



## Task force “Biodiversity Loss and Nature-related Risks”

### Mandate – April 2022 / April 2024

Chairs of the task force: Sylvie Goulard (Banque de France) and Saskia de Vries (De Nederlandsche Bank)

Members of the Secretariat: Erlan le Calvar and Romain Svartzman (*ad interim*)

#### A. Objective

The objective of the task force is to help mainstream the consideration of nature-related risks across the NGFS. It will act as an incubator that explores, develops, and harmonises relevant nature-related considerations and efforts in collaboration with the NGFS workstreams, expert networks and members. In particular, the task force aims to:

- i. provide NGFS members with a common understanding of, and language and conceptual framework for, nature-related risks, including physical and transition risks related to biodiversity loss and ecosystem degradation;
- ii. provide recommendations to NGFS workstreams on how to operationalise the integration of nature-related risks into their respective work programme; and
- iii. identify potential needs for inputs from NGFS expert networks and for engagement with external initiatives.

#### B. Relevance to the work of the NGFS

Among environmental issues, nature-related ones, and biodiversity loss in particular, have attracted increasing attention within the financial sector and public policy frameworks globally<sup>1</sup>. While the work of the NGFS has mainly focused on climate-related risks since its launch, the NGFS has also started to work on the topic of biodiversity loss over the past year, in particular through the joint research project initiated in April 2021 together with the research network INSPIRE. The various NGFS occasional papers published by this Study Group<sup>2</sup> confirmed the relevance of these risks for financial stability, with

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<sup>1</sup> Notably, ongoing negotiations around COP15 and the Post-2020 Global Biodiversity Framework of the Convention on Biological Diversity (CBD) may have profound implications for economic activities and the financial system, which would be relevant for central banks and supervisors.

<sup>2</sup> The NGFS-INSPIRE Study Group published three NGFS Occasional Papers: (i) a [Vision Paper](#) published in June 2021; (ii) an [Interim Report](#) published in October 2021; and a [Final Report](#) published in March 2022.

further research needed as to their impact on price stability. The NGFS-INSPIRE Study Group also recommended policy options for NGFS members and other financial policy institutions to consider depending on their respective mandates, remits and stages of financial and economic development.

On the basis of the available scientific evidence reviewed by the NGFS-INSPIRE Study Group, the NGFS acknowledges that nature-related risks, including those associated with biodiversity loss, could have significant macroeconomic implications, and that failure to account for, mitigate, and adapt to these implications is a source of risks for individual financial institutions as well as for financial stability.<sup>3</sup> Central banks and supervisors should therefore adequately consider these risks for the fulfilment of their mandates. The task force aims to support NGFS members in considering these nature-related risks as part of their mandates. In doing so, the task force aims to contribute to the NGFS' general purpose of greening the financial system.

### **C. Tasks**

The proposed tasks are indicative, and their content and timeline will depend on the priorities expressed by NGFS members, as well as on the rapidly changing policy, practice and knowledge landscapes.

#### **1. Map existing know-how, initiatives, risk transmission channels, resources, and challenges in the area of nature-related risks**

The task force will take stock of:

- i. existing know-how and initiatives on the integration of nature-related risks into monetary policy, non-monetary policy portfolio management and supervision by central banks and supervisors, and into risk management by financial institutions and companies;
- ii. the main risk transmission channels and variables that may be relevant to NGFS members and possibly differ across jurisdictions; and
- iii. the critical outstanding financial system challenges (e.g. data or knowledge gaps) that impede further progress in this area, as well as possible resources or solutions to address them.

This will notably leverage the work of the [NGFS-INSPIRE Study Group](#).

To facilitate the build-up of knowledge, the stock-take can be supplemented with thematic deep dives by the task force (where relevant in collaboration with relevant NGFS workstreams and expert networks) that shed further light on specific aspects and/or potential avenues for members to address these risks.

#### **2. Develop a conceptual framework on nature-related risks to guide action by central banks and supervisors**

The task force will devise a conceptual framework on nature-related risks that central banks and supervisors can utilise to develop policies and actions on nature-related issues such as biodiversity loss and ecosystem degradation, taking into consideration their jurisdictional contexts. This framework will

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<sup>3</sup> See the [NGFS Statement on Nature-Related Financial Risks](#) published on 24 March 2022.

need to include definitions of the key concepts to consider, including the range of relevant nature-related issues and associated terminology<sup>4</sup>, as well as the concepts relating specifically to nature-related financial risks<sup>5</sup> and the way these can be integrated into risk management. It will have to pay attention to how these concepts articulate<sup>6</sup>.

### **3. Formulate recommendations on how the NGFS workstreams should integrate nature-related risks into their work plan**

In close collaboration with the four NGFS workstreams, the task force will identify priorities and formulate recommendations on how they should integrate nature-related risks into the various tasks of their own work plan. Wherever possible, it will be useful to identify synergies and trade-offs with work conducted on climate-related or broader environmental risks.

To ensure alignment with the conceptual framework and recommendations (or ongoing work to devise these), the task force could review all materials of the NGFS workstreams that have linkages with nature-related risks.

### **4. Engage external forums and NGFS expert networks to bridge the gaps that impede further action**

Following the successful combination of members and experts of the NGFS-INSPIRE study group, the task force will continue to engage with experts. The task force will establish preliminary contacts with relevant external forums and submit requests to the NGFS expert networks, with a view to addressing these challenges. Where relevant to their mandate, NGFS workstreams and expert networks will follow up on these collaborations to advance the integration of nature-related risks into their work plan.

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<sup>4</sup> These could include concepts such as the planetary boundaries and/or a set of them, such as biodiversity loss, and the associated terminology (e.g. in the case of biodiversity loss: direct and indirect drivers, types of biodiversity, etc.).

<sup>5</sup> These could include the various categories of risks (e.g. environmental risks, nature-related risks, climate-related risks, etc.), the types of risk factors (e.g. physical/transition; nature-related impacts/dependencies) and any concept needed to describe their transmission channels.

<sup>6</sup> E.g. interconnections, overlaps, similarities and differences between nature-related risks, including those specifically related to biodiversity loss, climate-related risks, and environmental risks more broadly.