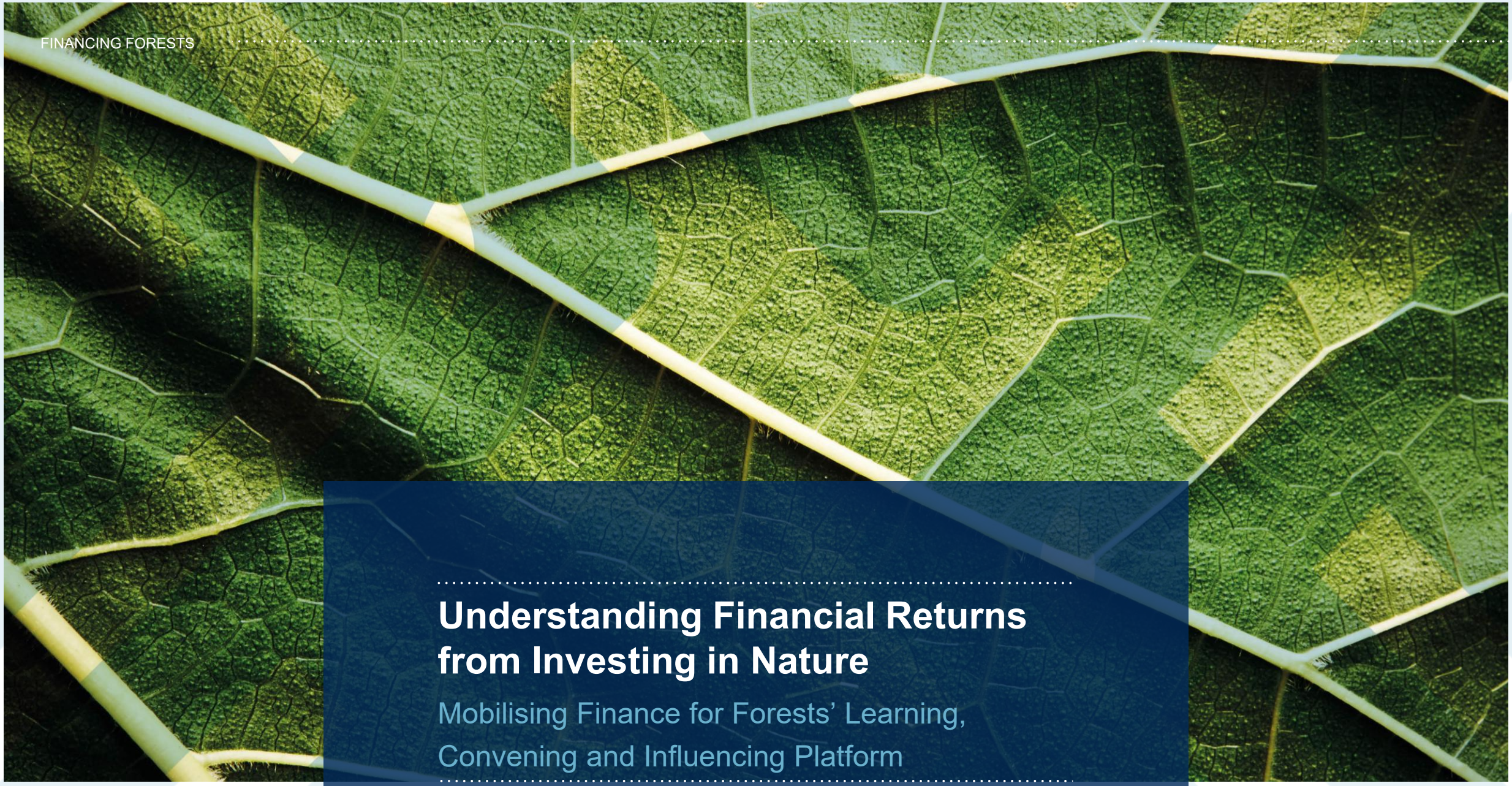

Understanding Financial Returns from Investing in Nature

Mobilising Finance for Forests' Learning, Convening and Influencing Platform

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Key definitions

- **Nature-based solutions (NbS)**: Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits (United Nations Environment Assembly). Nature-based solutions can address issues including climate change mitigation and adaptation, human security issues such as water security and food security, and natural disaster risk reduction.
- **Nature-positive**: A high-level goal and concept describing a future state of nature (e.g. biodiversity, ecosystem services and natural capital) that is greater than the current state (UNEP State of Nature Finance 2023). Nature-positive is defined by leading conservation organizations as the global societal goal to "Halt and Reverse Nature Loss by 2030 on a 2020 baseline, and achieve full recovery by 2050" (Nature Positive Initiative, 2023). This definition featured prominently in discussions at the 2024 UN Convention on Biological Diversity's Conference of Parties 16 (COP16).
- **Nature-Positive Funds (NPFs)**: Funds dedicated to nature-positive as an investment strategy, using nature as an asset class as the means of achieving this goal.
- **Adaptation: "**Adaptation refers to adjustments in ecological, social or economic systems in response to actual or expected climatic stimuli and their effects. It refers to changes in processes, practices and structures to moderate potential damages or to benefit from opportunities associated with climate change. Adaptation actions can take on many forms, depending on the unique context of a community, business, organisation, country or region… There is no 'one-size-fits-all-solution'—adaptation can range from building flood defenses, setting up early warning systems for cyclones, switching to drought-resistant crops, to redesigning communication systems, business operations and government policies." (UNFCCC, 2025)
- **Mitigation: "**Any action taken by governments, businesses or people to reduce or prevent greenhouse gases (GHG), or to enhance carbon sinks that remove them from the atmosphere. Reductions in GHG emissions can be achieved, for example, through changing agricultural practices, the sustainable management and conservation of forests, and restoring and conserving critical ecosystems." (UNDP, 2024)
- **Disaster Risk Reduction (DRR): "**Acts or policies that aim to prevent new and reducing existing disaster risks and managing residual risk, all of which contribute to strengthening climate resilience and therefore to the achievement of sustainable development." (UNDRR, 2017)

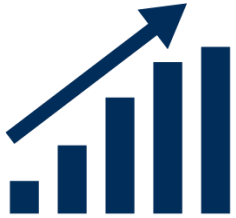
Investing in nature | What does it look like?

Investing in Nature

Improving the sustainable management and protection of terrestrial, freshwater, coastal and marine ecosystems, whilst addressing social and environmental challenges

ESG Reporting and TNFD Integration

Complying with global disclosure frameworks to identify where nature-related dependencies and ESG risks lie in investor portfolios and decrease the risk of 'greenwashing'



Nature as a Value Driver

Putting nature on the balance sheet to recognise nature's value in concrete terms, underpinning economic stability and prosperity by reducing nature-related financial risks

Tailored Financial Instruments

Using a mix of traditional (equity, debt) and innovative financial mechanisms such as blended finance, guarantees, first loss tranches, and technical assistance facilities to enhance portfolio resilience and returns

Agriculture, food and beverage, tourism, utilities, and real estate are the sectors most exposed to nature-related risks, and collectively represent a major, underutilized pipeline of investable nature opportunities (S&P Global, 2025).

Investing in nature | Benefits and strategic value

Financial institutions that lead on **nature** integration are better equipped to understand their dependencies on nature, mitigate risks linked to declining natural capital such as land and soil degradation and commodity/natural resource availability, capture new revenue opportunities, and thus strengthen long-term financial performance.

Climate Mitigation and Resilience	• **Benefits:** Reduces exposure to nature and climate risks; strengthens portfolio by moving away from harmful investments and into ones with positive E&S impact • **Example:** Ecosystem restoration projects to secure the long-term security of valuable forest commodities and natural resources
Innovation	• **Benefits:** Unlocks new revenue streams; fosters sustainable growth • **Example:** Nature-tech start-ups; biodiversity (BNG units) and carbon credits
Portfolio Rebalancing	• **Benefits:** Enhances long-term returns; aligns with sustainability goals and regulations • **Example:** Sustainability-linked bonds; investing in natural asset companies that effectively monitor and manage their nature-related impacts

Prioritizing investment sectors and developing targeted **nature investment** strategies, selecting asset classes that match investor risk tolerances, investment horizons, and sustainability commitments. This can include public and private equity investments, real assets, and fixed income products.

Investing in nature | Revenue sources and financial returns

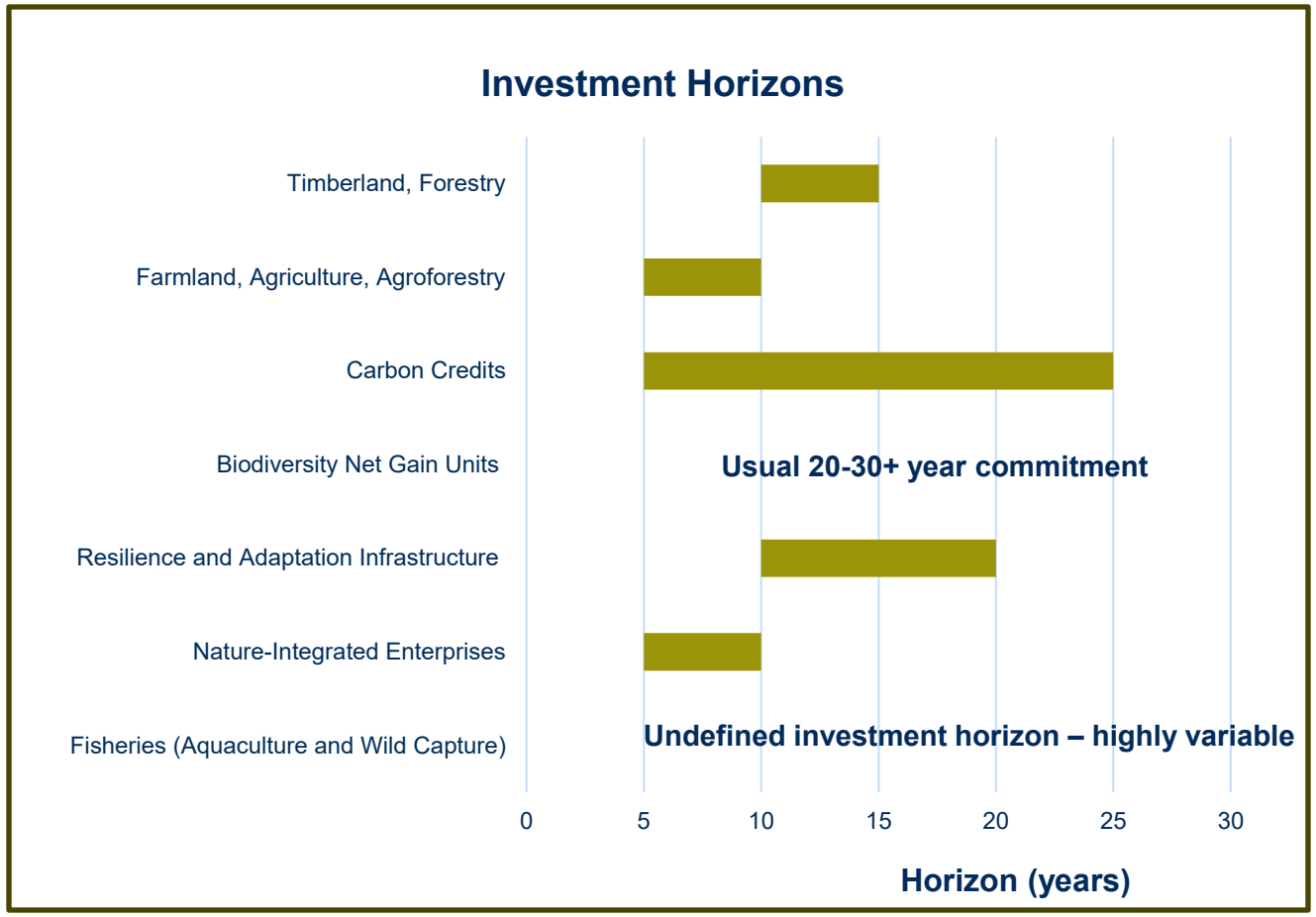
Natural capital asset type	Revenue sources	Typical IRR (yearly) and investment horizon
Timberland, forestry	• Timber productions (pulpwood, chip-n-saw wood, sawtimber), non-timber forest products (NTFPs), carbon storage during growth cycle	6-11% in developed markets* 10-15% in emerging markets Long-cycle asset: 10-15 years **average of 11.4% in the UK since 1994, for example*
Farmland, (regenerative) agriculture, agroforestry	• Crop growth, harvest, and sale of land/commodities. Generates tangible commercial assets and safeguards carbon stocks during crop growth cycle. • Agroforestry systems combining trees with crops or livestock, generating diversified revenues (NTFP's + crop/livestock yields), improved soil health and water retention, and carbon benefits	7-12%** Medium-cycle asset: 5-10 years ***variable by location, crop type, climate etc.*
Carbon credits Carbon only versus Carbon-plus-commodity	• Carbon credit sales – intangible, tradable certificates that remove 1metric ton of CO2e avoided. **USD denominated revenues**. • Carbon-plus-commodity –Carbon being used as an additional PES mechanism: Revenue generation alongside other benefits such as peatland and forest restoration, and water regulation.	Nascent market, return ranges unproven Target IRR ranges: 12-14% Highly variable cycle length: 5-25 years
Biodiversity/Nature credits, net-gain units and similar	• Credit/unit sales and offsets: Payment for assuring a net-gain of species diversity through restoration projects or development, either as part of voluntary or compliance commitments. Demand expected to rise due to strong policy and market fundamentals	Nascent market, return ranges unproven Target IRR ranges: 8-12%*** Long-cycle asset: 20-30+ years ****indicative range based on UK BNG market*

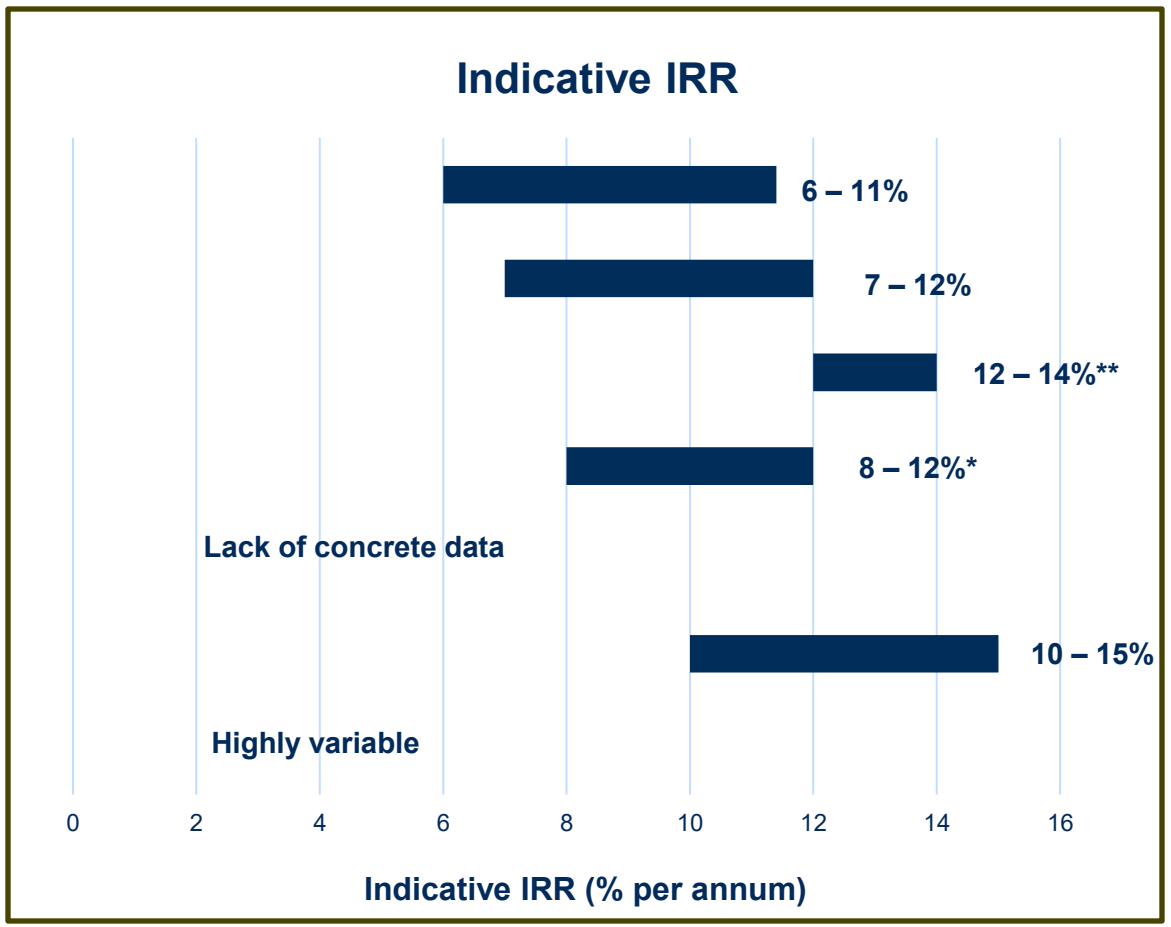
Investing in nature | Revenue sources and financial returns

Natural capital asset type	Revenue sources	Typical IRR (yearly) and investment horizon
Resilience and adaptation infrastructure	• Climate-proofing commercial property and cities to increase property values, selling solutions to problems driving insurance costs to developers or businesses	Little historical data – IRR range unproven Long-term returns: 10-20 years
Nature-integrated enterprises	• Net gain through conservation and restoration practices and generate added value for businesses that depend on ecosystem services. This includes natural burial providers, wedding venues and events, natural schools, or forest-based playgrounds. Tends to be lower risk.	10-15% Medium-cycle asset: 5-10 years
Aquaculture and fisheries	• Revenue from commercial landings (catch volumes, price trends), improved stock health leading to higher long-term yields, efficiency gains from better management, volume-based fee mechanisms in Fishery Improvement Funds (FIFs), and market value increases associated with sustainable certification	No standard IRR range — highly variable due to stock health, regulatory frameworks, species economics, and management effectiveness Undefined investment horizons

Investing in nature | IRR vs. investment horizon by nature project type

Natural capital assets: Investment horizons v. indicative IRR ranges





Note: Much of the indicative IRR and investment horizon figures have been taken from the Greater Manchester Pension Fund Guidance, unless indicated otherwise on the previous slide.

Investing in nature | Nature investment characteristics and opportunities (1/2)

Natural capital asset type	Market activity and economic opportunities
Timberland, forestry	• Tangible and vital commercial assets – the market is backed by historical data and consistent returns • Due to a mass acquisition of timberland in the mid-late 2000s by closed-ended fund vehicles (most of which had 15-year returns), many timberland assets will come to market between now and 2027 • Higher quality natural products from healthy ecosystems command higher market value • Integrating regenerative and nature-friendly practices, for instance as required by sustainability certifications such as FSC, shifts these assets toward lower ecological risk, stronger long-term productivity, and more resilient financial performance.
Farmland, agriculture, agroforestry	• Farmland has strong returns in US and UK – has outperformed inflation in a variety of markets • Portfolio is very diverse and stable, and population growth and a constrained supply of arable land mean that farmland has good opportunities for long-term growth and reduced volatility. • Agroforestry systems serve to improve soil health, diversify revenue streams, stabilize yields, and enhance carbon stocks. A high level of diversification across the portfolio makes it more attractive from an investor-risk mitigation perspective • There is a stronger corporate demand for agroforestry supply chains due to an increase in deforestation regulations and policies – investing in agroforestry would reduce risk and create powerful incentives.

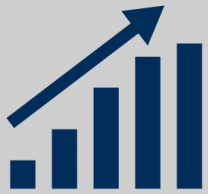
Investing in nature | Nature investment characteristics and opportunities (2/2)

Natural capital asset type	Market activity and economic opportunities
Carbon credits	• Still an emerging and volatile market. Published prices for spot sales tend to be well below private offtake agreement values. • Development of bolt-on strategies, where carbon credits are sold off the back of other natural capital asset investments
Biodiversity net-gain units	• Although nascent, backed by strong policy and market fundamentals in some countries, which may drive increasing demand.
Resilience and adaptation infrastructure	• Growing insurance costs due to increased frequency of extreme weather is rising • Large-scale nature-based resilience infrastructure funds are emerging, but the market still remains nascent due to little historical data backing the asset overall. • Urban green infrastructure, particularly large-scale urban parks financed by public funds, not only increases property value but also delivers health benefits
Nature-integrated enterprises	• Natural burials, forest schools and nurseries are growing in popularity in the developed markets, thus central to the enterprise-based natural capital investment strategies • Can be relatively low risk due to ownership of underlying assets regardless of business success • Classic value-add approach which is familiar to institutional investors
Aquaculture and fisheries	• Strong investment appetite. Sustainable fisheries and aquaculture are among the fastest-growing blue-economy investment areas, with private investors starting to look towards improved fisheries management and traceability systems • Lots of co-benefits – Healthy fisheries and restored coastal systems also contribute to carbon sequestration, coastal protection, and biodiversity recovery

Investing in nature | Characteristics and opportunities

Asset Type	**Timberland Forestry**	**Farmland Agriculture Agroforestry**	**Carbon Credits**	**Biodiversity Net Gain Units**	**Resilience and Adaptation Infrastructure**	**Nature-integrated Enterprises**	**Aquaculture and fisheries**
NBS Focus	Mitigation	Adaptation and Mitigation	Mitigation	Disaster Risk Reduction, Mitigation and Adaptation	Adaptation and Disaster Risk Reduction	Adaptation	Mitigation and Adaptation
Market and Economic Characteristics	Mature Market Data Backed Consistent returns	Inflation hedge Stable and Diverse Long-term growth	High volatility High growth potential Often bolt-on	Policy-led Nascent Market Rising Demand	Emerging funds available Limited track record Multi-benefits	Value-add Asset-linked Growing demand	Fast-growing economy High investor interest Strong co-benefits

By selecting different asset classes, investors can tailor their Nature-focused portfolios to align with risk tolerances, investment horizons, and sustainability commitments. These include:



Private equity

Supports **nature** through:

- Providing scale capital for companies delivering NbS
- Enables investors to align with nature-positive business models and long-term value creation
- Can target growth-stage companies innovating in ecosystem restoration/tech
- High risk, high returns. Examples include carbon credit developers and funds

Corporate Debt and Project Finance

Supports **nature** through:

- Effective way to finance ecosystem restoration, conservation infrastructure, regen. land management, and watershed production
- May be structured through blended finance or concessionary capital to overcome high upfront costs and long payback periods
- Medium risk. Examples include plantations and climate-proofed commercial property

Fixed-income products

Supports **nature** through:

- Instruments such as green bonds, sustainability-linked bonds, blue bonds, and revenue-backed structures financing conservation and restoration
- These vehicles are essential to mobilise institutional-scale capital
- Lower risk-return profile for green and blue bonds

Investing in Nature | Archetype examples

Timberland, carbon credits

The **BTG Pactual Reforestation Strategy** in Latin America focuses on the restoration, conservation, and planting of deforested and degraded properties. Revenue is generated through both commercial wood product sales and carbon credits. The strategy aims for a 50/50 split between restoration and subsequent conservation, and FSC-certified reforestation for timber production, across 270,000 hectares.

Agroforestry

The Pará Cocoa Agroforestry project in Brazil has integrated thousands of hectares of cocoa trees with other native species like bananas and hardwoods. The project has boosted agroforestry systems and restored significant areas of degraded land. This has created a profitable alternative to unsustainable practices such as cattle ranching, as well as incentivized farmers to diversify their incomes.

Investing in Nature | Archetype examples

Resilience and disaster risk adaptation

The Mangrove Breakthrough offers a collaborative framework for State and non-state Actors to achieve a global, science-based goal of protecting over 15 million hectares of mangroves worldwide by 2030, supported by $4 billion in sustainable financing. This project has developed Regional Roadmaps and Country Proposals to mobilize funding to meet the Breakthrough targets whilst supporting community-led action and addressing barriers to scaling restoration efforts.

Nature for fisheries and sustainable aquaculture

The UBS Rockefeller Ocean Engagement Fund directs capital into companies improving ocean health, including those advancing sustainable aquaculture and reducing pressures on wild fisheries. Through active engagement, the fund supports business practices that enhance marine ecosystems and strengthen the long-term resilience of fisheries, while mobilizing finance toward sectors critical to a sustainable and healthy blue economy.

Biodiversity net gain units

Across England, **the Wildlife Trusts** are working to sell BNG units through the creation of habitat banks, which can be sold to developers, landowners, and planning authorities when building new developments and infrastructure. Their delivery service includes providing end-to-end biodiversity net-gain services, including advising developers on BNG rules and regulations, offering ecological assessments, managing off-site biodiversity gains, and securing long-term conservation outcomes to ensure that restored habitats remain protected long after the legal minimum. Wildlife Trusts have already completed several unit sales, with trusts such as the Cheshire Wildlife Trust selling out of their BNG units at one of their habitat banks. This demonstrates that Wildlife Trust banks are in demand and already generating revenue where compliance markets exist.

Carbon credits

Biomas is a large-scale ecological restoration company whose core business model centers on generating high-integrity carbon credits through reforestation and ecosystem recovery across Brazil. The project plants diverse native tree species across major biomes in Brazil for reforestation, whilst producing verified carbon credits that can be sold to companies pursuing net-zero commitments. Their first major initiative aims to restore over 1,200 ha of degraded Atlantic Forest through planting more than two million saplings. This is expected to generate an estimated 500,000 carbon credits for sale over 40 years, whilst improving water systems, microclimates, and community wellbeing. With major corporate backing, the project aims to conserve 4 million ha over the next 20 years.

Nature-Integrated Enterprises

Albion Capital illustrates a successful nature-integrated enterprise model through its investment in a restored deciduous woodland near Sheffield, where invasive species have been removed and biodiversity enhanced. Rights to the site have been sold to the Co-operative for natural burials, a service that represents 30% of demand but only 1% of current UK burial provision, reflecting strong market potential. Building on this commercially and ecologically effective approach, Albion Capital has four additional woodlands in its pipeline to replicate the strategy.

Forestry, BNG unit projects, peatland restoration, regenerative agriculture, carbon

Foresight's Natural Capital fund operates a mixed-strategy portfolio spanning forestry, peatland restoration, regenerative agriculture, and the generation of Biodiversity Net Gain (BNG) units and carbon credits. Its core returns are driven by afforestation and established forestry assets, with recent expansions enabling pure-play investments in BNG, peatland restoration, and regenerative agriculture. The fund has now reached £50 million in commitments and continues to scale, supported by UK pension fund investors and a pipeline of afforestation projects, including its £5 million South Scotland acquisition.

Further reading

Sources consulted in this report:

- Revenues for nature guidebook series: nature-based revenue models in agriculture, food and fisheries supply chains – Green Finance Institute, 2025
- Financial sector guidebook on nature-based solutions investment: Aligning investment with impacts and showcasing examples – WRI, 2025
- Building a Capital Continuum for Nature-Positive Investments – CPIC, 2023
- Why nature matters – TNFD
- The TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework – TNFD, 2022
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- Financing Biodiversity Net-Gain – UK Green Building Council, 2023
- Companies around the world face risks from their reliance on nature - S&P Global, 2025
- Can UK forest carbon projects deliver competitive investment returns? B-CCaS, 2025
- Greater Manchester Pension Fund Guidance – Natural Capital Report, 2025
- State of Finance for Nature – UNEP, 2023
- Nature Positive Initiative - 2023

Other Resources:

- Finance Solutions for Nature: Pathways to Returns and Outcomes – World Economic Forum
- Guidebooks for Nature – Green Finance Institute
- Managing Nature Risks: From Understanding to Action – PwC, 2023