't just require direct solutions finance, but also transition and enabling finance. Direct financing applies finance directly to nature solutions. Enabling financing provides financing to enablers of nature improvement, and transition finance provides financing to companies or other organisations shifting to more nature positive business models.

1 World Economic Forum, The New Nature Economy Report, 2020

2 Nature financing presents business opportunities for financial institutions: MAS-backed association - The Business Times

3 Opinion: The Critical Role of Nature Finance - Singapore Green Finance

FINANCING NATURE FRAMEWORK



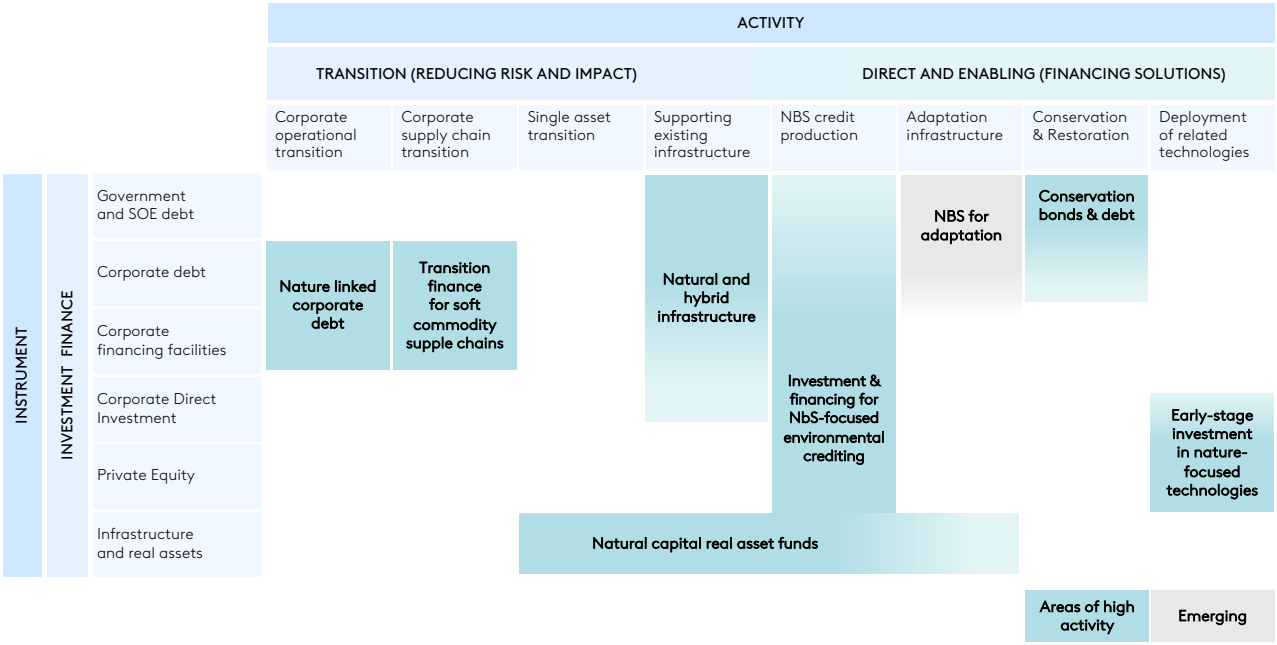
WHERE DO WE SEE THE MOST ACTIVITY?

We see these domains across a landscape of nature financing activity developing among private financial institutions. This activity runs the gamut from large corporate finance facilities changing land management across commodity supply chains, to creative government bond structures (accessible by private investors) focused on active conservation. A range of solutions or activities are used alongside different financing structures, and counterparties include the full range of public to private. We map this landscape by the type of activity financed, and by the combination of mechanism or instrument and counterparty. This map allows us to navigate options for clients, but also to highlight where we see the most activity.

We highlight the parts of this landscape that are more active than others. The extent of activity appears to often relate to successful funding models or business cases, given that nature improvement activities regularly lack associated revenues. The models above have also all identified pathways that use existing models and mechanisms to provide nature financing.

Although this framework is useful it is also not exhaustive, and it leaves quite a few things out. Firstly, its focus is on the large-scale private financing opportunities. For this reason we have not included grant funding from various institutions, nor have we included development finance, as these are either inaccessible to private financial institutions or largely inaccessible. Secondly, given our focus on scale we have not explicitly included organisations smaller than corporates, other than implicitly via the private equity instrument category. This framework does not consider insurance, which is a critical contributor to both enabling and funding improvement. Finally, the list of activities included is still narrow, and inevitably will widen over time as new models (for example new NbS applications) emerge as significant stand-alone categories.

NATURE FINANCE LANDSCAPE



Nature financing needs many contributors

Carter Ingram
Managing Director,
Pollination

As noted throughout, nature finance is a space that includes counterparties well beyond major financial institutions. Indeed, nature finance now includes major players who are capable of providing finance or funding on a wider range of terms than traditional nature or conservation financing institutions, such as NGOs, government agencies, and/or philanthropies. We see some larger examples of these models in this report (where these were undertaken at sufficient scale for private institutions to engage). Nonetheless, the activity undertaken by these entities to deliver direct financing to nature-based solutions and to undertake transition and enabling finance goes well beyond the landscape mapped here.

Beyond finance provision specifically, we see significant development in models to fund nature improvement, and to manage risk. Financing almost always requires a business model to be in place, and nature improvement has historically been an activity with few associated revenues. Nonetheless, we continue to see the development of business models for nature, with the evolution of environmental markets across the past two decades as one example of revenue generating opportunities and sustainable supply chains that enable substantial private financing for nature based solutions.. Alongside revenue models, we also see significant evolution in models to manage and share nature risk, including growing engagement from the insurance sector.

Finally, we expect to continue to see widespread regulatory development on the intersection of nature and finance across Europe and in many countries that are party to the Convention on Biological Diversity (CBD). This is evident in the implementation of International Sustainability Standards Board (ISSB) globally, which will eventually result in a significant uplift in the corporate reporting ask put to companies and FIs on the topic. The ongoing integration of nature into financing taxonomies globally will also increase the engagement of financial institutions and capital markets with nature and natural capital. Finally and most significantly, efforts to meet the targets of the Kunming-Montreal Global Biodiversity Framework by 2030 are likely to continue to drive updates to the policy landscapes of major jurisdictions. These updates are likely to broadly emphasise making nature and natural capital more visible, and increasing corporate and financial obligations on both fronts.

TRANSITION FINANCE AND DIRECT SOLUTIONS FINANCE ARE BOTH ACCESSIBLE FOR FIs

We observe a few things about nature finance from this exercise, including that deploying financing at scale is easier when it's transition finance. Transition finance largely acts on existing assets, and given the size of these underlying assets, the scale of deployment in these strategies is greater. In our framework we consider nature linked corporate debt, supply chain finance and asset improvement funds all in the transition category, and all three are some of the largest-scale financing opportunities included here. Although this type of nature financing is less charismatic, it is vital. Reducing the load and footprint of existing economic activity on nature will be central to ambitions to reach more net positive models, and will also allow for activity across the mitigation hierarchy.

Large-scale nature financing models often have a clear and short-distance economic rationale. Although this finding might be a bit obvious, it is worth highlighting that across the categories selected strong economic drivers (and therefore business cases) are present almost across the board. Some of these are well and broadly understood (for example in the case of NbS crediting). However, some are less broadly visible. For supply chain finance, switching production modes reduces cost volatility in the relevant supply chain, particularly useful at a time when climate change and geopolitical turmoil is making volatility worse. Similarly, although green infrastructure is going to be useful for a number of applications (including stand-alone as an adaptation model) we see the most use to date where obligations to service provision already exist. Utilities are rolling out hybrid infrastructure in a number of jurisdictions because it reduces their cost to deliver services they are obligated to provide.

Where impacts are spread across too many parties, obvious solutions become too hard to finance. We believe this is the case in a number of categories which have less activity than we think they warrant. Stand-alone large-scale adaptation infrastructure is one particular example of this. Although these solutions clearly reduce risk and financial burdens for a number of parties, the benefits appear to be too distributed to make execution and financing viable at scale. We expect these benefits might get more significant with time, so we mark this category as a space in which we expect to see more activity in coming years.

In some cases we see significant nature funding and benefits delivered via adjacent business cases, highlighting the need for an expanded recognition of these benefits. Although the economic case for a significant portion of NbS crediting is underpinned by efforts to reduce emissions, this segment is nonetheless a substantial contributor to nature outcomes. NbS-related carbon credits have come under significant fire in recent years, particularly regarding their integrity and use for offsetting emissions in specific industries. Nonetheless, these models continue to present a significant and growing line of funding into nature improvement. Models which systematically recognise these nature benefits and deliver financial returns for these specific benefits will help support and sustain this line of financing.

THERE ARE STILL SIGNIFICANT GAPS IN THE NATURE FINANCING LANDSCAPE

Firstly, in the scale of conventional activity in the different formats we outline above, nature financing is still extremely niche. Even though we highlight the areas below as high activity and high growth, in a number of cases these include only a handful or two of initial scaled cases. Although we expect significant growth in these categories, we don't presently see the level of engagement from financial institutions needed to deliver the nature financing ask outlined earlier.

Although we have focused on nature financing which works at scale, it goes (almost) without saying that a significant portion still doesn't. Identifying revenue streams for nature solutions particularly is still hard in many applications, and as such, the presence of public and NGO financing across nature solutions is and will likely continue to be significant. Although some categories of reduced nature impact or improvement are likely to finance themselves against existing obligations (as noted above) other categories will not. The conservation and restoration of natural capital assets (including public assets) are a category which will likely continue to need government support in developed and emerging markets.

Understanding of these models among financial institutions needs to keep rising. The genesis of this report came from various conversations in which FIs across our networks expressed their frustration with the lack of opportunities in the space, or the extent to which these opportunities were both tiny and uncommercial. In order for these models and opportunities to be taken up, financial institutions will need to keep improving their capability and visibility on nature and natural capital, as will corporates. The solutions profiled here present significant opportunities for financial institutions and corporates, but their uptake will depend upon increased literacy and visibility across both sectors.

Nature presents an opportunity for financial institutions and corporates to improve results and resilience

Megan Flynn
Managing Director, Global Head of Advisory, Pollination

Corporates across the sectors we serve are starting to change their strategies to take into account the commercial risks and opportunities presented by nature. In sectors in which nature risk has been long understood, these changes are often long established or well underway, but we see a growing interest among companies across a broader set of sectors. Today we see significant activity and innovation not only across soft commodity value chains (Food and Fibre) but also across property, heavy industry, energy and materials, and infrastructure.

Thinking clearly about nature as part of the commercial system presents new opportunities to reduce costs and increase resilience. In soft commodity supply chains, changing production methods are reducing dependency on inputs with increasingly volatile prices, and changing landscapes to reduce the volatility of natural resource access as well. For those providing infrastructure, Nature Based Solutions are increasingly seen as options which reduce the cost of service provision or maintenance, often with higher durability and better social license than traditional options. For these companies, nature is presenting not only commercial risk but also real commercial opportunity.

Financial institutions and corporates will both benefit from the roll-out of these solutions, which in many cases reduce local and system risk. Both groups face an operating environment which is increasingly physically volatile (due to climate change) and also subject to increasingly geopolitical risk. In this setting, the shift of corporate strategies to manage natural capital more effectively often creates more local resilience. However, many of these changes also improve system resilience – making value chains, production, and interconnected infrastructure systems more reliable.

Capital markets and corporates need to work together to ensure that nature finance solutions make a full contribution to returns and resilience. We are today seeing the emergence of a set of opportunities to make our economies more productive and resilient. Not all of these are accessible yet, nor are all of them accessible for financial institutions today. Nonetheless, in our view these present sufficiently significant opportunities to warrant focussed work and collaboration across capital markets and corporates.

Nature solutions in capital markets

NATURE FINANCE FOCUS

Nature solutions in capital markets

We see a rapid development of models that provide financing for nature-related activities, with particular focus on some clusters of activity. The set of models below is illustrative, non-exhaustive, and not entirely mutually exclusive. Nonetheless, they illustrate the variety of ways in which capital markets are developing to influence and support nature outcomes, and the breadth of emerging activity in the space. Notably, there are enough models in our framework to make nature financing activity accessible to financial institutions and a range counterparties.

MAJOR AREAS OF ACTIVITY AND DEVELOPMENT IN NATURE FINANCE

ACTIVITY / DEVELOPMENT	SOLUTION	FINANCING	COUNTERPARTIES
Nature-linked corporate debt	Transition via reduction in nature-related footprint (including damage drivers) among corporates. Direct and enabling investments in nature solutions by corporates.	Corporate debt.	Corporates.
Transition finance for soft-commodity supply chains	Transition of soft commodity supply chains, via the wide-scale conversion of participant's production models to more sustainable formats.	Supply chain facilities (sometimes blended) including supported by labelled issuance.	Corporates.
Natural capital real asset funds	Improving the management of natural capital in agricultural, forestry, fishery and carbon focussed real assets.	Real asset investments.	Individual assets or small operators.
Investment & financing for NbS-focused environmental crediting	Wide range of nature-related activities under crediting mechanisms, from reduced natural resource consumption through to active restoration.	Equity, debt and pre-payment financing for developers and projects.	Crediting projects, project developers and managers.
Natural and hybrid infrastructure	Active development of natural capital either as part of hybrid infrastructure development or as standalone natural infrastructure (e.g. wetlands for water treatment).	Corporate investment supported by linked corporate debt, including blended models.	Corporates, Governments and State Owned Enterprises.
Conservation bonds and debt	Direct solutions in the form of conservation activity, usually undertaken by government or NGO.	Government debt or bonds, usually with concessionary tranches or other blended participation.	Governments (issuing) and NGOs; Development Finance Institutions.
Early-stage investment in nature-focused technologies	Commercialisation of range of technologies relevant to improving management of natural capitals.	Private equity and VC.	Small and emerging companies and projects.

Nature-related debt finance

POLLINATION CONTRIBUTORS


Mila Cerecina


Cassandra Austen

SOLUTION	FINANCING	DRIVEN BY
Transition via reduction in nature-related footprint (including damage drivers) among corporates. Direct and enabling investments in nature solutions by corporates.	Corporate debt.	Corporates.

This model is an evolution of a well-established financing mechanism which supports improved sustainability outcomes among large corporates, and is now increasingly being turned toward nature. Green and sustainability structures are widely used by corporates to support sustainability performance and climate outcomes particularly. These outcomes have historically had some nature targets in them, and we are now seeing the emergence of these structures with a bigger focus on nature. As with traditional sustainability bonds and loans, the debt itself may be use of proceeds with direct application to transition activities or direct solution investment, or may be general corporate debt linked to nature-related targets. Green and sustainability structures are widely used by corporates to support sustainability performance and climate outcomes particularly.

This model is used widely today by companies seeking to access institutional debt markets across sustainability topics, supported by leading sustainable finance banks. The scale of the broader market and overall issuance is substantial, with more than US$1 trillion in green, sustainable and social bonds issued in 2024, and the total market reaching US$6.2 trillion as of December 2024. Around half of this issuance was by private companies.

Most of these models take the form of traditional linked or use of proceeds finance, both in terms of the financial institutions engaged and format of the instruments themselves. This often includes a sustainability coordinator and lead arranger working alongside broader syndicates. Linked facilities are often used for general corporate purposes, with the pricing of the facility adjusting according to sustainability performance.

The scale and accessibility of this model of financing means that utilising sustainability bonds and linked finance to support nature outcomes is very promising. In the same way that sustainability-linked financing can be used to fund a broad range of corporate activity (from the sustainability performance of existing assets through to the development of new assets or businesses), nature-linked finance can access a wide range of nature-related activities across businesses with significant nature footprints. This model also allows for significant scale, as companies can invest to transition existing assets to more nature positive models alongside direct (and often smaller) investments in nature solutions.

Nature-related activity is already funded under such structures, with significant nature-related activities covered in existing sustainability and green commitments. These include waste, water, and regeneration commitments. We see significant potential for the further growth of issuance in this model with a primary nature focus.

We expect to see nature-specific themed bonds and linked finance become prominent, as numerous institutions are working actively in the space today. The size of this financing opportunity and its impact on nature outcomes could be very significant. 68% of companies in the S&P Global Broad Market Index (approximately 14,000 companies) demonstrate substantial nature dependencies, and therefore capability to modify nature outcomes via their operations and purchasing.

The share of green bonds with nature-linked themes is rising sharply. Biodiversity featured in 16% of issuances in 2023 (up from 5% in 2020), and in 2023 nearly US$600 billion in green bonds were issued.

4 **ICE (2025)** https://www.ice.com/insights/sustainable-bond-report-2024; **World Bank (2025)** https://thedocs.worldbank.org/en/doc/cd82b4033281dab2cb1a1c71eeb691e4-0340012025/original/Labeled-Bond-Quarterly-Newsletter-Issue-No-10.pdf
5 **World Bank (2025)** https://thedocs.worldbank.org/en/doc/cd82b4033281dab2cb1a1c71eeb691e4-0340012025/original/Labeled-Bond-Quarterly-Newsletter-Issue-No-10.pdf
6 How the world's largest companies depend on nature and biodiversity | S&P Global
7 3 reasons why 2025 is the year for nature-positive finance | World Economic Forum, S&P Insights, Sustainable Bond Issuance to Approach $1 Trillion in 2024

It is worth noting that the quality of the governance structures for this type of financing will continue to develop, and be central to ongoing rollout. There can be variability in the quality of definition of use of proceeds or in the quality of performance targets in nature-linked loans. Strengthening these (in reliance on taxonomies and other tools) will be essential for the long-term integrity of these mechanisms and their ability to sustain real world nature outcomes with additionality.

Nature-linked financing is a natural next-step for sustainable finance

Katharine Tapley
Global Head of Sustainable Finance, ANZ

Debt financing, which incorporates nature through linked targets, use of proceeds or new revenue streams, has significant potential to contribute to the acceleration of capital into outcomes that support nature. Leveraging the practice we have seen in sustainable financing markets to date with a focus on decarbonisation, financing can be structured to incentivise companies to meet targets and support them in directing capital towards their nature strategies, focusing on measurable improvements in areas such as biodiversity, water management, or land-use practices.

At ANZ, we see embedding nature considerations into debt instruments as a natural evolution of the sustainable finance market. We are already working with and learning from our customers about nature impacts and dependencies. The next step is to build financing structures around the topic that align with market standards including loan market (such as the Asia Pacific Loan Market Association) and bond market (such as International Capital Market Association) principles and taxonomies as they evolve globally.

One key challenge lies in availability of nature data that can feed into the measurement and reporting requirements that sit within the relevant principles for loan and bond structuring in the sustainable finance market. While climate-related KPIs are more established, nature metrics are less mature, and consistent data is harder to obtain. There is also complexity in tailoring instruments to specific sectors and geographies, as nature impacts and dependencies vary widely. Collaboration on practical standards and approaches which support both borrowers and banks in defining and tracking nature-related KPIs and investment is however starting to emerge in the marketplace.

CASE STUDIES

ENDEAVOUR ENERGY SUSTAINABILITY LINKED LOAN[8]

Activity: Endeavour Energy set targets for greenhouse gas emissions reduction, landfill waste diversion and net habitat gain to underpin its corporate strategy for delivery of power to 2.6 million people across Sydney's greater West, and the Blue Mountains, Southern Highlands, Illawarra and South Coast regions of New South Wales, Australia.

Model: In March 2022 Endeavour Energy signed an AU$920 million sustainability-linked loan coordinated by ANZ and CBA, syndicated to 17 banks. The five-year facility includes a nature positive focused target to improve the company's "net habitat gain" (as defined under the GRESB Infrastructure Asset Reference Guide 2021) aiming to restore more habitat than removed by 2025. Depending on annual performance, the loan margin may adjust up or down.

Outcome: The SLL supports Endeavour Energy deliver on its commitment to greater transparency on its emissions profile and ambition to reduce its nature impact, and in turn offer its customers a more sustainable source of energy.

8 **Endeavour Energy (2022)** https://www.endeavourenergy.com.au/news/media-releases/endeavour-energy-signs-landmark-$920-million-sustainability-linked-loan

CASE STUDIES

SILVER FERN FARMS (SFF) SUSTAINABILITY-LINKED LOAN[9]

Activity: SFF established its inaugural Sustainability-Linked Loan (SLL) program selecting time-bound Sustainability Performance Targets (SPTs) that were aligned with the mid to long-term business strategy and Sustainability Action Plan.

Model: In 2022, Silver Fern Farms executed a NZD$320 million refinance of existing facilities to a Sustainability-Linked Loan (SLL), supporting SFF's sustainability strategy by committing to ambitious performance targets

As part of its SLL, SFF will receive financial incentives as it delivers pre-agreed and pre-defined sustainability targets including:

- Adoption of the comprehensive New Zealand Farm Assurance Program Plus (NZFAP+) by Silver Fern Farms suppliers
- Reduction of processing emissions in line with our Science Based Target initiative (SBTi) target of 42% Scope 1 and Scope 2 Greenhouse Gas emissions reduction by 2030 from 2020 baseline year
- Reduction of total waste to landfill (incl. organic waste) from processing sites
- Reduction of water used at processing sites
- Enhanced environmental monitoring and reporting.

Depending on annual performance, the loan margin may adjust up or down. The targets associated with the facilities hold SFF to account as SFF accelerate towards a nature positive business model that incentivises low emissions, biodiverse and regenerative farming practice.

ANZ New Zealand as Joint Sustainability Coordinator.

Outcome:

The SLL has been instrumental in driving accountability and ownership of these targets across the business, helping to embed sustainability into core operations.

CASE STUDIES

IBERDROLA WATER-LINKED CREDIT[10]

Activity: Spanish multinational energy company Iberdrola set targets for water consumption and treatment, activities which will manage its impact and dependencies on nature.

Model: In 2022 Iberdrola signed a €2.5 billion multi-currency, sustainability-linked credit line with 24 banks, coordinated by BBVA. The five-year facility (extendable by two years) is tied to two specific water-related nature KPIs. Depending on annual performance, the loan margin may adjust up or down, and the company noted the pricing of the facility is a historic low for the company. As a side note, over 90% of Iberdrola's credit lines are now sustainable.

Outcome: The credit line targets reduced water consumption in power generation and CDP Water ratings across the Iberdrola business. It supports Iberdrola to improve its performance on SDG 6 (Clean Water and Sanitation), amid rising global water stress and climate uncertainty.

9 **Silver Fern Farms (2022)** https://silverfernfarms.com/nz/en/our-company/our-news/SL-finance
10 **Iberdrola (2022)** https://www.iberdrola.com/press-room/news/detail/iberdrola-signs-a-new-sustainable-credit-facility-for-2500-million-at-very-competitive-conditions

Transition finance for soft-commodity supply chains

POLLINATION CONTRIBUTORS


Hamish Reid


Cassandra Austen


Ella Edwards

SOLUTION	FINANCING	DRIVEN BY
Transition of soft commodity supply chains, via the wide-scale conversion of participant's production models to more sustainable formats.	Supply chain facilities (sometimes blended) including supported by labelled issuance.	Corporates. Governments or DFIs.

Both corporates with soft-commodity supply chains and financial institutions with agricultural exposure are increasingly working together to create financing models targeted at supply chain transition. These models are considered nature finance because they can drive environmental outcomes by incentivising improvements in agricultural practices that reduce pressure on ecosystems (e.g. reduced water pollution).

Major food, beverage and textile companies globally are innovating rapidly to help their suppliers transition to models which both lower emissions and improve nature outcomes. The production of soft commodities (for food, textiles and materials, and energy) is one of the most significant sources of both nature impact and natural resource demand. Among companies which depend on these supply chains, meeting sustainability targets usually requires extensive supply chain engagement and transition.

This transition requires not only new models of production, but economic incentives to support the change. Many soft commodity supply chains begin with smaller producers, who are often unable to spare the resources needed to transition production to lower impact or regenerative practices.

Today we see corporates and financial institutions using a range of approaches to help producers transition to more sustainable practices, particularly in agricultural supply chains. Some examples include grant funds, provision of technical support and tools, and concessional lending. Alongside these, models which reach across the supply chain (such as supply chain finance facilities or 'insetting' programs) are particularly promising as these models can be deployed at scale and with the participation of major financial institutions.

This model of financing is often more powerful when it is 'blended' to improve the level of incentives that can be offered, and therefore accelerate deployment. Although some products/programs can today be achieved with private finance sources alone, those that use government or philanthropic funding can generally offer better terms to the supply chain participant. This makes deployment and scale easier to achieve. By improving incentives, this concessional funding effectively crowds in private capital or funds from corporates and financial institutions which might otherwise not be able to be deployed.

We see this model as particularly promising because it allows the burden of transition to be shared across a value chain. It allows the actors who are often the best resourced and organised to drive nature outcomes across the supply chain, with financing solutions allowing them to support others with less capacity to respond (often front-line producers).

Given the scale of the companies in question, we view this model as having particularly compelling potential. Global food systems alone (not considering the broader fibre and other resources supply chain) make up 12% of global GDP and 40% of employment.[11] The companies in these systems are at the forefront of both impacts and dependencies on nature and are critical supply chains for global food and resource security. Models which enable these sectors to improve nature outcomes could therefore drive substantial social and economic value.

11 https://www.weforum.org/publications/new-nature-economy-report-series/future-of-nature-and-business/

Transition finance for supply chains is a win-win for companies and supply chain participants

Hamish Reid
Managing Director, Head of Food and Fibre, Pollination

In agricultural supply chains there is enormous potential for solutions which channel finance upstream to unlock action on-farm. These solutions range all the way from traditional supply chain lending instruments to complex blended funds which direct multiple types of investment. What these solutions all have in common is catalysing capital from multiple sources (which may include private corporate capital, philanthropy/impact funding and public finance) along the value chain into enabling and incentivising upstream activity.

Pollination is especially excited by these models because funding nature outcomes in agriculture has clear commercial benefits for the companies in that supply chain. For corporates, this is not just a sustainability play; it's a strategy to secure resilient, future-proof supply. With global food systems under intensifying stress and subject to growing volatility in both cost and accessibility, financing more sustainable and regenerative activities offers a direct route to boosting ecological resilience while enhancing commercial performance.

The biggest challenge isn't capital - it's connection. There is interest and potential funding available, but models which deliver scalable, investable interventions remain largely underdeveloped. Too often, stakeholders are fragmented, financing is siloed and companies rely on isolated pilots which can't access the full supply chain for a commodity. Bridging this gap requires integrated strategies, coordination across stakeholders and farmer-aligned incentives that can unlock system-level deployment opportunities, and therefore scale.

CASE STUDIES

RESPONSIBLE COMMODITIES FACILITY[12]

Activity: In 2022 the Responsible Commodities Facility (RCF) program was created with the goal to reduce soy-driven deforestation in Brazil's Cerrado savanna while maintaining farm profitability. The facility leverages Green CRAs to provide cheaper agricultural finance to farmers if they protect a portion of their land from deforestation.

Model: The model links discounted financing to reduced deforestation in the soy supply chain. The Responsible Commodities Facility provides low-interest loans to soy farmers who commit to zero deforestation and protect excess native vegetation. Farmers must pass environmental audits and adopt sustainable practices to maintain access to financing, and there are penalties for non-compliance to ensure adherence to zero-deforestation pledges.

The RCF divides its deployment into Programs, with each Program financed through the issuance of Green CRAs (Certificates of Receivables from Agribusiness) which are registered on the Vienna and Brazilian stock exchanges. The CRAs are considered to be in alignment with the Green Bond Principles and the Green Loan Principles.

The RCF is aiming to reach US$150 million in funding by the 2025-26 growing season. The model combines commercial debt with corporate investment. Program 1 had participation from Tesco, Sainsbury's and Waitrose, alongside Santander and Rabobank.

Outcome: The RCF demonstrates that single-commodity focussed conditional lending can drive change in a high interest supply chain while maintaining farm economics. Since 2022, the RCF has helped protect more than 43,000 hectares of native vegetation, keeping the equivalent of at least 18 million tonnes of carbon dioxide locked in plant life.

12 **UNEP (2025)** https://www.unep.org/news-and-stories/story/new-fund-aims-save-brazils-grasslands; **SIM (2025)** https://sim.finance/cerrado-programme-1/

CASE STUDIES

THE WOOLMARK+ AUSTRALIAN WOOL INSETTING PROGRAM

Activity: Pollination is working with Woolmark, the global authority on wool, to establish an insetting program in the Australian wool supply chain. Scope 3 accounts for more than 95% of the impact associated with large fashion and textile companies. Insetting is an emerging solution for corporates to invest in their agricultural supply chains to reduce emissions, support regenerative practices, and build resilience into their supply chains.

Model: The Woolmark+ insetting vehicle, facilitated by Pollination, attracts supply chain capital and government grant-style capital to co-invest in nature-based solutions within the Australian wool supply chain. Woolgrowers receive capital to implement nature-based solutions that support farm productivity, reduce emissions and build resilience. Investing corporates and their supply chain can claim the climate and nature outcomes as well as report progress against their scope 3 science-based targets in alignment with global standards including SBTi and the GHG Protocol. Investing corporates claim the climate and nature outcomes and report progress against their scope 3 science-based targets in alignment with global standards including SBTi and the GHG Protocol.

Outcome: De-risked corporate investment to lower emissions and increase resilience in the wool fibre supply chain through accelerated uptake of sustainable practices, nature-based solutions and regenerative agriculture in the Australian agricultural landscape.

Natural capital real assets funds

POLLINATION CONTRIBUTORS


Mila Cerecina


Georgina Murray

SOLUTION	FINANCING	DRIVEN BY
Improving the management of natural capital in agricultural, forestry, fishery and carbon real assets.	Real asset investments.	Individual assets or small operators.

The management of natural capital assets as a sub-asset class or standalone investment strategy has been increasingly prominent in the past five years. This class of funds usually involves managing agriculture, forestry, fishery or carbon assets with a strong impact overlay – usually with the intention to improve the quality and extent of the natural capital stocks which underpin said assets.

This group of funds sits within a broader category of natural asset funds, but is distinguished by its impact thesis. The edges of this category blur slightly into traditional agriculture, forestry and fishery funds, many of which have increasing ESG and sustainability commitments and infrastructure. In this category we are specifically interested in funds which deal with these assets, and which have specific impact targets as a core part of the fund thesis.

These managers generally invest in existing assets and projects that deliver measurable natural capital benefits alongside financial returns. Outcomes targeted by these models include biodiversity restoration, sustainable land and water use, and improved ecosystem services. As a consequence, these funds present a growing pathway for the management of real assets to achieve improved nature footprints.

Nature impact investing is gaining momentum across a range of global asset managers and blended finance platforms. Private sector funds are emerging across major asset managers globally, including HSBC, Mirova, AXA, and Nuveen. These funds are generally focused on agriculture and forestry investments in developed markets.

These funds have the potential to improve the management of many productive land, riverine and ocean-based assets. Said funds are generally focused on reducing the negative impacts of the properties managed, improving the quality of soils and water, and improving biodiversity stocks. If these fund models scale, or if the impact models used by these funds become more commonplace,they stand to improve the nature outcomes associated with these sectors.

These models already access institutional capital, and can potentially be expanded across existing relevant assets. Despite this class being relatively new, it is growing fast and of high interest to institutional investors.[13] Given the size of the underlying asset base, these strategies have the opportunity to scale quickly, and also the capability to deploy institutional scale capital into land improvement.

13 **BFinance (2024)** https://www.bfinance.com/insights/natural-capital-investing

Natural capital investing delivers returns and system benefits

Martin Berg
CEO,
Climate Asset Management

Natural capital represents the essential infrastructure for our life on earth and includes our forests, soils, freshwater systems, and biodiversity. At Climate Asset Management, we witness many compelling macroeconomic and environmental drivers for investing in natural capital assets.

These include traditional asset level and new system-level returns. These investments generate competitive, risk-adjusted and often uncorrelated returns for investors and contribute meaningfully to climate adaptation and mitigation. At the same time, this approach provides exposure to scarce, regenerative assets that can deliver long-term value creation amid growing regulatory, consumer, and climate pressures while also providing essential ecosystem services. By managing land not purely for extraction but for resilience, we are tapping into a model that is economically underrepresented yet systemically critical.

This model is already gaining traction. Across developed markets, leading managers are deploying private capital, often through blended structures, to scale sustainable agriculture, regenerative forestry, and nature-positive land use. The UK alone set a goal to grow annual private investment flows to nature to at least £500 million every year by 2027 in England, rising to more than £1 billion by 2030.

Barriers remain, but we think they are surmountable. Fragmentation of land assets, limited investor familiarity and allocations, as well as a need for robust impact data can slow adoption. But these challenges are surmountable. With the right portfolio diversification, asset selection, and risk mitigation strategies, including climate and supply chain resilience, we can unlock the full value of natural capital. Ultimately, this is where finance and nature not only intersect—but thrive together.

CASE STUDIES

CLIMATE ASSET MANAGEMENT NATURAL CAPITAL FUND[14]

Activity: Climate Asset Management's Natural Capital Strategy (NCS) manages closed-ended funds that seek investment opportunities in natural capital assets, aiming to deliver returns, measurable impact, and the ability to invest at scale.

Model: Natural Capital Fund (NCF) is a real assets vehicle with a focused approach, primarily investing in large-scale regenerative agriculture and/or sustainable forestry assets. This includes both greenfield opportunities (land use change) and brownfield opportunities where existing practices can be improved. The strategy invests exclusively in developed markets—Australia, Canada, the European Union, New Zealand, the United States, and the United Kingdom—with the principal objective of generating income and capital growth through investments that deliver meaningful outcomes for climate, nature, and communities.

Outcome: Across all investments, the strategy applies a disciplined approach to ESG and impact diligence through its Impact Measurement and Management Framework. This tool is designed to objectively assess and document the extent of improved outcomes across project landscapes.

For both forestry and agriculture assets, numerous value creation and operational improvement strategies are rooted in the belief that stewardship of landscapes—focusing on factors such as soil health, pollinator availability, and riparian protection—can drive long-term asset value. The Investment Team believes these factors enhance productivity and resilience to adverse weather and climate shifts, while also potentially enabling products from these assets to access premium market segments.

Beyond operational initiatives, the strategy also employs biodiversity-oriented value creation strategies, which may include the development of habitat banks, the sale of conservation easements, or the implementation of ecosystem services projects.

14 **CAM (2025)** https://climateassetmanagement.com/investment-strategies/

CASE STUDIES

NEW AGRICULTURE BY NEW FORESTS[15]

Activity: New Forests invest in real assets through forestry and agriculture. New Forests has been actively developing investments in Nature-based Solutions since inception in 2005. This includes pioneering transactions in the Californian and Australian carbon markets and investing in wetland, stream, and biodiversity banks in the United States and Asia.

Model: In 2022, New Forests launched New Agriculture to provide a platform for large scale sustainable agricultural investment and operations management, across row cropping, livestock, and horticulture. The platform invests in agricultural assets using New Forest's landscape management approach, which aligns production activities with sustainability and impact outcomes. The New Agriculture platform had AU$1.5 billion AUM at the end of 2024, with 3.1 million hectares under management.

Outcome: New Forests believe that this model of sustainable landscape investment can deliver financial outperformance over the long term while improving environmental outcomes across the properties and assets under management.

15 **New Agriculture** (2025) https://newagriculture.com/

Investment and financing for NBS-focused environmental crediting

POLLINATION CONTRIBUTORS


Phil Cohn


Lauren Drake

SOLUTION	FINANCING	DRIVEN BY
Wide range of nature-related activities under crediting mechanisms, from reduced natural resource consumption through to active restoration.	Equity, debt and pre-payment financing for developers and projects.	Crediting projects, project developers and managers. Credit offtakers.

Financing the production of environmental credits provides a significant pathway for financing nature improvement or conservation. In this report we take environmental credits to include carbon credits, biodiversity credits, and a growing list of other ecosystem service credits (e.g. nutrient, sediment etc.). We include credits which are used for offsetting in this category as well.[16] Many (though not all) of these credits are produced by directly changing nature impacts, or by conserving or rebuilding natural systems.

1. **Carbon credits** can be produced via a range of methods, and a significant portion of these relate to changes in the treatment or state of natural capital. Nature based solutions is a term originally and widely used to describe this subset of carbon credits, which now encompass an array of methodologies designed to not only regenerate landscapes but also to reduce deforestation pressures.
2. **Biodiversity credits** are obviously directly related to changes in nature. Biodiversity crediting is undertaken via methods which require the direct preservation or regeneration of biodiversity specifically.

Environmental crediting has seen significant growth over the last decade, both in volume of market activity and development of new markets and market infrastructure. On the carbon side of the equation, the voluntary carbon market retired 54 million credits in just the first quarter of 2025, driven by corporate climate goals and a rising demand for high-quality credits.[17]

The compliance market is also experiencing expansion, driven by regulatory mandates and sectoral reforms. As of 2025 there are 80 emissions trading systems in place globally with coverage of global emissions growing fast, and nature-related crediting methods are included in this infrastructure in a number of key jurisdictions.[18] Biodiversity credits remain more nascent, but are also increasingly present and increasingly integrated into carbon projects.[19]

Financing activity has grown alongside the growth of crediting, with the yearly volume of deployment into NbS environmental credits picking up. As a subset of nature based environmental credits, estimates suggest that between 2013 and 2023, financial institutions and other capital providers deployed US$23 billion into nature-related issuance in the global voluntary carbon market, most of this into Asia, the Americas and Sub-Saharan Africa.[20] The rate of deployment is rising over time - US$8.8 billion was raised for nature-based crediting in voluntary markets in the first three quarters of 2024 alone.[21]

The outlook for carbon and biodiversity markets is strong. Compliance markets are likely to dominate demand for crediting as national commitments begin to bite. Biodiversity compliance is likely to emerge as a larger contributor to activity post-2025 as TNFD reporting matures and GBF implementation accelerates. Countries like Australia, India, and the EU are establishing regulatory frameworks and markets for nature credits, which will help standardise quality, improve transparency, and build investor confidence.

16 Unlike in the carbon context where tonnes of CO2 equivalent are considered 'scientifically equivalent', satisfying principles of scientific equivalence is complex in the biodiversity context. For instance, there are challenges in establishing 'equivalence' between a negative impact on biodiversity in a particular location and a positive benefit to biodiversity financed through a biodiversity credit project in another location. Challenges in establishing scientific equivalence in the biodiversity context have implications for the nature of the claims we consider to be appropriate to make in the biodiversity credit context at this stage of voluntary market development. In our view, at this stage of the voluntary market, biodiversity credits should not be used for compensation claims (i.e. for offsetting).
17 **Q1 2025 Carbon Data Snapshot**
18 **World Bank (2025) State and Trends of Carbon Pricing 2025**
18 **https://pollinationgroup.com/global-perspectives/state-of-voluntary-biodiversity-credit-markets/**
20 **MSCI (2024)** https://www.msci.com/documents/10199/010c4d7d-636a-12c5-ed7b-68e35cb2307f
21 **MSCI (2024)** https://www.msci.com/documents/10199/010c4d7d-636a-12c5-ed7b-68e35cb2307f

The global carbon credit market specifically is projected to reach US$100 billion annually by 2035.[22] This is up from US$2.7 billion in recent years, and will be driven by rising corporate demand and regulatory momentum.[23] The use cases for and acceptance of biodiversity credits is also rising, with new initiatives and hybrid models (combining carbon and biodiversity outcomes) emerging to attract broader investment.

Revenue and financing models for the market are likely to continue to evolve. Hybrid financing models (which may combine biodiversity credits with carbon markets or integrate them into debt-for-nature swaps) are being developed to increase scale, liquidity, and impact.

Governing and regulatory standards for environmental credits have been under development for decades, and will continue to deepen. Recently the emergence of the TNFD and Voluntary Carbon Markets Integrity Initiative in particular are supporting efforts to standardise biodiversity and carbon reporting. Alongside these we expect the continued tightening of regulatory and voluntary standards globally, as methods and use cases are tested and refined.

Credits are not without controversy, but their implications for nature warrant their inclusion as a significant model for nature financing. These models have faced scrutiny over issues like permanence (the durability of environmental benefits) and provenance (the credibility and traceability of credits). Despite these challenges, high-quality projects are increasingly demonstrating their value as scalable, impactful nature interventions.

These models continue to be pursued by many counterparties due to their multi-layered impact, and form one of the most developed lines of nature-related financing among FIs to date. Many accomplish emissions reductions while also driving improvement in natural capital and resilience, and while delivering community benefits. Crediting for nature-based carbon solutions is one of the most active financing pathways for FIs on nature in the market today, with US$8.8 billion deployed into nature based carbon credits alone in the first three quarters of 2024.[24] It is also one of the most well-established of the models we include in this report.

22 **Global Carbon Dioxide Removal Market Could Reach $100 Billion Between 2030-35 With Targeted Interventions**
23 **The future of carbon credits: a $100 billion market by 2035**
24 **MSCI (2024)** https://www.msci.com/www/research-report/investment-trends-and-out-comes/05113551284

Environmental crediting mechanisms work when grounded in integrity, inclusion and transparency

Lucy Almond
Director and Chair,
Nature4Climate

Environmental crediting mechanisms, spanning carbon, biodiversity and emerging hybrid models, are among the most powerful and scalable tools available today for directing finance toward nature. High-integrity credits create a direct link between measurable ecological outcomes and private investment, unlocking funding at scale for the protection, restoration and sustainable management of natural systems. With nature loss accelerating and climate adaptation needs growing, these mechanisms offer a way to value and reward ecosystem services that are otherwise overlooked by markets.

We are excited about these models because they work, when grounded in integrity, inclusion and transparency. Take carbon credits: they have already channelled nearly US$20 billion into nature-based solutions in recent years. According to Ecosystem Marketplace's State of the Voluntary Carbon Market 2025, nature-based projects made up 55% of total market value between 2020 and 2024. Carbon credits are among the few scalable finance models that can simultaneously mitigate emissions, protect biodiversity, support livelihoods, and build resilience in the Global South. While carbon credits are furthest along, biodiversity credits and stacked benefit models show immense promise. Together, these mechanisms can complement other funding streams and, when well-designed, deliver outcomes that go far beyond carbon alone.

Crediting systems still face legitimate concerns, especially around long-term impact, equity, and market fragmentation. Some models overpromise; others lack the safeguards needed to build trust. The biggest risk, however, is not any single flaw - it's the risk of delay. Overcoming design challenges is vital, but withholding finance from credible, evolving models risks losing the window for meaningful impact. The next decade is critical, and environmental crediting offers a tangible, science-backed way to drive investment into nature now. Our focus must be on raising the bar, not abandoning the model.

CASE STUDIES

MAKAME SAVANNAH PROJECT

Activity: The Makame Savannah Project is a community-led forest conservation initiative protecting 364,000 hectares of Miombo woodland in northern Tanzania. Launched in 2016, it is implemented in partnership between Carbon Tanzania and the five villages that make up the Makame Wildlife Management Area (WMA), the largest of its kind in the country. The project prevents deforestation and safeguards wildlife habitat through land use planning, forest patrols, and educational outreach.

Model: Makame is Tanzania's first WMA to generate and sell carbon credits. The project uses a community-led model grounded in Free, Prior and Informed Consent (FPIC) and is transitioning to Verra's VM0048 methodology, eligible for the ICVCM's Core Carbon Principles. Revenue from credit sales is split transparently, with 61% going directly to the community. Decisions on fund allocation are made by the WMA and village assemblies. Carbon Champions, local educators employed by the project, explain the project and revenue-sharing model in accessible terms, strengthening trust and participation.

Outcome: In 2024 alone, Makame generated over 214,080 verified carbon credits and earned US$1.35 million in revenue for the participating communities. Key outcomes include:

- **Health:** 3 new clinics built, including a maternity ward.
- **Education:** 58 university scholarships funded; US$535,000 allocated to education since the project began, benefiting 9,840 children.
- **Livelihoods:** Improved grazing for 3,405 households; 32 Village Game Scouts (VGS) trained; 1,050 people reached through Carbon Champions.
- **Gender:** 13,197 women saw improved livelihoods; 5 new women VGS recruited; women report similar asset ownership levels as men.
- **Social cohesion:** 88% of community members surveyed believe carbon revenue benefits everyone, and 82% feel the project is managed transparently.
- **Social value:** A REFLECT for Nature study found a 1:10 social return on investment, equivalent to US$6.73 million in community-valued benefits.

> Carbon revenue has secured our lands, improved our schools and health services, and strengthened our community. When the money is managed by us, the impact is real, not just on paper, but in our daily lives."
>
> **- Kisaro Thomas Lombutwa, Project Manager, Makame Savannah Project.**

Nature-based carbon is a well-developed mechanism for nature finance which emphasises the connected nature of nature, climate and community resilience

Phil Cohn
Managing Director, Head of Carbon,
Pollination

The investment and financing of nature-based solutions (NbS) through environmental credits has become a well-established mechanism for channelling private sector capital into nature conservation and restoration efforts. Increasingly, global corporations and major emitting organizations are investing in nature to generate carbon credits, driven by the expanding reach of both compliance and voluntary carbon markets. This growth is unlocking new levels of capital that can be directed toward the restoration and conservation of natural ecosystems.

This activity brings into sharp focus the interconnected challenges of climate change and biodiversity loss. As large corporations and governments incorporate carbon projects into their net zero strategies, their investments not only contribute to emissions reduction but also deliver significant benefits for ecosystem conservation and restoration. In addition, 80% of lands with critical biodiversity are managed or stewarded by Indigenous communities. When implemented with integrity, carbon markets offer a vital avenue for channelling resources to Indigenous peoples and local communities, empowering them to better manage and protect their natural capital and ecosystems.

Despite its promise, the sector faces considerable challenges and requires ongoing investment. On the supply side, carbon markets are undergoing a fundamental transformation, with advancements in scientific methodologies and increased transparency in monitoring and verification. This evolution is complex, particularly as the market seeks to scale while simultaneously elevating standards and requirements. On the demand side, there is ongoing volatility in year-to-year demand and uncertainty regarding the flow of capital willing to invest upstream in project development. There remains a pressing need for additional investment to support the creation of high-quality projects that generate environmental credits.

Carbon credits are an important funding mechanism for decarbonization projects

Kyoko Nagase
Director,
Mizuho Financial Group, Inc.

Carbon credits are an important funding mechanism for decarbonization projects, which fall under two categories: technology-based and nature-based. As well as reducing CO2 emissions, nature-based projects contribute to diverse societies and environments. In the local and forest areas of developing countries, for instance, these projects provide employment and educational opportunities, as well as a continuous source of income. Projects play a key role in connecting environmental protection and economic activities. We expect carbon credits to incentivise the achievement of various sustainability goals and KPIs of company activities.

Natural capital is currently being considered as a variety of financial products. As a financial method for the full value creation of natural capital, we are learning about it correctly and conduct ongoing dialogue with our customers. Mizuho and Pollination are working together to provide support to our customers in implementing steps toward decarbonization. The partnership will look to specifically support our customers as they expand their work and investment on nature, including TNFD readiness, and participation in carbon markets. We believe that carbon credits are a system that fairly assesses efforts to decarbonize, and by sharing the cost of these efforts across regions they direct funding to technologies and projects that reduce and remove CO2 without producing economic drawbacks.

As key challenges, risks associated with nature-based projects include the reliability of baselines and the difficulty of measuring CO2 reduction from natural sources. We expect these issues to be gradually resolved through technological development and the design of institutional framework. In addition to CO2 reduction, we believe that it will be challenging to quantify and evaluate contributions to biodiversity and local communities, and to link the overall impact assessment to financial activities and economic value.

CASE STUDIES

IN THE PIPELINE: RAI MATAK PROGRAM

Activity: Rai Matak is a community-led agroforestry program in Timor-Leste that is now scaling up after a decade of operation. The project aims to plant 10 million trees, engage 20,000 farmers and remove 20 million tonnes of carbon. The project has successfully implemented a pilot phase with 470,000 trees planted and 900 farmers onboarded. In the current program, a further 364,000 trees have been planted by 1,700 farmers.

Model: The program has three partners that are currently seeking blended, non-dilutive financing (Foundation Rai Matak, xpand Foundation and Pollination). The program is certified under the Gold Standard's afforestation/reforestation standard and expects to issue its first carbon credits in 2026. The project has been supported by equity and donor funding and now is looking to expand to create a blended financing solution.

Outcome: The outcome of this project:

- Nature restoration: 5,500+ hectares of mosaic forest will be sustainably managed.
- Livelihoods: the majority of carbon revenues will be paid to smallholder farmers, diversifying livelihoods for 20,000 families.
- Biodiversity: 32 native or naturalised tree species will be planted including several vulnerable species.
- Transparency: The program will use locally developed digital MRV tech to individually track and report every tree planted creating a significant dataset supporting Timorese agricultural and forestry research and planning.

CASE STUDIES

PARÁ'S $180 MILLION LEAF COALITION AGREEMENT[25]

Activity: In September 2024, the Brazilian state of Pará became the first in Brazil to sign a landmark agreement with the LEAF Coalition, securing up to US$180 million in results-based finance to reduce deforestation and support sustainable development. Covering approximately 25% of the Brazilian Amazon, Pará's agreement will finance programs that further reduce deforestation, preserve critical forests, and support Indigenous Peoples, traditional communities, and family farmers. The deal is structured around the sale of up to 12 million high-integrity jurisdictional REDD+ carbon credits, each representing one metric tonne of verified emissions reductions from avoided deforestation between 2023 and 2026.

Model: The financing model is a multi-stakeholder, blended public-private partnership coordinated by Emergent. The agreement is backed by major corporates and sovereign donors. LEAF buyers have committed to purchase 5 million credits at $15/tonne with an additional 7 million credits available for future buyers. Proceeds will be distributed according to a jurisdictional REDD+ benefit-sharing plan, with direct involvement of Indigenous Peoples, Quilombolas, traditional communities, and family farmers.

Outcome: In the year to July 2024, Pará achieved a 42% reduction in deforestation alerts compared to the previous year, the largest decline in the Legal Amazon since 2020. Up to 12 million tonnes of CO2 emissions reductions will be achieved through verified REDD+ credits. Economic benefits will be shared with frontline communities, supporting sustainable livelihoods and reinforcing local participation in forest conservation. The $15/tonne price sets a new benchmark for high-integrity jurisdictional credits, signalling strong buyer confidence and helping to scale up climate finance for tropical forests.

25 **LEAF Coalition's $180 Million Amazon Rainforest Deal: a Deep Dive**

Natural and hybrid infrastructure

POLLINATION CONTRIBUTORS


Beth Keddie


Georgina Murray

SOLUTION	FINANCING	DRIVEN BY
Capital either as part of hybrid infrastructure development or as standalone natural infrastructure (e.g. wetlands for water treatment).	Corporate investment supported by linked corporate debt, including blended models.	Corporates, Governments and State Owned Enterprises.

Private and state-owned infrastructure providers are increasingly utilising natural infrastructure to complement or replace traditional infrastructure. These developments are still described using a wide array of terms, but commonly deploy nature-based design and solutions to improve existing infrastructure, as an integrated part of new infrastructure, or as a standalone replacement solution.[26]

Today these exercises are often funded on company or utility balance sheets, sometimes alongside the issuance of green or linked corporate debt. These solutions are often significantly less costly to execute than traditional solutions, which provides a business case for their deployment. We consider them one of the more interesting areas in which funding is being directed to the restoration or re-establishment of natural capital, and an area which has the ability to grow significantly with consequent impact on natural systems. We have identified this separately from the use of new natural infrastructure to support adaptation specifically (discussed below), although these solutions also usually have resilience benefits beyond traditional infrastructure.

Developments of this kind to date usually support the management of water resources specifically. Across applications such as water on mine and other production sites, water in a municipal treatment, delivery or hydropower systems, or water in and around major infrastructure, NbS and natural infrastructure seem to be increasingly effective. Case studies are emerging across municipal utilities and in extractive and power industries, particularly, with project sizes ranging from tens of millions through to hundreds of millions of spend.[27]

Across case studies in this model, it is clear that companies and SOEs are identifying natural infrastructure as more cost effective for a number of tasks. Given infrastructure availability is a core challenge in both developed and emerging markets, the use of nature-based infrastructure solutions as more accessible and durable alternatives to traditional infrastructure is extremely promising.

We think nature-based infrastructure also presents the opportunity for financial institutions to deploy significant financing. Most models in this category present reduced construction and operating costs for utilities and other companies. They are often funded via company or SOE balance sheets, sometimes with a green loan supporting this deployment. Given their scale, these models provide a significant possible pathway for financial institutions to engage with the improvement of natural capital stocks.

Finally, nature-based infrastructure also provides the opportunity to improve natural capital in sites which are not historically considered available for restoration. Cities, industrial facilities and utility sites don't normally come to mind as places in which natural capital improvement might be pursued. Nonetheless, natural infrastructure projects often improve the natural capital quality of these sites while also providing critical natural infrastructure for the people living in and around them.

Although we have largely considered financing for existing infrastructure needs in this section, the use of green infrastructure for adaptation purposes specifically is also very promising. NBS for adaptation appears to be experiencing higher levels of funding as funders begin to recognise nature-based solutions as critical to protecting critical infrastructure from climate change. Water security, coastal protection and urban resilience are among the categories gaining financing as combinations of blended finance and policy support engage to prioritise proactive adaptation investment (see below).

26 **GI Hub (2023)** https://www.gihub.org/articles/what-are-nature-based-solutions-for-infrastructure/
27 **IFC (2024)** https://www.ifc.org/content/dam/ifc/doc/2024/catalogue-of-nature-based-solutions-for-infrastructure-projects.pdf ; **GIHub (2025)** https://www.gihub.org/articles/what-are-nature-based-solutions-for-infrastructure/ ; **C40 (2019)** Cities100

Nature based infrastructure is a growing solution, and promising site for capital market engagement

Beth Keddie
Managing Director, Head of Infrastructure and Industrials Systems, Pollination

Natural infrastructure represents enormous potential as an early and growing channel for nature finance, with attributes that enable it to fit within the existing financial system as an asset class today. A growing portfolio of real world examples are providing the evidence that they can deliver better outcomes and greater resilience at lower cost whilst growing in economic value over time. These examples include everything from green roofs, to 'sponge cities' and wetlands for water treatment, to mangroves and riparian plantings mitigating the impacts of flooding and erosion. This growing body of evidence can unlock much needed finance at all levels – from philanthropy to public and private finance at pace.

We are really excited about potential for this model to actively bring nature and some of its value into our economic system, driving investment with societal benefits far beyond the localised intervention. In our view the use of green and hybrid infrastructure could forever change the way we approach design and development. Asking the question "what solutions does nature already provide to achieve our desired outcome and how can we extend and harness that power" at the beginning of a design process (rather than how can we ensure we keep nature at bay to control the environment), opens up a world of possibility.

To realise the full potential of nature-based infrastructure, we often need to implement solutions that go beyond individual property or asset boundaries. For example to mitigate flood risk downstream there might be several key locations upstream where planting would make the most difference, on parcels of land owned by other parties. Collaboration and new financial and risk sharing models will be critical to unlock the value from nature-based infrastructure at scale.

It is telling that the early examples indicate the greatest potential for nature-based infrastructure relate to water. We face into at least two decades plus of locked in physical climate risk, manifesting most chronically for humanity and biodiversity at large in significantly altered hydrology. This will drive both conflicts over the availability and quality of fresh water and in managing the impacts of water. In this context we see a growing near-term market need that could accelerate these investments.

CASE STUDIES

ANGLIAN WATER WETLANDS DEVELOPMENT[28]

Activity: Anglian Water is a water utility in the UK. Anglian Water created a water treatment wetland alongside an existing treatment facility, which removes toxicity from incoming water before it is treated in the facility itself. It also reduces flooding in the local area and has supported an improvement in biodiversity.

Model: Anglian Water completed the project as part of the broader infrastructure development work. The work was funded as part of a £250mn green bond issued by the company. The cost of the project was estimated to be less than a tenth of the alternative infrastructure required to get the same water treatment outcome. The company also reduced their water and energy consumption at the site, and has 59 other similar projects now underway.

Outcome: The project resulted in the construction of a new wetland within the bounds of an existing treatment facility, improving the biodiversity of the site and the resilience of the surrounding landscape.

CASE STUDIES

DC WATER GREEN INFRASTRUCTURE[29]

Activity: The District of Columbia Water and Sewer Authority (DC Water) undertook to use a series of green infrastructure interventions to reduce runoff into Rock Creek. These included planter strips, kerb extensions, permeable pavements and green infrastructure which improved water retention in the landscape, reducing runoff.

Model: The project was funded by the issuance of a US$25 million Environmental Impact Bond, with Goldman Sachs Urban Investment Group and Calvert Capital as the two investors. The bond included an agreed outcome/risk sharing payment, which was designed to flow to investors if the intervention reduced runoff by more than 41.3% (considered a very significant result), and to DC Water if the intervention delivered a runoff reduction of less than 18.6%. Outcomes between these two thresholds would result in no outcome payment being made.

Outcome: Post-construction monitoring found that the green infrastructure deployed reduced stormwater runoff by nearly 20%, which was considered a successful range for the capital invested and did not trigger an outcome or a risk management payment.

28 **IFC (2024)** https://www.ifc.org/content/dam/ifc/doc/2024/catalogue-of-nature-based-solutions-for-infrastructure-projects.pdf ; **Anglian Water (2018)** https://www.anglianwater.co.uk/siteassets/household/about-us/pr19-10c-green-bond-annual-report.pdf

29 **Brears (2022)** https://medium.com/mark-and-focus/washington-dcs-environmental-impact-bond-greening-the-city-f32dd757fc8e

CASE STUDIES

ITAIPU DAM AND PRESERVES[30]

Activity: The Itaipu Dam is one of the largest hydropower facilities on earth, sitting on the border of Paraguay and Brazil and owned by Itaipu Binacional. Across the history of the facility the Company has worked to achieve watershed improvement, including acquiring and improving land surrounding the facility. The Itaipu Preserves program is the latest of a series of programs which have reforested and restored the upstream water catchment for the dam, including 421 micro-watersheds.

Model: The projects are financed by the company directly, sometimes with direct contributions from local government. The Preserves program as a subset of broader programs cost US$9 million, and was significantly more cost effective than alternatives available.

The financing model that the company employs is characterised by joint ownership, equal cost and benefit sharing across local communities and municipalities, and long-term debt repayment through electricity sales.

Outcome: The work created a new protected forested area (101 thousand hectares), including a network of biodiversity corridors. It also improved water quality in the reservoir, avoided the need to undertake dredging, and reduced maintenance costs for the dam itself. Although this case study does not include a specific financial institution, it is nonetheless an example of the scale of possible nature-based infrastructure.

30 **IFC (2024)** https://www.ifc.org/content/dam/ifc/doc/2024/catalogue-of-nature-based-solutions-for-infrastructure-projects.pdf ; **Resilience Shift (2021)** https://www.resilienceshift.org/wp-content/uploads/2020/08/Itaipu-Dam-case-study-Resilience-Shift.pdf

Widening horizons for adaptation investment and NBS

Nick Anstett
Managing Director,
Pollination

The emergence of dedicated adaptation funds, as well as adaptation finance windows from donors and multilaterals, is creating significant new pools of capital earmarked for NBS. This emergence represents a fundamental shift in climate finance architecture, where adaptation—historically underfunded compared to mitigation—is now receiving targeted financial mechanisms that explicitly recognize NBS as critical infrastructure for climate resilience. This includes GAIA, the US$1.48 billion blended finance platform co-founded by FinDev Canada, MUFG, and managed by Climate Fund Managers, in partnership with Pollination, with 70% focused on climate adaptation projects including nature-based approaches.

NBS investments can support adaptation in a number of ways. Typically, adaptation investors categorise underlying climate adaptation activities into three categories: (1) preventative risk-reduction; (2) disaster and emergency response; and (3) recovery and rebuilding. While investors are targeting all three types of opportunities, activities that provide risk-reduction benefits can yield greater financial and economic benefits by avoiding or reducing the damage from climate-related disasters in the first place.

Nature-based solutions are particularly attractive because they provide potentially lower-cost solutions that could greatly reduce climate physical risks and build measurable resilience. Beyond mangrove restoration for coastal protection (which is well established as a solution), the emerging NBS for climate adaptation that are gaining ground can be recognized in the following several key categories:

1. **Water Security and Flood Management:** Wetland restoration and protection for natural flood control, watershed restoration to recharge groundwater supplies during droughts, and floodplain restoration including beaver reintroduction to create natural flood buffers. Peatlands and marshes provide crucial buffers against both floods and water scarcity.
2. **Agricultural Resilience:** Agroforestry systems to protect crops from extreme temperatures and enhance drought resistance, rangeland restoration to bolster water supply for communities and livestock during droughts, and climate-smart agricultural practices that build soil carbon while improving water retention.
3. **Coastal Protection:** Coral reef restoration and protection, salt marsh restoration, and coastal vegetation establishment to dissipate wave action and protect shorelines from erosion and storm surge.
4. **Infrastructure Protection:** Biodiverse forest restoration to protect roads and infrastructure from erosion and landslides, sustainable forest management on slopes to prevent landslides and regulate water flow. Forested mountains and slopes stabilize sediments and provide protection from landslides.
5. **Urban Resilience:** Green infrastructure including urban forests for cooling and heat island reduction, permeable surfaces and constructed wetlands for stormwater management, and green roofs and walls for temperature regulation and flood control.

Among investors, resilience is fast emerging as a new value proposition for NBS. Investors are fundamentally reframing how they evaluate nature-based solutions, moving beyond traditional conservation or carbon-focused metrics to assess NBS through a resilience lens. This shift brings several key trends:

- Increasing presence and sophistication of blended finance: Adaptation investors are increasingly structuring financial instruments that layer concessional adaptation finance with commercial capital. Adaptation funds are being used to de-risk early project phases, create revenue streams through payments for ecosystem services, or provide credit enhancements that make NBS bankable for private investors.
- Recalibration of risk and return: Some adaptation investors (including governments and corporates) view

NBS investments through the paradigm of avoided losses rather than generated returns. These investors are pricing in the economic value of disaster risk reduction, infrastructure protection, and system resilience. For instance, coastal mangrove restoration is valued not just for biodiversity benefits, but for quantifiable storm surge protection equivalent to traditional gray infrastructure.

- Rising emphasis on outcomes: Investors in these solutions are pioneering results-based financing tied to specific adaptation outcomes – including reduced flood frequency, enhanced water security, and improved agricultural resilience. This focus on and linkage to outcomes creates accountability mechanisms that traditional conservation finance has often lacked.
- Increased geographic prioritisation, including in higher risk jurisdictions: Adaptation finance is directing capital toward climate vulnerability hotspots, often in developing countries where NBS can deliver outsized resilience benefits cost-effectively. This geographic focus creates new market opportunities in regions previously considered too risky.
- High engagement with policy: Many adaptation investors work closely with government adaptation planning processes, aligning investments with National Adaptation Plans and accessing public climate finance. This creates more stable, policy-backed investment environments.

For NBS proponents and investors, the emergence of adaptation as a significant business case is likely to open access to larger capital pools with clearer value propositions around measurable resilience outcomes. The adaptation finance lens provides a compelling economic rationale for NBS investments that complements and strengthens traditional environmental and social impact arguments, potentially unlocking the scale of capital needed to make NBS a significant asset class in climate finance.

Conservation bonds and debt

POLLINATION CONTRIBUTORS

Lauren Drake

SOLUTION	FINANCING	DRIVEN BY
Direct solutions in the form of conservation activity, usually undertaken by government or NGO.	Government debt or bonds, usually with concessionary tranches or other blended participation.	Governments, NGOs and Development Finance Institutions.

Conservation bonds are often front of mind when people think of nature finance as an activity. Conservation bonds take different forms, but generally allocate either core finance or portions of finance to conservation activities. The conservation activities themselves are diverse, and often specific to the issuing government or NGO.

Debt for nature swaps and nature performance bonds are both prominent models in this category. Debt for nature swaps involve sovereign debt restructuring, in which creditors accept reduced repayments in exchange for conservation commitments. Nature Performance Bonds directly link debt service payments to conservation outcomes where principal/interest reductions are contingent on verified nature outcomes.

Usually, these structures are undertaken by governments and NGOs with financial institutions engaging via the purchase of the debt. High profile issuers in the space include The Nature Conservancy and WWF, both of whom are leading in designing, implementing, and financing conservation projects worldwide. A range of development funding institutions, private investors and financial institutions tend to be involved in the creation and execution of these models, with financial institutions (particularly investors) often participating by purchasing the debt.

Often these models are issued against activity in developing markets. Conservation outcomes are often focused on maintaining the health of the significant natural capital across developing markets. This activity is particularly important in the context of rapidly developing economies with growing natural resource and space needs. According to the UNEP, global biodiversity finance has surged recently, growing from US$9.4 billion to over US$102 billion in the past four years.[31]

We see significant impact in these models because they can leverage large-scale traditional financing to support conservation outcomes. Conservation activity in emerging markets is particularly challenging to fund, given that the activity is often undertaken by governments or by smaller scale actors, is sometimes distributed geographically, and in many cases does not generate revenue. Aggregating conservation activity and supporting this activity via bond issuance, or leveraging traditional government borrowing to create funds for conversation, helps address this funding and scale problem.

We see this model enabling increasingly systematic, replicable conservation activity. Conservation bonds and debt can move fragmented, project-by-project efforts into standardised, replicable models. This allows for aggregation, which reduces risk for finance providers and increases efficiency. It also facilitates the replication of proven conservation models across geographies and can leverage the track record of other models to support capital allocation.

31 Press-release-New-Green-Shoots-research-Clean-10062024-updated-2.pdf

Conservation bonds are a promising model which can support high impact direct solutions financing

Lauren Drake
Executive Director, Pollination

Conservation bonds are gaining prominence as a nature finance mechanism due to their ability to mobilise large-scale capital toward conservation outcomes, particularly in developing markets. Conservation bonds can help address core challenges in conservation finance—such as the fragmented nature of conservation efforts, limited revenue generation, and the difficulty of scaling activities—by aggregating and standardizing conservation projects. This reduces risk for investors and increases replicability across geographies.

We are particularly excited about these models because there has been substantial innovation in the use of bonds for nature conservation in recent decades. Today a much more extensive suite of activities to drive climate, biodiversity and resilience outcomes are being researched and piloted. What's particularly compelling is their ability to structure finance around measurable outcomes, making nature protection more systematic, scalable, and investable. These instruments offer a powerful tool to redirect financial flows toward the protection of our planet's most critical natural capital—especially in regions where it's needed most.

Leveraging revenues to support these financing mechanisms continues to present a challenge. Conservation activities, especially those focused on protection rather than sustainable use, often do not produce direct revenue streams. Unless the bond is issued by a government and expenditure is accounted for under government budgeting, a key challenge is for conservation projects to generate revenue to repay bond finance. While there have been models that successfully attract private finance using carbon market mechanisms (such as IFC's 2015 Forest Bond), accessing environmental markets can be a challenge for conservation projects, and so many bonds rely on philanthropic or donor funds to support the repayment mechanism.

We expect that as more of these instruments emerge, they will get easier for investors and organisations to understand and access. Today there are many useful nature bond guidance and reference frameworks in market that can help in the design of mechanisms that are aligned with the commercial expectations of investors. Nonetheless, conservation bonds are still often bespoke and resource-intensive to design. As they are increasingly developed and tested in the market and investors become more familiar with them, we expect to see these structures mature and become more frequently used to support conservation outcomes and activities.

CASE STUDIES

THE CONSERVATION FUND (TCF) GREEN BONDS

Activity: In 2019, The Conservation Fund (TCF), a US-based NGO, issued a green bond and began using the proceeds of the bond to purchase working forests in an effort to prevent them from being broken up, and to improve biodiversity and natural capital outcomes in the forests.

Model: TCF used proceeds from the 10-year US$150 million bond to purchase working forests, and preserve them in their current state for long enough for these forests to then be purchased by state or federal conservation entities or other entities interested in preserving them. TCF pays interest and principal on the bond using a combination of these sales and the sale of sustainable commodities and tourism associated with the forests. TCF also blends the bond with other sources of finance, including financing from foundations, and aims to re-invest the principal a number of times before maturity.

Outcome: The model allowed TCF to initially acquire and protect 350,640 acres of forest (which included 694 miles of waterways and store 88.3mt of carbon), and to create or sustain more than two thousand jobs. Re-investment of the proceeds have protected more land taking the total to 475,000 by 2023.[32]

32 **Green Finance Institute (2023)** https://hive.greenfinanceinstitute.com/gfihive/revenues-for-nature/case-studies/conservation-fund-green-bonds/

CASE STUDIES

BARBADOS' BLUE LOAN FOR OCEAN CONSERVATION[33]

Activity: In 2023 Barbados undertook a debt conversion exercise with the support of The Nature Conservancy (TNC) and the Inter-American Development Bank (IDB). The transaction generated funds which support the expansion of marine protected areas to 30% of ocean area by 2030, and the creation of a sustainability grant fund to support direct conservation activity in the country.

Model: Barbados repurchased US$150 million of sovereign debt from two tranches, with a standing interest rates of 6.5% and 8%. Credit Suisse and CIBC FirstCaribbean concurrently arranged a US$146 million amortising Blue Loan at 3.8%, with IDB and TNC co-guaranteeing the loan for outstanding principal and one semi-annual coupon.

The core KPIs of the blue loan are to protect 30% of Barbados' Exclusive Economic Zone by 2030, and to direct the saving in financing costs to conservation outcomes. This format will generate US$40 million in debt service savings over 15 years, and this saving will be redirected to marine conservation activities including the sustainable fund.

Outcome: In addition to the debt service savings noted above, the proposed nature outcomes will include 30% of ocean area under protection by 2030, or ~55,000 square km of its Exclusive Economic Zone (EEZ) and Territorial Sea. Half of this is in high protection biodiversity zones. The government of Barbados will also undertake science-based, participatory, and inclusive Marine Spatial Planning to identify new protected areas and develop an ocean management plan. Finally, the government will create and fund the Barbados Environmental Sustainability Fund (BESF) – an independent conservation fund to disburse grants to conservation practitioners in Barbados.

CASE STUDIES

WILDLIFE CONSERVATION BOND ("RHINO BOND"), SOUTH AFRICA[34]

Activity: In 2022, the World Bank launched the Wildlife Conservation Bond (WCB), also known as the "Rhino Bond," raising US$150 million to support black rhino conservation in South Africa. This five-year bond is a pioneering example of outcome-based conservation finance, directly linking investor returns to measurable conservation results.

Model: Investors purchase the bond but forego traditional coupon (interest) payments. Instead, these payments are redirected to fund conservation activities in two key protected areas: Addo Elephant National Park and Great Fish River Nature Reserve. At maturity, investors receive a "conservation success payment" funded by the Global Environment Facility (GEF), contingent on the growth of black rhino populations in these parks. The payment size is directly tied to the net population increase of black rhinos over five years.

Outcome: This model mobilises concessionary private capital for conservation, shares risk and reward with investors, and has proven nature outcomes with black rhino populations increasing by almost 8% as of December 2023.

33 **TNC (2023)** https://marineplanning.org/news/barbados-blue-bonds-case-study/; and https://www.nature.org/content/dam/tnc/nature/en/documents/TNC-Barbados-Debt-Conversion-Case-Study.pdf

34 **Wildlife Conservation Bond Boosts South Africa's Efforts to Protect Black Rhinos and Support Local Communities**

Equity investment in nature-focused technologies

POLLINATION CONTRIBUTORS

Adriano
Scardino

SOLUTION	FINANCING	DRIVEN BY
Commercialisation of range of technologies relevant to improving management of natural capitals.	Private equity and VC.	Small and emerging companies and projects.

Investors and corporates are increasingly looking to finance the R&D and technology developments needed to shift production and gain improved understanding of natural assets. Finance for this typically includes private equity, venture capital or corporate investments in startups and companies developing technology-driven solutions. Nature tech can play multiple roles including to monitor, increase transparency, protect, restore or sustainably manage natural ecosystems. These are critical factors for building trust and scale in nature based solutions.[35]

There are a range venture capital, private equity and corporate firms playing in this space. Venture capital firm examples include Serena Capital which focuses on early-stage investments in MRV, biodiversity credits and regenerative agriculture; Planet A Ventures that invests in startups addressing planetary boundaries; and Azolla Ventures that invest across climate and nature tech. Private equity firms include TPG Rise Climate, which focuses on large-scale nature-based solutions; Norinchukin Capital that invests in agri-tech and sustainable food systems; and Ecosystem Investment Partners which makes restoration-focused investments, targeting degraded land and wetland rehabilitation.

As the long walk towards managing natural capital and nature inputs continues, we will see increasing demand for relevant technologies. A strong early and growth-stage technology investment ecosystem can make sure these are available when they're needed. Long development cycles, regulatory uncertainty, and commercial viability of nature-focused solutions can create some risks in these types of investments. However, there is a huge vision for growth with the market projected to expand with rising demand for biodiversity credits underpinning by corporate net-zero commitments.

Nature tech is maturing into an investable asset class with global relevance and growing market confidence. Venture funding hit US$2.1 billion in 2024, up 16% from 2023 and double 2019 levels. The number of deals rose by 26%, with early-stage investments nearly tripling since 2020 and Series A rounds becoming more common.[36] This signals greater startup maturity and a stronger pipeline of scalable solutions.

Private equity and venture capital is not just supporting innovation but accelerating deployment. These investors are ensuring that nature tech tools - like advanced MRV systems, biotech for restoration, and digital platforms for nature markets - are ready when demand increases. By doing so, they bridge the gap between policy ambition and operational delivery.

This model also supports systemic change. It enables new approaches to land use, agriculture, and biodiversity that can help companies meet regulatory expectations and transition to sustainable practices. As natural capital becomes a recognised asset class, tech-enabled valuation, risk management, and trading tools will unlock new markets. Investments are also supporting work to improve resilience, with technologies that monitor and mitigate nature-related risks across supply chains and infrastructure.

35 **Eng, King and Strong (2022) The Nature Tech Market: Necessary, Emergent Dynamic** https://nature4climate.wpenginepowered.com/wp-content/uploads/2022/11/N4C-C4C-nature-tech-market-report-final.pdf
36 **VC Funding Trends in Nature Tech — Report 2025** | by Xavier Lorphelin | Apr, 2025 | Serena

Adriano Scardino
Director,
Pollination

The demand for nature-positive assets and resilient supply chains is creating the need for cost effective new solutions. New start-ups and growth stage companies are seizing this opportunity by developing technologies that will enable sustainable new products and reduced externalities on nature.

As sustainability practices mature from ambitions to real sources of competitive advantage, nature tech is poised to evolve from a niche segment to an increasingly meaningful investment thematic. This will enable more funds to flow to this space, which will in turn allow the adoption of nature technology solutions at scale.

Key challenges to the growth of private investment in nature technology companies lie in the difficulties in quantifying ecological value. This ends up obscuring the measurable benefits that new technologies can provide, making it hard for companies to demonstrate their key value drivers and attract more funding.

CASE STUDIES

AMONG THE NUMEROUS VENTURE CAPITAL FUNDS IN THE MARKET, THIS PARTICULAR FUND STANDS OUT AS PARTICULARLY NOTEWORTHY.

PLANET A

Fund: Planet A invests in European green tech start-ups with scalable business models which also have a significant positive impact on the planet. This covers early-stage hardware and software companies across all sectors of the EU taxonomy including agriculture, forestry & food, construction & real estate, energy & heat, manufacturing, transport & mobility, water and waste. The investment criteria is based on impact across climate mitigation, waste prevention, resource efficiency and biodiversity protection. Examples include Traceless, a Hamburg-based start-up developing a sustainable alternative for plastics and bioplastics that is fully compostable in nature, contributing to solving the global plastic pollution problem.

Model: One interesting aspect of the business model is that Planet A is the first European venture capital fund with an in-house science team that uses life cycle assessment (LCA) to quantify the impact of a startup as part of their due diligence process.[37] They rely in particular on a consequential LCA which allows an understanding of the environmental impact if a certain business model or technology scales.

Outcome: Planet A invests in climate and nature tech and also deploys tools to demonstrate measurable systemic value. This is a positive not only for Planet A's investment thesis, but also fuels the mechanisms to build trust and scale in the sector by equipping their portfolio companies with the results to use in market.

37 **Planet A (2022)** LCA White Paper https://techfornetzero.org/wp-content/uploads/2024/05/Planet-A-LCA-Whitepaper.pdf

Investor survey: *capital markets are leaning into nature.*

Investor survey: capital markets are leaning into nature

ABOUT THE SURVEY

Every few years we survey the institutional investor market, to get a sense of what investors are thinking and doing on nature.

We first undertook this survey in 2023 (published in our first NFF report), and in 2025 we have repeated the survey. Investors give us a good sense of where capital markets see opportunities and barriers on nature, and where they perceive risk and value.

Pollination surveyed 500 institutional investors in May 2025 that currently consider nature in their investment portfolio, either as a risk or investment opportunity. This is important to note, as it means the focus of the survey is investors that currently consider nature, rather than the entire global investment community.

The survey includes investors across five major markets - UK, USA, Australia, Singapore and Japan. Respondents were from firms with AUM ranging from under US$10 billion to over US$500 billion. We include the asset management divisions of insurers, but we do not survey other financial institutions. Pollination partnered with Censuswide for the survey. Censuswide adheres to the MRS Code of Conduct based on ESOMAR principles.

Key insights

The politicisation of ESG is impacting nature investment for the vast majority of investors surveyed, again noting that politicisation is affecting their investment strategies (up very slightly on 2023).

Despite this politicisation, **99% of surveyed investors** plan to increase their nature-related investments. This is substantially larger than our previous survey where 68% planned to increase their investments.

Nature is shifting from a niche interest to a significant area of engagement and deployment for major investors. Structural barriers remain including capability and access to opportunities.

SUMMARY

Our overarching takeaway from the 2025 survey is that nature is solidifying its place in global investment portfolios, with institutional investors continuing to increase exposure despite an increasingly volatile political landscape.

As an investment theme, nature has become more established and appealing for investors since 2023. Despite 96% acknowledging that the politicisation of ESG is influencing their strategies, momentum for nature-related investment has not slowed. Despite this politicisation, 99% of surveyed investors plan to increase their nature-related investments – a substantially larger number than our last survey.

We see not only a rise in deployment appetite, but a growing interest in non-organic approaches. Only about 0.2% of investors in the space noted that they don't intend to increase their deployment in 2025, versus slightly over a quarter in 2023. Correspondingly, investor use of various strategies to deploy into nature seem to have risen slightly, with a growing emphasis to non-organic approaches among large investors, particular in the UK. Acquisitions and partnerships feature as deployment strategies notably for larger and UK-based firms, with a large jump in interest in these strategies since 2023.

Investor understanding of nature-related risks has matured since 2023. Survey responses point to a substantial increase in observed risks across sectors, suggesting that the financial materiality of nature-related risks is becoming more evident for capital markets.

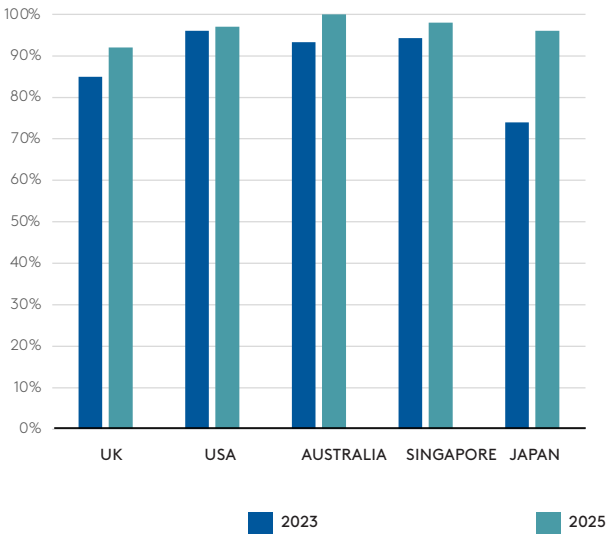
Beyond risk, opportunity seems to be increasingly driving investment in nature. The survey found that 43% of investors globally cite financial return as their primary motivation for investing in nature, a shift from risk mitigation and implicit inclusion in 2023.

While commitment to nature investing grows, there are still execution barriers to overcome. Observed barriers to investing in nature rose very slightly, but shifted to barriers related to execution – a lack of returns, pipeline and capability, rather than a lack of interest.

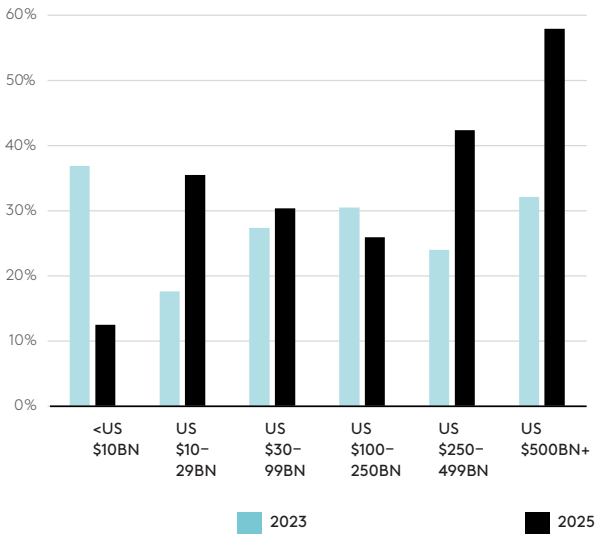
It's important to note that this survey only reviews a sub-set of the investor landscape. Our survey focusses on investors engaged on nature already, rather than the entire global community (see 'About The Survey' section above). Although this means we can't make comment on the entire investment landscape, we can nonetheless see a jump in the materiality of observed risks and opportunities, increased interest in deployment and increased investor appetite – especially among larger investors.

CHANGE IN INVESTOR DEMAND AND POLITICISATION

Respondents who cited 'rising politicisation of ESG' as impacting their strategy or desire to invest further in nature, by country



Respondents who cited 'investor or client demands' as driving their interest in nature investing, by fund size.



DETAILED RESULTS

In 2025 we see a substantial increase in observed risks across sectors, suggesting that the financial materiality of nature-related risks is becoming more evident for capital markets. We ask investors to identify the sectors in which they observe significant financial risk (with the opportunity to select few or no options). In 2025 we see almost a ten-percentage point jump in the number of investors highlighting risk across provided sectors, signalling a higher observation of risk than in 2023. Risk is observed fairly evenly across sectors, although regional results vary widely. Property remains a sector of observed high risk, along with chemicals. Observations of risk in materials and manufacturing grew in 2025. Materials and Manufacturing showing new prominence in 2025. Similar to 2023, US, Australian and Singaporean investors observe the highest aggregate risk.

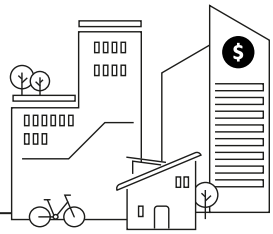
We also see a similar level of increase in observed risks across asset classes. Interestingly, the average observed risk has risen sharply in the UK, US, Australia and Singapore, but not in Japan. Not surprisingly agriculture and forestry is the class in which investors observe the highest risk, but this is followed closely by private equity and then property & infrastructure. By contrast, investors seem to see fixed income and listed equities as slightly less exposed to nature risks. Since 2023, both pension funds and insurers have observed the highest increase in observed risk, and 45% of all large* investors now identify significant risk in every asset class.

At the same time, we see a significant lift in the focus on opportunities associated with nature – with a growing number of investors engaged in the search for value creation opportunities in the space. In each survey we ask investors to identify which factors are driving their activity on nature, from regulatory or activist pressure through to investor interest or financial opportunity. In 2025 we see a lift across drivers, but the search for opportunities, the pursuit of improved nature outcomes, and regulatory compliance rose particularly. In 2025 the search for new revenue opportunities is the largest driver for investors working on the topic across the board, with asset managers and insurers particularly engaged. Although opportunity was the third highest driver in 2023, in 2025 it sits well above the rest – with 43% of all respondents noting that the search for new financial opportunities was driving their work in the area. Australian and Japanese investors are also particularly focussed on the economic rationale for nature-related investments, versus peers, with more than half of all investors in these jurisdictions highlighting the opportunity driver. Interestingly, our smallest investor cohort is the most focussed on developing new opportunities, with more than 60% of respondents in this group highlighting this as a driver of their work.

10%

jump in number of investors observing risk across both sectors and asset classes

43%



cite financial return as their primary motivation for investing in nature, a shift from risk mitigation and implicit inclusion in 2023.

99%

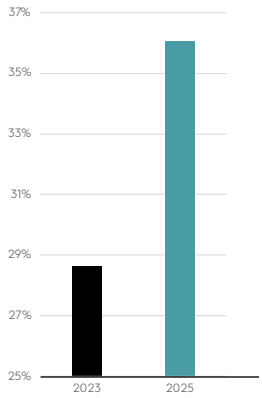
of surveyed investors plan to increase their nature-related investments

up from 68% in 2023

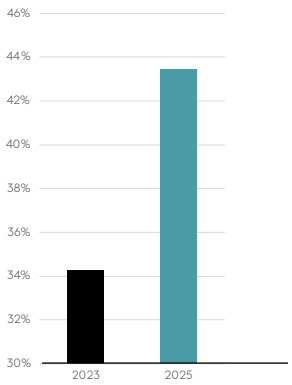
*AUM over US$500 billion

Perceived increase in risk and returns driving increased investments

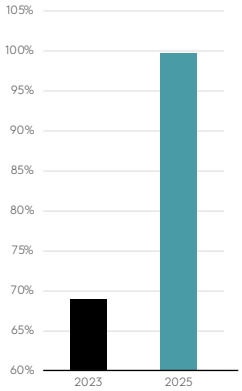
Nature risk observed across sectors and asset classes



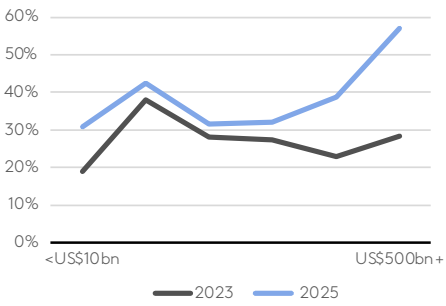
Investors who cite opportunity for financial returns as their primary driver for nature investment



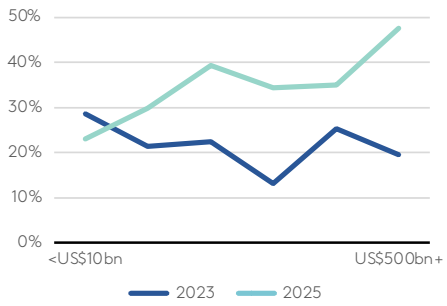
Investors who plan to increase their nature-related investments



Acquisition of specialist firms by fund size



Building new partnerships by fund size



To deepen nature exposure, investors are increasingly turning to specialist expertise, acquisitions and partnerships.

Investor demand on nature has changed overall, and this change has been driven by growth in a few particular categories. In 2023 investor demand was flat across investor size, but in 2024 investor demand has risen very significantly among larger firms. Almost 60% of large* investors now note that demand from their investors is a major driver of their work on nature – up from just over 30% in 2023, and the highest driver for large firms across the board. Despite this trend, investor demand on the topic seems to have dropped off slightly in Singapore and Australia.

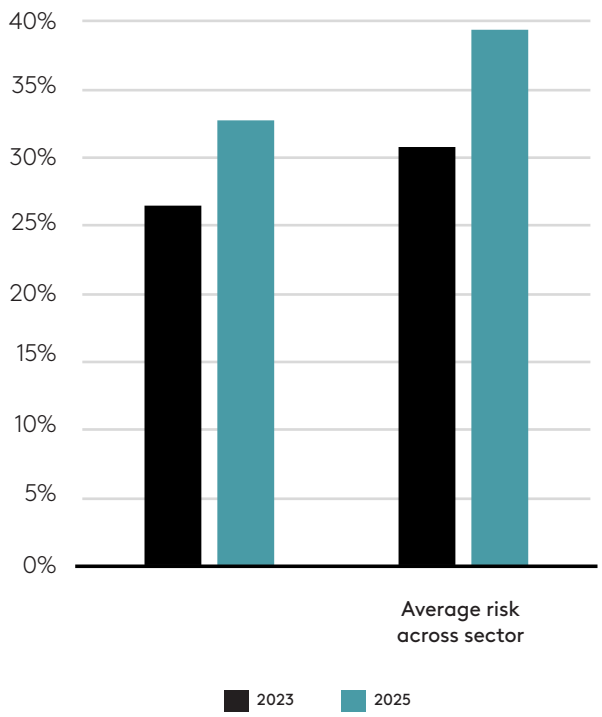
Shifting barriers observed by investors suggest that executives and boards are dragging their feet, and a shift to implementation or deployment among larger investors. Despite the above finding, the highest barrier for investors working on nature is still disinterest from their own investors, executives and boards, and the number of investors identifying both barriers has risen since 2023. To the growing investor interest noted above, small and ultra-large firms seem to have the least problems with investor engagement. However, ultra-large firms counterintuitively have the greatest challenges with executive and board engagement. More than half of the respondents among ultra-large firms noted executive or board disinterest as a blocker. We also see a shift in the type of barriers identified, particularly among ultra-large firms and pensions. In both these groups, barriers such as lack of investor interest have held steady or dropped, and barriers such as a lack of pipeline, returns and capabilities have risen. This suggests that as investor interest has grown for these firms, their work has shifted to allocation (and the challenges it presents).

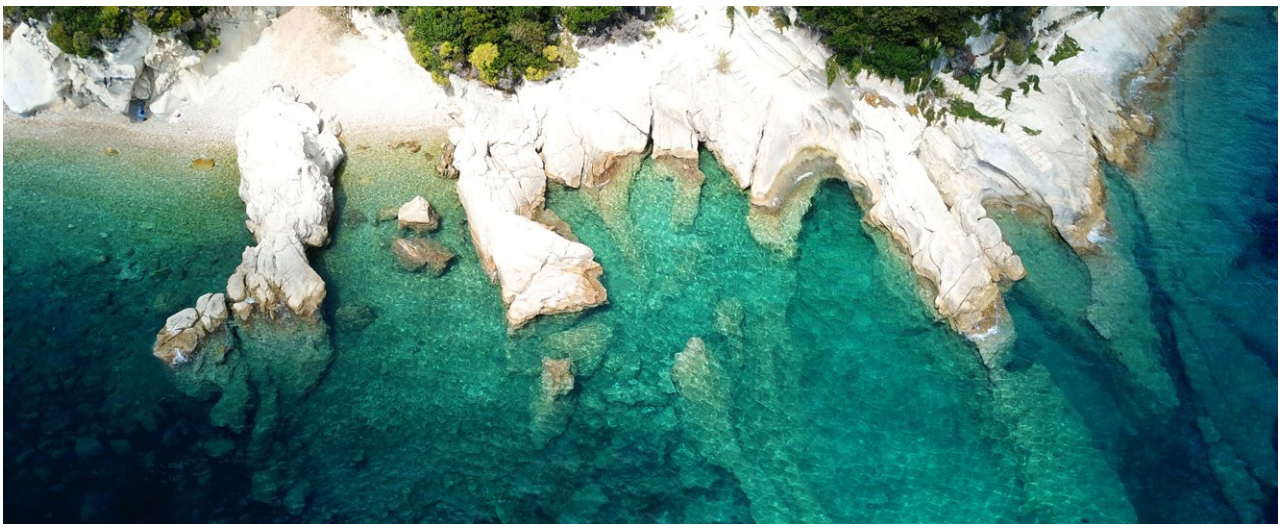
2025 results suggest a significant increase in appetite to increase deployment on the theme. In 2025 very few respondents (about 0.2%) are not looking to increase their allocation, versus slightly over a quarter in 2023. These respondents are entirely small US asset managers. This is a striking shift. Among strategies identified to support this new allocation, intention to deploy to specialist and generalist managers remains steady, with both types having an even showing in 2025. Interestingly, although large investors seem to favour generalist managers, pension funds have a much higher interest in specialists (with more than 40% of pensions highlighting this strategy, versus 30% highlighting generalists).

Appetite for acquisitions is notably up among very large investors, and in the UK. In 2023 33% of extra-large investors highlighted acquisition as a deployment strategy, and 41% of ultra-large investors noted the same. In 2025 these numbers have jumped to 39% and 57% respectively, illustrating a significant jump in acquisition interest in the ultra-large category specifically. This acquisition interest is also strongest in the UK – growing from 37% to 42% since 2023. Larger funds and pensions appear to be more interested in partnerships as well. In 2025, almost half of all pensions and ultra-large investors surveyed noted they are actively looking to build partnerships in the space.

Finally, observed risk from politicisation has risen off a high base. 2023 numbers were already high – with just under 90% of investors globally noting that the politicisation of ESG was likely to impact their strategy. In 2025 only 3.8% of respondents gave the same answer, making this view of risk even more universal. Interestingly observed risk is now highest not in the US, but in Australia, Singapore and Japan. By contrast observed risks in the US have moderated just slightly – with the same number of investors expecting some impact, but a slightly smaller group expecting significant impacts.

INVESTORS OBSERVE RELATIVELY EVEN RISK ACROSS SECTORS, CLASSES





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