



Natural Capital Report 2026.

IN PARTNERSHIP WITH:



BNP PARIBAS
ASSET MANAGEMENT

Foresight

Invest Build Grow

Rebalance

Earth

WELCOME!

NATURAL CAPITAL IS GAINING TRACTION AND ENTERING A NEW PHASE FOR UK INVESTORS

This is the second annual Natural Capital Survey, now supported by BNP Paribas Asset Management, Foresight Group and Rebalance Earth. The research captures the views of 68 UK institutional asset owners representing over £3tn, including defined benefit (DB) and defined contribution (DC) schemes, local government pension schemes (LGPS), insurers, charities and endowments.



Ally Georgieva,
Head of Insight,
mallowstreet

All responses came from large asset owners and were collected in October and November. We also surveyed six large European asset owners with over €182bn (£158bn).

This year's findings show meaningful progress—but also areas where clarity is still needed. Natural capital is no longer unfamiliar, yet it is still largely viewed through a traditional real-asset lens. Allocations are rising, experience is building and new revenue streams are gaining recognition, but confidence in the economic case, restoration-led strategies and investment outcomes remains uneven.

As appetite grows faster than allocations, the challenge now is not awareness, but clarity: on where natural capital delivers value, how it scales, and what credible investment in nature really looks like.

TABLE OF CONTENTS:

EXECUTIVE SUMMARY (p. 3)

INDUSTRY RECOMMENDATIONS (p. 4)

PART I: DRIVERS AND DEFINITIONS (p. 5)

PART II: THEMES AND RETURNS (p. 10)

PART III: ALLOCATIONS, REGIONS AND VEHICLES (p. 14)

PART IV: BARRIERS, QUALITIES AND REPORTING (p. 19)

APPENDIX 1: ZOOM-IN ON EUROPEAN INVESTORS (p. 24)

APPENDIX 2: UK AUDIENCE BREAKDOWN (p. 28)

KEY STATISTICS

68

UK asset owners

£3.15tn

in UK institutional assets

92%

with assets over £1bn

25%

LGPS schemes

28%

DB schemes

6

separate responses from
European asset owners
totalling €182bn+

16

questions

3,300+

primary data points

Disclaimer

Mallowstreet Limited, a company registered in England and Wales, is authorised and regulated by the Financial Conduct Authority. Information provided in this Report is intended to provide general information on matters of interest only. The information does not constitute accounting, financial, consulting, investment, legal or any other professional advice. Your use and reliance on information or statements made in this Report is at your own risk and Mallowstreet Limited shall have no liability to any person or entity for any claim, loss or damage relating to the information in the Report.

EXECUTIVE SUMMARY

NATURAL CAPITAL IS NO LONGER NICHE – BUT IT IS NOT YET MAINSTREAM: UK asset owners broadly accept the link between nature, climate and long-term resilience, and interest in natural capital is rising across DB, DC, LGPS, insurers and charities. Many are planning first allocations, while existing investors expect to scale up over the next five years. However, conviction weakens when the focus shifts from environmental logic to economic delivery. Natural capital is still viewed through a traditional real-asset lens, with greater association with familiar or legacy themes such as forestry, land use and infrastructure, and returns driven by goods production and cashflows rather than restoration outcomes alone.

APPETITE IS OUTPACING ALLOCATIONS AS PROOF OF OUTCOMES LAGS: LGPS, DC schemes and insurers are furthest along with their investments, while DB and hybrid schemes remain split between no action and selective investments. Natural capital allocations are shaped by fiduciary duty, pooling, buy-out trajectories and the evolving definitions of what counts as natural capital. Barriers centre on confidence rather than values: concerns over track record, fiduciary fit and returns relative to risk continue to dampen scale, even among those already invested.

THE NEXT PHASE DEMANDS EVIDENCE AND TRANSPARENCY, NOT LABELS: as allocations grow, expectations are rising sharply. Non-financial and impact reporting is increasingly viewed as essential but also needs to be decision-useful and credible. Asset owners prioritise clear project-level key performance indicators (KPIs) and verified outcomes over regulatory labels, which are seen as starting points rather than a comprehensive governance check. Restoration themes and credits remain secondary to performance, but contracted ecosystem payments are gaining traction as a bridge between protection and investibility. To move from niche to mainstream, natural capital managers must now demonstrate outcomes and economic credibility at scale.

KEY STATISTICS

79%

of UK institutional investors say natural capital makes long-term economic sense.

57%

of all UK asset owners we surveyed invest in natural capital already.

41%

of non-investors plan to make first allocations within five years.

33%

of existing investors plan to allocate more than 3% in five years.

63%

of asset owners seek revenues from goods produced, such as food or timber.

~35%

are interested in carbon offsets, biodiversity credits or net gain units.

* Some of the segmentation analysis is indicative only, because our sample groups are small, e.g.: 6 endowments, 7 hybrid schemes, 8 DC schemes in total. We have relied on domain knowledge and other research to solidify our findings.

** Throughout this report, figures may add up to 99% or 101% due to rounding of percentages. Additionally, some questions required multiple answers, so figures in some bar charts will add up to significantly more than 100%. In such charts, dark blue highlights may be used to emphasise key statistics and help the reader follow along.

INDUSTRY RECOMMENDATIONS

EASY FIRST STEPS:

- Start by clarifying what “natural capital” means internally, including what is in and out of scope.
- Map existing exposure in real assets, alternatives or climate strategies, e.g. via forestry, agriculture or thematic equities.
- Pilot allocations at sub-3% levels to build experience before scaling.
- Focus early reporting on a small set of decision-useful KPIs rather than broad frameworks.
- Use contracted ecosystem payments as a bridge between nature protection and performance.

FOR ASSET OWNERS:

- Treat natural capital as an evolving allocation and broaden definitions to access more opportunities.
- Build upon climate intent to develop economic conviction and translate both into action.
- Share experiences and learn from peers to build confidence in returns and structures.
- Align allocation size, geography and vehicle choice with governance and liquidity realities.
- Demand credible evidence of outcomes, not just labels or high-level compliance claims.

FOR NATURAL CAPITAL MANAGERS:

- Lead with a clear economic narrative that explains risks but also demonstrates returns and scalability.
- Consider expanding the depth and breadth of your offering across asset sub-types, including nature restoration, and global regions.
- Provide well-defined, project-level KPIs that clearly link activity to outcomes and cashflows.
- Treat carbon offsets and biodiversity net gain units as potential upside, not a core return driver and reason to invest.
- Help asset owners navigate structures, ticket sizes and global diversification pathways.

FOR UK REGULATORS:

- Provide clearer guidance on fiduciary duty for pension schemes, so investors can reconcile it with natural capital ambitions.
- Focus less on defining labels and streamlining frameworks, and more on enabling consistent and useful reporting.
- Work with industry to drive convergence around core metrics for impact, risk and performance.
- Clarify how nature-related risks and returns fit within existing capital and solvency rules.
- Encourage standards that improve comparability without constraining innovation.

PART I:

FAMILIARITY GROWS BUT THE ECONOMIC CASE LAGS

Natural capital is no longer new to UK asset owners, but they still feel most comfortable with legacy themes like biodiversity, agriculture and forestry. This may be limiting the confidence in the economic case that is necessary to move capital, even as climate beliefs deepen. Experience helps—there is stronger conviction among those already investing, but wider adoption is hampered by the fact that definitions still exclude key areas.

NATURE AND CLIMATE ALIGN BUT ECONOMIC BELIEF LAGS

Conviction in the economic case for natural capital remains weaker than conviction in the role it plays in the climate transition and quality of life.

When it comes to natural capital, most UK institutional investors see a strong link between nature, climate and wellbeing: 59% strongly agree that protecting nature is inseparable from tackling climate change, and the same proportion strongly believe that healthy ecosystems underpin social wellbeing and quality of life. However, conviction weakens when the focus shifts to economics: fewer than a third strongly believe that natural capital makes long-term economic sense, or that it strengthens local economies.

Deeper analysis confirms this gap. We grouped everyone who believes *strongly* that investing in natural capital *either* makes long-term economic sense *or* that it strengthens local economies (or *both*). From this group who believe strongly in the economic case for natural capital, over 75% also show a strong belief that protecting nature is inseparable from tackling climate change—and that healthy ecosystems underpin social wellbeing and quality of life.

But among the climate-focused group, only a third strongly support the economic rationale. This climate-focused group is comprised of everyone who believes *strongly* that protecting nature is inseparable from tackling climate change *and/or* underpins social wellbeing and quality of life. In other words, strong economic conviction pulls climate belief up—but strong climate belief does not raise confidence in the economic case. To move capital, the economic story needs to be strengthened and evidenced.

KEY STATISTICS

93%+

of UK asset owners agree nature and climate action are inseparable and they underpin social wellbeing.

79%

of UK institutional investors agree natural capital makes long-term economic sense.

78%

of those with strong economic belief also strongly believe that protecting nature is inseparable from tackling climate change.

37%

of those with strong climate beliefs also show strong support for the economic case for natural capital—showing that while economic belief pulls climate belief up, the opposite is not true.

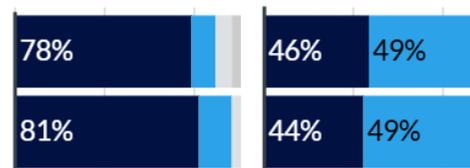
NATURAL CAPITAL VIEWS

- Protecting nature is inseparable from tackling climate change.
- Healthy ecosystems underpin social wellbeing and quality of life.
- Investing in natural capital makes long-term economic sense.
- Investing in natural capital strengthens local economies.
- Circular closed-loop systems build resilient local economies.



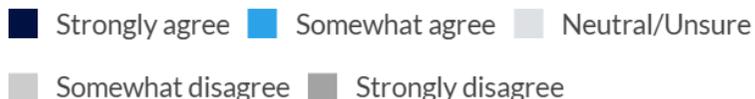
ECONOMIC BELIEF IS STRONG VS EVERYONE ELSE

- Protecting nature is inseparable from tackling climate change.
- Healthy ecosystems underpin social wellbeing and quality of life.



CLIMATE BELIEF IS STRONG VS EVERYONE ELSE

- Investing in natural capital makes long-term economic sense.
- Investing in natural capital strengthens local economies.



HIGHER CONVICTION IS LINKED TO LARGER ALLOCATIONS

Belief in natural capital strengthens with experience: climate conviction rises first, economic confidence follows, and the strongest support comes from investors increasing allocations beyond 3%.

Across all natural capital views, the biggest jump from non-investors to those planning their first allocation in the next five years appears in the climate beliefs: 58% of planners strongly agree that protecting nature is inseparable from tackling climate change (vs 41% of non-investors), and 75% strongly agree that healthy ecosystems underpin social wellbeing (vs 47%).

The next shift—from planning to actually allocating—shows up in the economic case: investors holding up to 3% are more supportive of natural capital strengthening local economies and making long-term economic sense than those yet to allocate.

But by far the strongest beliefs across every statement come from the group planning to increase allocations beyond 3%. Here, 93% strongly link nature and climate and 57% strongly back the long-term economic rationale. Almost none of the investors in this group take a neutral stance or disagree with any of these statements. This suggests that experience builds confidence—and that sharing success stories could help new investors gain conviction and move towards higher allocations.

KEY STATISTICS

58%

of first-time investors planning allocations in the next five years strongly link protecting nature and climate action.

75%

of planners also strongly agree that ecosystems support social wellbeing.

40%

of investors keeping their allocation sub-3% strongly believe that investing in natural capital strengthens local economies.

93%

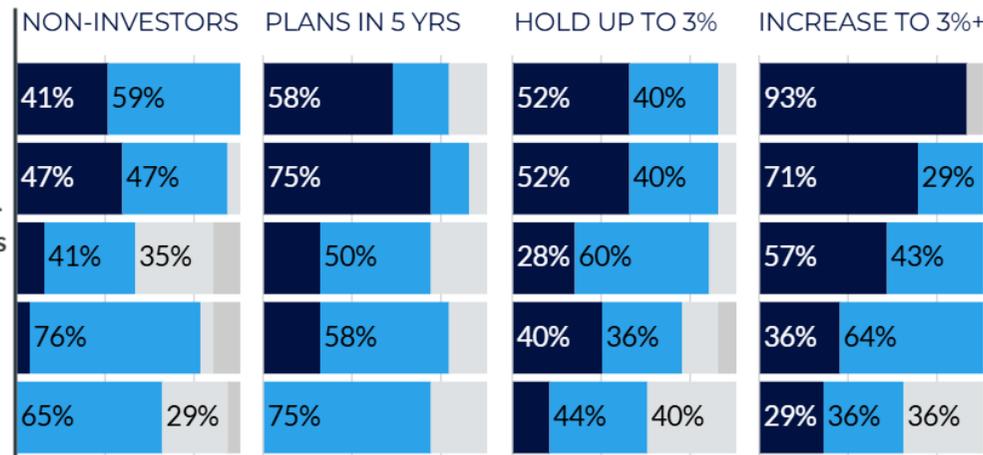
of investors increasing allocations beyond 3% in the next five years strongly link nature and climate.

57%

of higher allocators strongly believe in the long-term economic case for natural capital.

VIEWS BREAKDOWN

- Protecting nature is inseparable from tackling climate change.
- Healthy ecosystems underpin social wellbeing and quality of life.
- Investing in natural capital makes long-term economic sense.
- Investing in natural capital strengthens local economies.
- Circular closed-loop systems build resilient local economies.



Strongly agree
 Somewhat agree
 Neutral/Unsure
 Somewhat disagree
 Strongly disagree

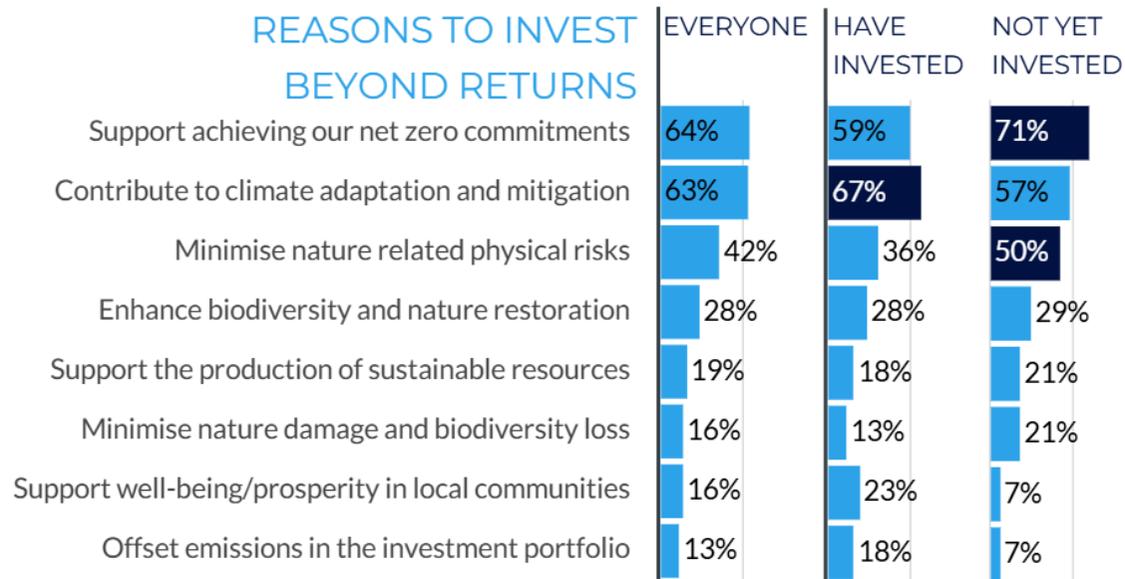
NET ZERO OPENS THE DOOR BUT NATURE STAYS SECOND

UK institutional investors prioritise net-zero and climate goals when investing in natural capital, yet far fewer focus on enhancing or restoring nature itself.

Across all groups, net-zero commitments and climate adaptation remain the strongest motivations to invest in natural capital: 64% of all UK asset owners cite net zero and 63% cite climate adaptation and mitigation. Strikingly, these are also the top motivations for those who have not yet invested, with 71% saying net zero is their main driver and 57% identifying climate adaptation. This suggests climate goals are pulling new investors towards nature, even if allocations take a while to follow.

But the focus shifts when looking at nature itself: only 28% of all asset owners prioritise enhancing biodiversity and nature restoration, and the share is similar among those already invested. In fact, many non-investors focus instead on minimising nature-related physical risks (50%).

This “preserve, protect and minimise risk” mindset, which is reminiscent of the days when sustainability was something to consider rather than invest in, may be slowing capital deployment. A shift to an “invest to improve” mindset is needed, but the very low interest in using natural capital allocations to offset portfolio emissions adds to the disconnect. If net zero brings new attention to nature, the challenge is ensuring that nature restoration becomes part of the investment objective and revenue stream rather than a secondary outcome.



KEY STATISTICS

64%

of UK asset owners invest in natural capital to support net-zero goals.

18%

of existing investors use natural capital to offset portfolio emissions.

71%

of those not yet investing in natural capital say net zero is their top motivation.

50%

of the same group prioritise minimising nature-related physical risks.

28%

of UK institutional investors prioritise biodiversity restoration.

NATURAL CAPITAL DEFINITIONS RELY ON A FAMILIAR LENS

Most UK institutional investors define natural capital through several but familiar themes, limiting the focus on active restoration and improvement.

UK institutional investors overwhelmingly associate natural capital with biodiversity and ecosystem conservation (87%) and with forestry and timber (84%), the two more established strategies preceding nature as an asset class. However, not all forestry and timber investments qualify as a natural capital investment if the focus is mainly on goods production.

Moreover, these definitions do not seem to translate into strong interest in nature restoration or improvement. Only 72% include restoration and rewilding within their definition, and support for other enhancement-oriented themes—such as regenerative agriculture or nature-enhancing technologies—is noticeably lower (with 69% and 32% of UK asset owners respectively picking these). DC schemes and endowments show the highest recognition of nature restoration and rewilding. And as already discussed earlier, a “preserve and protect” mindset (via biodiversity and ecosystem conservation) rather than “invest to improve” (via restoration, rewilding and regeneration) may be limiting natural capital allocations and impact.

Curiously, just over half of investors include carbon or biodiversity credits within the definition, with variation across groups. Recognition is higher among DC schemes, insurers and charities, while others remain cautious—reflecting ongoing concerns about market maturity and greenwashing which we will explore later. Overall, the definitions show broad familiarity with natural capital, but limited comfort with its more active or emerging areas. This mismatch may be one of the reasons why natural capital remains a relatively niche allocation.

KEY STATISTICS

87%

of UK asset owners define natural capital as biodiversity and ecosystems conservation.

84%

include forestry and timber, though not all such investments qualify as natural capital.

72%

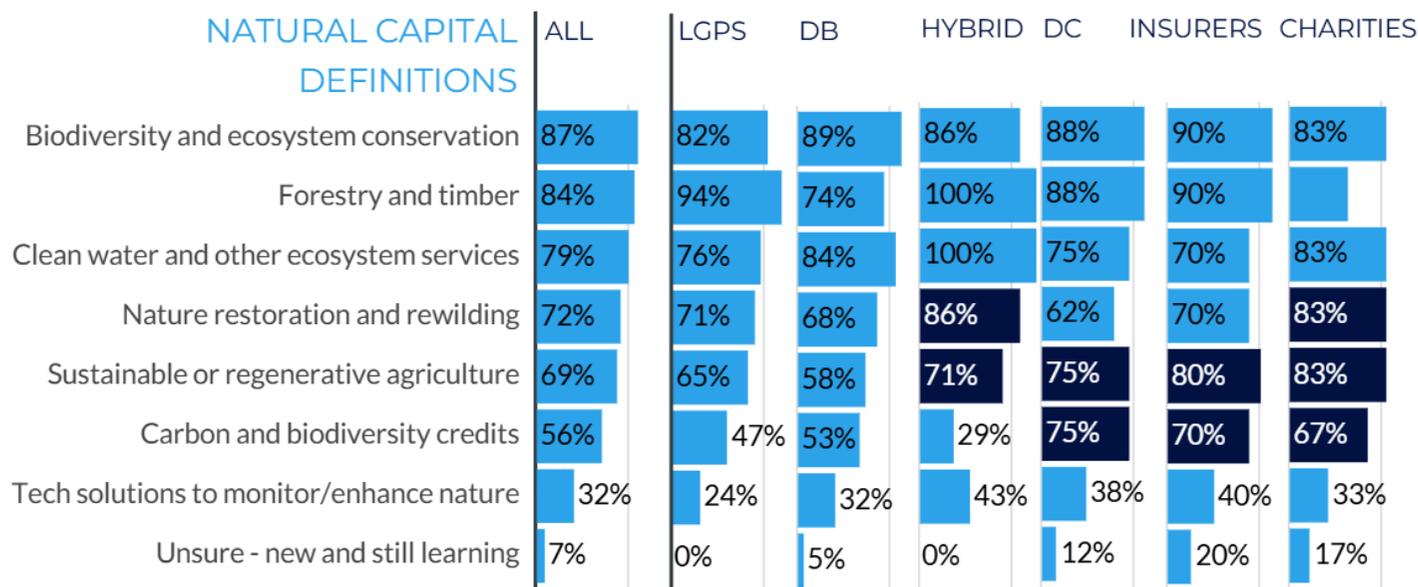
view restoration and rewilding as part of natural capital, led by DC and charities.

56%

include carbon or biodiversity credits, with more recognition from DC and insurers.

32%

associate natural capital with tech solutions that enhance or monitor nature.



PART II:

PROMISING RETURN SOURCES OVERTAKE OFFSETS

Natural capital is still viewed through a traditional real asset lens: investors favour forestry, land use and infrastructure, and expect returns from goods and biodiversity solutions. However, contracted ecosystem payments are rising in popularity—and may lead to a shift to an “invest to improve” mindset. Offsets attract less interest; performance, cashflows and inflation protection matter more.

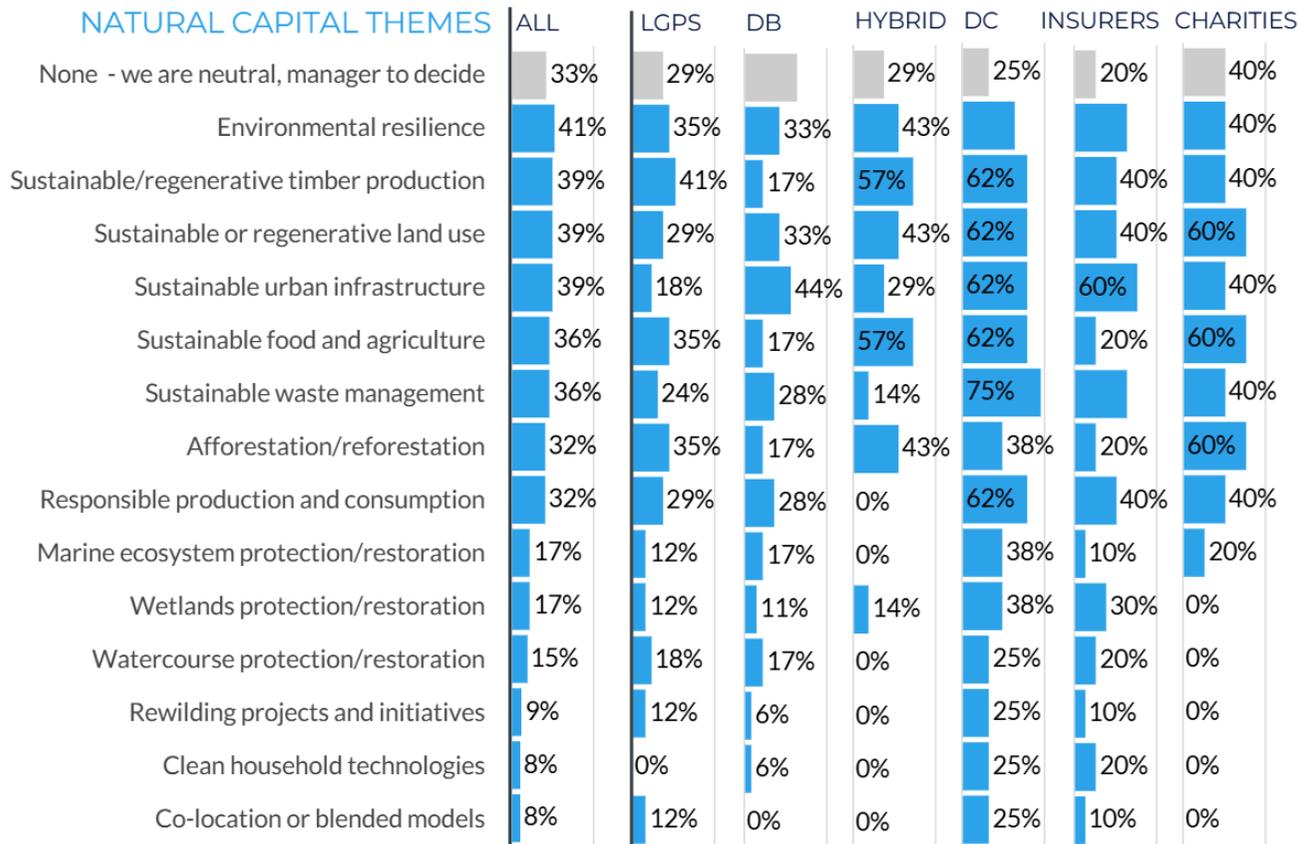
RESTORATION THEMES ARE NOT ATTRACTING MAJOR INTEREST

Investors prefer established forestry, land and infrastructure themes, while specific ecosystem restoration, rewilding and nature-tech are less popular.

UK asset owners lean toward natural capital themes that mirror familiar real asset strategies. Around 40% favour environmental resilience, such as flood protection and resilient infrastructure, and a similar proportion back sustainable or regenerative land use, food and agriculture. Over a third of all allocators would also invest in sustainable waste management. Sustainable or regenerative timber production and afforestation feature strongly too, reflecting comfort with familiar types of real assets.

By contrast, themes focused on restoration and protection, such as marine and coastal ecosystem protection and restoration (coral reefs, mangroves, seagrass), wetlands restoration (peatlands, bogs, marshes), watercourse repair (river rerouting and buffer zones) and rewilding initiatives attract far fewer investors. Even fewer choose emerging technology-oriented solutions, including biodigesters, clean cooking and rainwater harvesting, or co-location models like agrivoltaics and ecovoltaics.

However, differences by investor type reveal distinct priorities. Charities show the highest interest in afforestation, the part of forestry that more easily qualifies as natural capital. DC schemes remain the only group with meaningful interest across restoration themes, from wetlands and watercourses to rewilding—and their interest in food, agriculture, land use and waste management appears united by a concern for responsible production and consumption. DB schemes remain more neutral and reliant on their managers, with a main interest in sustainable urban infrastructure.



KEY STATISTICS

41%

of asset owners prioritise environmental resilience themes.

~40%

favour land, agriculture or regenerative timber strategies.

9%

favour rewilding projects.

17%

support marine or coastal restoration as a key theme.

38%

of DC schemes focus on marine, coastal or wetlands ecosystem restoration.

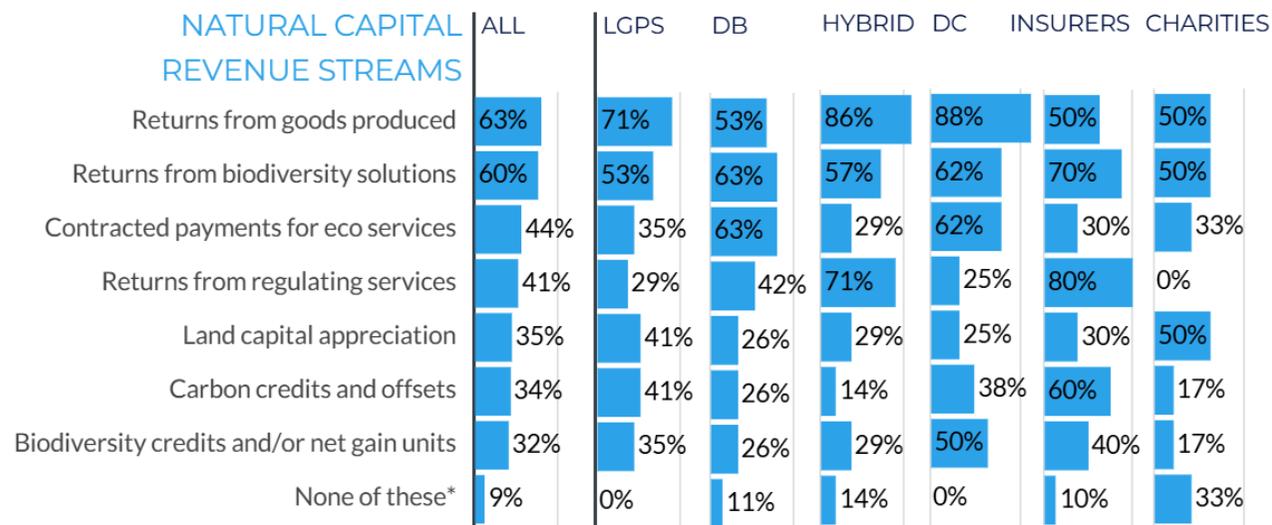
62%

of DC schemes also prioritise responsible production and consumption.

RETURNS COME FROM FAMILIAR PATHS, BUT NEW ONES EMERGE

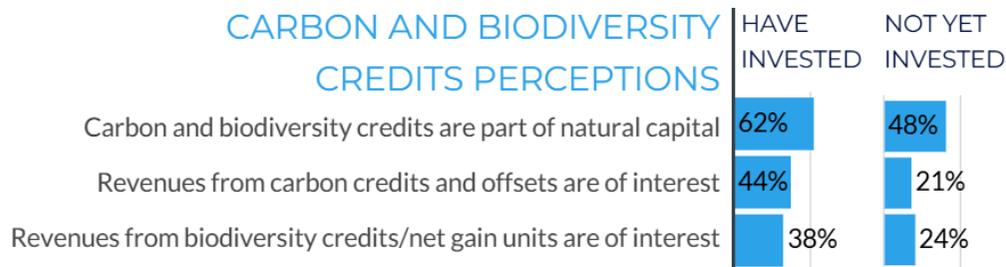
Natural capital returns still centre on goods production and biodiversity, while ecosystem payments, carbon credits and offsets only have selective appeal.

UK asset owners continue to expect natural capital returns from established revenue sources. Nearly two-thirds select returns from goods produced—e.g., agricultural outputs or timber—even though they do not always or fully qualify as natural capital. Returns from companies offering biodiversity-related solutions are just as popular, reflecting their longstanding role in shaping the investor understanding of nature.



What stands out, however, is the strong interest in contracted payments for ecosystem services—such as flood protection or clean water provision—which now sit among the top three revenue streams and appeal particularly to DB and DC schemes. Also surprisingly, returns from regulating services (air or water purification, climate regulation) appeal to hybrid schemes and insurers, despite these groups showing limited interest in restoration themes elsewhere. This shows that new revenue streams are growing in popularity, even if interest has not yet translated into capital deployment.

Land appreciation remains important for LGPS and charities, who are historically more likely to hold or steward land.



Curiously, carbon and biodiversity credits are a mid-ranked source of returns. Interest is higher among LGPS, DC schemes and insurers, and existing investors are notably more likely to view credits as part of natural capital. This suggests room for further education and sharing of investor experiences.*

KEY STATISTICS

63%

of asset owners seek revenues from goods produced, such as food or timber.

60%

favour returns from companies offering biodiversity-focused investment solutions.

44%

are drawn to contracted payments for ecosystem services like flood protection or clean water.

34%

favour carbon credits and offsets – with bigger interest from LGPS, DC schemes, insurers and existing investors.

32%

are interested in biodiversity credits and/or net gain units.

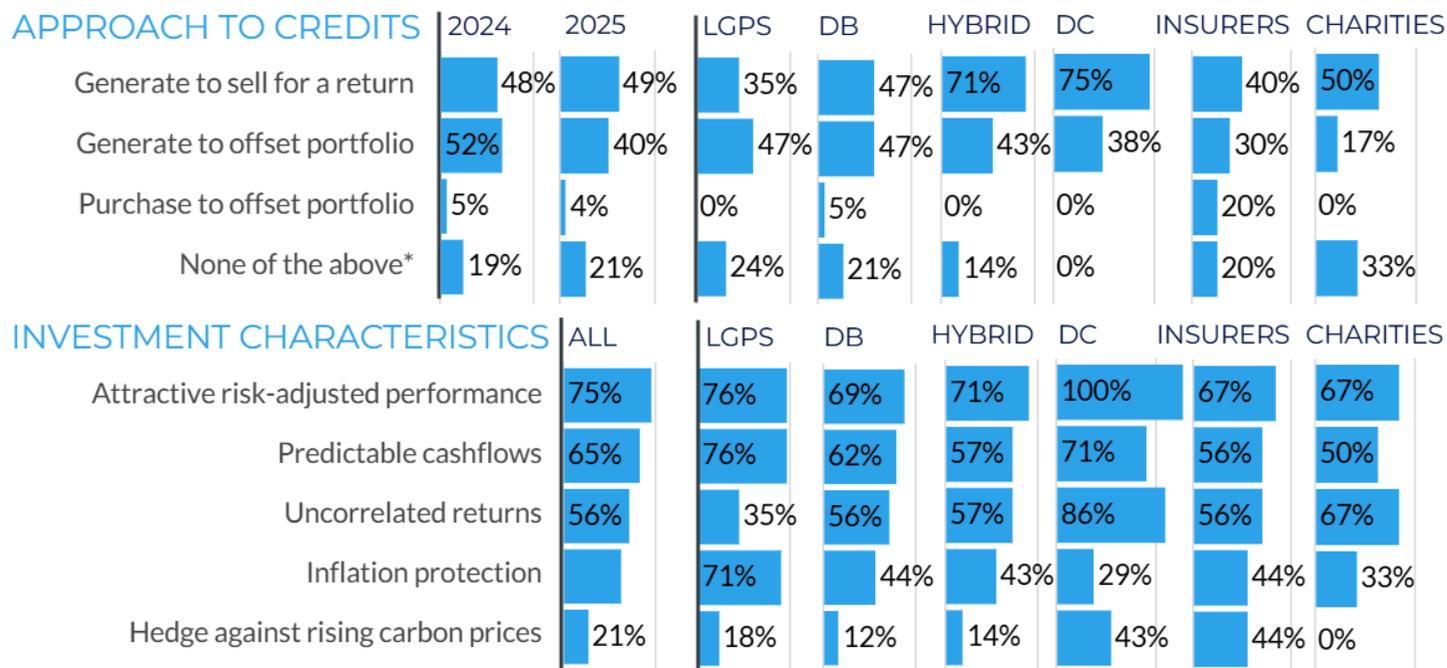
* Respondents could choose 'other', and frequent write-ins were combined under "none of these".

PERFORMANCE DRIVES INTEREST MORE THAN CARBON CREDITS

Investors see credits as useful, but long-term interest in natural capital is driven far more by performance, cashflows and inflation protection.

Carbon and biodiversity credits continue to play a role in natural capital strategies, but they are no longer the primary reason UK asset owners invest. Most still prefer to generate credits themselves—with 49% planning to sell them and 40% to use them to offset their portfolio. Hybrid, DC schemes and charities show the strongest interest in generating credits for sale. Yet the stronger draw comes from the core investment characteristics of natural capital as an asset class. Attractive risk-adjusted performance leads for 75% of all investors, followed by predictable cashflows (65%) and uncorrelated returns (56%). Inflation protection appeals most to LGPS and insurers, reflecting liability-driven needs. DC schemes—who, even though they need some liquidity, tend to have long horizons—show the highest interest in using natural capital as a hedge against rising carbon prices (43%).

Comments highlight scepticism toward credits: some view offsets as greenwashing or worry about them being traded on immature markets, while others see credits only as potential additional upside rather than a core return driver. This helps explain why credits are not the top revenue stream. Overall, they matter—but investors are primarily motivated by the same characteristics that anchor any other investment: stable returns, diversification and inflation linkage.*



KEY STATISTICS

49%

of investors plan to generate credits to sell for returns.

75%

would invest in natural capital for its attractive risk-adjusted performance.

65%

value predictable cashflows from natural capital allocations.

40%+

of DC schemes and insurers seek a hedge against rising carbon prices.

86%

of DC schemes also like natural capital's uncorrelated returns.

71%

of LGPS schemes would invest in natural capital for its inflation protection properties.

* Respondents could choose 'other', and frequent write-ins were combined under "none of these".

PART III:

A GROWING MARKET STILL FINDING ITS SHAPE

Appetite is strong and the market will enter a more mature stage by 2030. Investors are deciding how natural capital should sit alongside real assets and climate strategies, and how much to commit. Some investors plan meaningful scale-up; others stay cautious. Most build first exposure in the UK, then expand globally, with private markets being the most popular investment route.

NATURAL CAPITAL INVESTMENTS ARE EXPECTED TO INCREASE

Despite being a niche asset, two in five non-investors are planning first allocations in natural capital, and many existing investors are scaling up.

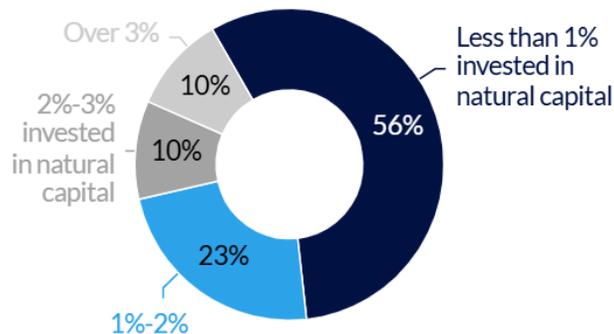
Natural capital adoption is set to expand quite meaningfully in the next five years. Two in five non-investors plan to make their first investments within that period—mainly up to 3% of their total assets—and a small number are already targeting 5%. Among current investors, the shift is even more notable: although 56% hold less than 1% today, one-third plan to allocate more than 3% in the next five years.

LGPS, DC schemes and insurers already show the highest adoption (76%, 62% and 70% respectively), and these levels could exceed 90% by 2030. DB and hybrid schemes remain smaller adopters today, but they show some of the biggest jumps ahead, with many moving from no allocation to at least modest exposure.

Additional comments highlight why allocation levels appear uneven. Some investors hold natural capital within broader asset classes or legacy forestry and agriculture funds, while for others the decisions are made by a fiduciary or passive asset manager. Several note that nature investment is a new or developing area, and a few have made commitments not yet drawn. These factors help explain why reported allocations can look lower or less defined even when exposure exists.

Overall, the next phase is defined not just by more investors entering the market, but by existing allocators scaling their positions meaningfully.

EXISTING INVESTOR ALLOCATIONS

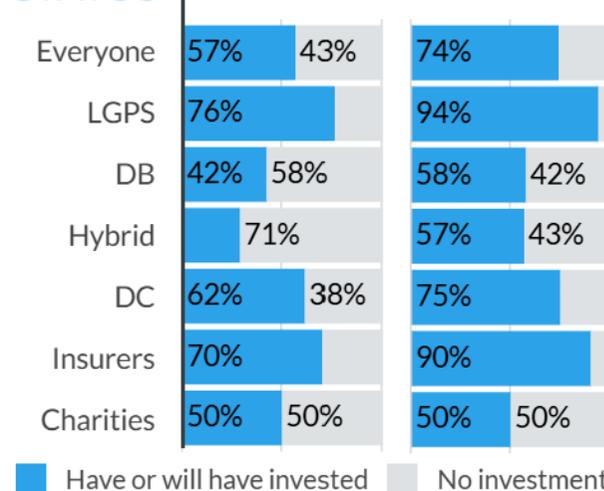


NATURAL CAPITAL INVESTMENT PLANS FOR NEXT 5 YEARS



0% - no plans to invest
 Plan to invest under 3% 3%-5% 6%-8%

STATUS



Have or will have invested No investments

KEY STATISTICS

57%

of all UK asset owners we surveyed invest in natural capital already.

56%

of current investors invest less than 1% of their total assets in natural capital today.

41%

of non-investors plan to make first allocations within five years.

33%

of existing investors plan to allocate more than 3% in five years.

90%+

of LGPS funds and insurers expect to be invested in natural capital by 2030.

MODEST ALLOCATIONS CAN STILL ADD UP TO CRITICAL MASS

Even if natural capital remains only modestly represented in portfolios, UK allocations add up to a significant amount of capital to deploy into nature.

Current allocations are quite small: over half of all DB schemes and charities have no natural capital exposure yet, or hold less than 1%. LGPS and insurers are more advanced—76% and 70% respectively have invested, but their allocations are expected to remain at or below 3%, reflecting a “maintainer” mindset. DC schemes show a different profile: only 38% are non-investors today, and a quarter already hold 1%–2%; they also show the strongest ambition to grow exposure.

Looking ahead to 2030, growth is expected across every group but with distinct dynamics. Hybrid schemes may form the biggest wave of newcomers, with 43% planning their first allocation. DB schemes and charities are split into two camps: about half expect to remain non-investors, while a third plan to exceed 3%. And as already mentioned, DC schemes stand out for their readiness to expand exposures: a quarter aim to increase allocations beyond 3%. Comments explain the variation among investor groups: natural capital is often held inside broader real asset or impact portfolios, definitions vary across schemes, and some investors face structural constraints from fiduciary managers, pooling arrangements or buy-out trajectories.

However, individual allocations can add up create critical mass. If the 68 survey respondents invested a modest 2% of the £3.15tn in assets they represent into natural capital, this would comprise £63bn. Even if a quarter remain uninvested for the next five years, that could still mean £47bn invested—a significant amount even if individual allocations appear small in percentage terms.

KEY STATISTICS

~60%

of LGPS investors and insurers are expected to maintain their sub-3% natural capital allocations.

43%

of hybrid schemes expect to make their first allocation by 2030.

25%

of DC schemes plan to lift allocations beyond 3% in the next five years.

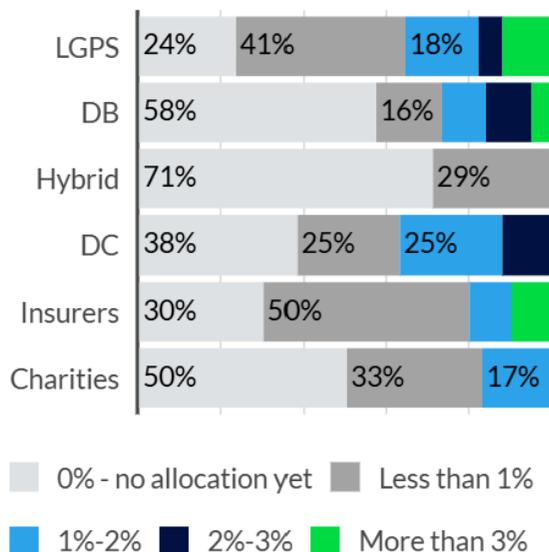
30%+

of DB schemes and charities plan to increase allocations beyond 3% in five years.

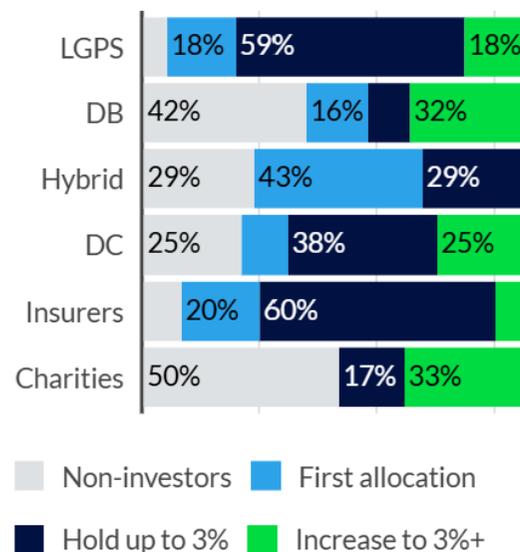
40%+

of DB schemes and charities have no intention to invest in natural capital for the next future.

CURRENT ALLOCATIONS



INVESTOR STATUS IN 5 YRS



UK-FIRST MINDSET SHIFTS TO GLOBAL AS INVESTORS SCALE UP

Most investors start from the domestic market in the UK but look globally as allocations rise, favouring £10m–£50m tickets.

Comfort with natural capital still begins at home: 62% of UK asset owners favour UK opportunities, and nearly half of non-investors look exclusively to the domestic market. But as experience grows, so does geographic ambition. Those planning first allocations overwhelmingly focus on the UK (83%), but investors maintaining their sub-3% exposure and especially those increasing beyond 3% broaden out: 64% of those who are increasing allocations favour global portfolios, and interest in Europe or emerging markets rises only once a domestic foothold is established.

Ticket size expectations follow a similar pattern. While 69% of non-investors are undecided, existing investors coalesce around the £10m to £50m range—a scale large enough to support meaningful exposure, yet still accessible for most schemes. Larger tickets of £50m+ are understandably concentrated among the largest and most experienced allocators (chart not shown).

Overall, the data shows a progression: non-investors anchor locally, first-time allocators build confidence in the UK, and increasers diversify globally as allocations mature. This suggests that the pathway to scaling natural capital exposure begins with domestic projects, but ultimately requires global reach aligned with where the most investible opportunities—such as forestry and ecosystem services—naturally sit.*

KEY STATISTICS

83%

of first-time allocators prefer UK exposure when entering the natural capital market.

64%

of investors planning to exceed 3% allocations by 2030 look to global markets.

62%

of all UK asset owners still prioritise domestic natural capital projects.

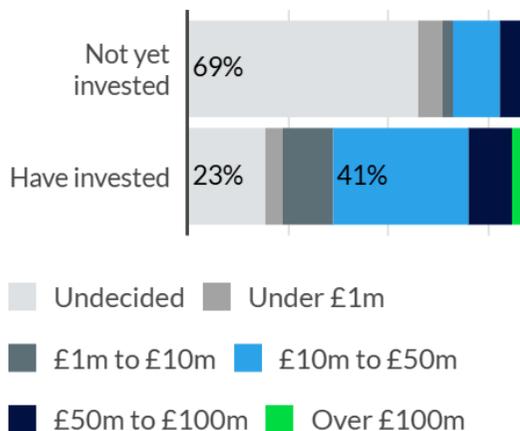
41%

of existing investors favour £10m to £50m ticket sizes as a scalable entry point.

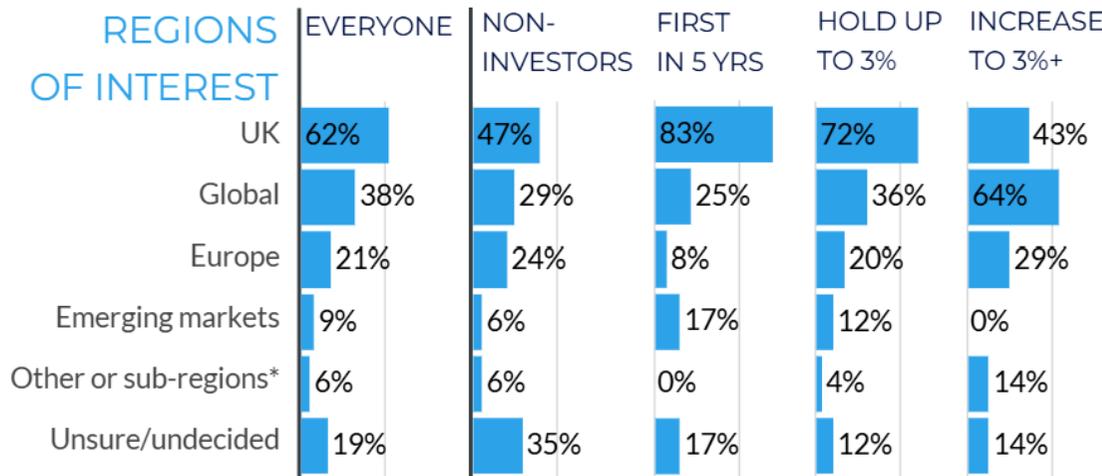
69%

of non-investors remain undecided on ticket sizes, likely due to lower familiarity with the asset class.

COMFORTABLE TICKET SIZES



REGIONS OF INTEREST



* Respondents could choose 'other'. Some said more local investments are better (e.g., Wales, the Republic of Ireland), whereas others looked to the US, Australia and New Zealand.

INVESTORS TAKE DIFFERENT ROUTES INTO NATURAL CAPITAL

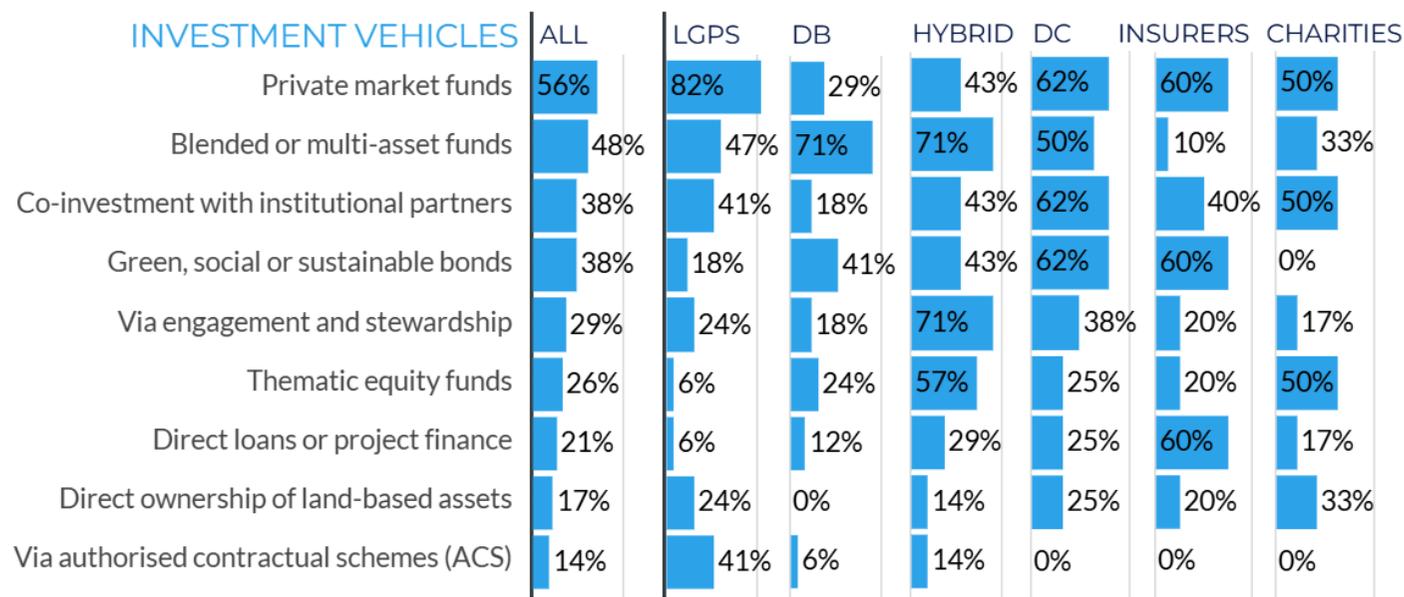
Private markets lead overall, but each investor type favours distinct vehicles shaped by governance capabilities, liquidity and familiarity.

UK asset owners access natural capital through a wide mix of vehicles, but preferences vary sharply by scheme type. Private market funds dominate overall (natural capital private equity or venture capital), and are of interest to LGPS (82%), DC schemes (62%) and insurers (60%) who can all accept some illiquidity. This is perhaps a little bit surprising when it comes to DC schemes but is likely the emergent and evolving result of consolidation and the increase in the minimum DC default option size.

DB and hybrid schemes lean toward blended or multi-asset funds instead, signalling a more passive route into nature exposure. In other words, if natural capital is part of another product, they welcome the exposure but may not seek it out proactively.

Hybrid schemes stand out for using an engagement and stewardship approach—such as via voting—to access opportunities, and for favouring thematic equity funds alongside endowments. This shows that for them, natural capital is a natural extension and addition to broader sustainable investments.

DC schemes and insurers share interest in green, social or sustainable bonds, reflecting transparency needs for DC and favourable solvency treatment for insurers. Insurers alone show meaningful appetite for direct loans or project finance, including lending to reforestation or regenerative agriculture projects. Direct ownership of land-based assets (for forestry, farmland or restoration) remains niche, with limited uptake beyond LGPS and charities, who are simply more likely to own or steward land.



KEY STATISTICS

56%

of all investors favour private market funds as their main way to access natural capital opportunities.

71%

of DB and hybrid schemes prefer blended or multi-asset funds.

71%

of hybrid schemes use engagement or stewardship to access natural-capital opportunities.

60%

of insurers favour green, social or sustainable (GSB) bonds or direct loans and project finance.

62%

of DC schemes favour GSB bonds and co-investment with institutional partners.

PART IV:

CONFIDENCE IN EVIDENCE IS NO LONGER OPTIONAL

Concerns around track record, fiduciary alignment and return credibility continue to cap allocations, even among existing investors. At the same time, expectations around impact reporting are rising sharply: what was once optional is increasingly required, especially as allocations grow. Asset owners are clear that labels alone are insufficient—what matters now is decision-useful evidence, well-defined KPIs and credible verification of claims.

TRACK RECORD AND FIDUCIARY DUTY HOLD BACK INVESTMENTS

Concerns over track record, fiduciary duty alignment and confidence in returns remain the main obstacles for natural capital allocations.

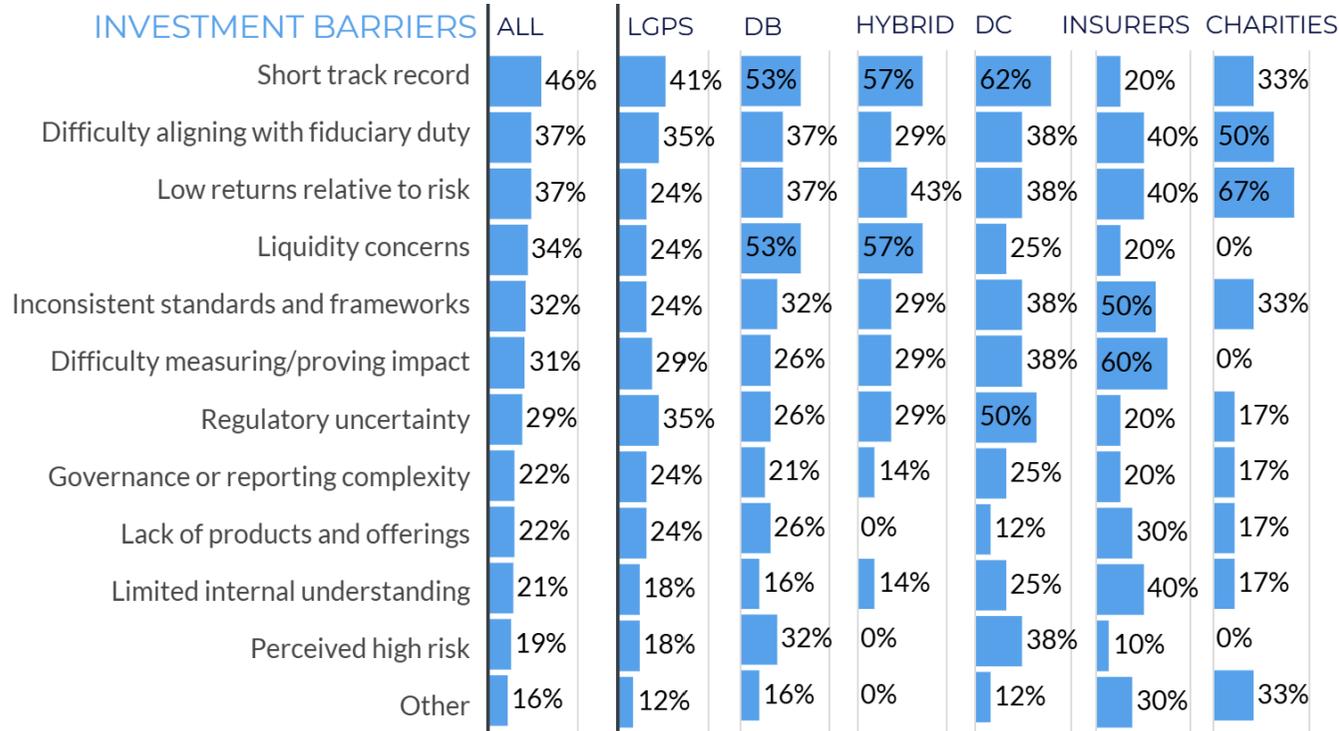
The biggest barriers to natural capital investment are not philosophical resistance or aversion to risk, but confidence and fit. Across UK asset owners, the most cited obstacle is the asset class's short track record (46%), closely followed by difficulty aligning investments with fiduciary duty (37%) and concerns about returns relative to risk (37%). These issues cut across investor types, suggesting they reflect uncertainty about outcomes and proof of scale rather than opposition to nature as an investment theme.

Importantly, groups most concerned about track record are often existing investors: for example, 62% of DC schemes cite short track records as a barrier. This means they dampen conviction and scale rather than prevent entry altogether. Perceived high risk, by contrast, ranks much lower overall (19%), indicating that concern sits more around returns and untested business models, stacking return streams (e.g. from carbon offsets *and* biodiversity net gain units) and finding investment grade opportunities.

Differences by investor type reveal further friction points. Over half of DB and hybrid schemes show elevated concern around liquidity (an intrinsic constraint), while DC schemes point to regulatory uncertainty and perceived risk (both extrinsic constraints).

In turn, 60% of insurers express concerns about measuring and proving impact, 50% about inconsistent standards and 40% about limited internal understanding, reflecting the reporting and capital treatment demands they face.

Other concerns include the ability to realise the expected returns over the course of the investment, which is limited by DB endgame horizons but also the broader uncertainty in this novel asset class.



KEY STATISTICS

46%

of UK asset owners cite natural capital's short track record as a barrier to investment.

62%

of DC schemes cite short track records as a concern despite growing allocations.

37%

of investors say aligning natural capital with fiduciary duty remains a challenge.

19%

of investors view perceived high risk as a primary barrier to investing.

60%

of insurers cite difficulty measuring or proving impact as a key obstacle.

IMPACT REPORTING IS MOVING FROM OPTIONAL TO EXPECTED

As allocations grow, non-financial impact reporting shifts from a “nice-to-have” to a “must-have”, even with concerns about data quality and standards.

Interest in measuring and reporting non-financial returns is already high across UK asset owners, with very few dismissing it as irrelevant. Around half of investors see impact reporting as a “must-have” today. This rises sharply among those planning to grow their allocations the most over the next five years: two-thirds of investors aiming to increase exposure beyond 3% and 58% of those planning their first investments now say non-financial reporting is essential, not optional—suggesting that conviction and capital move together.

Views diverge by scheme type. LGPS schemes and charities overwhelmingly place impact reporting in the must-have category, reflecting a strong need for accountability in stewardship. DC schemes also lean strongly toward “must-have”, likely driven by member scrutiny and regulatory expectations. Insurers stand apart: most describe impact reporting as a “nice-to-have”, consistent with earlier concerns around inconsistent standards, data reliability and the difficulty of proving impact at portfolio level.

Importantly, in their comments, investors are clear that impact reporting only adds value when it is decision-useful. Evidence needs to show whether strategies are delivering intended outcomes and explain shortfalls where they arise. Weak standardisation, unreliable data and difficulty aggregating results across managers continue to limit confidence—but as so few investors ignore impact reporting, expectations on asset managers are rising fast.

KEY STATISTICS

64%

of investors planning to increase allocations beyond 3% say impact reporting is a must-have.

58%

of incoming first-time investors and 49% of all UK asset owners agree.

5%

say non-financial impact reporting is irrelevant.

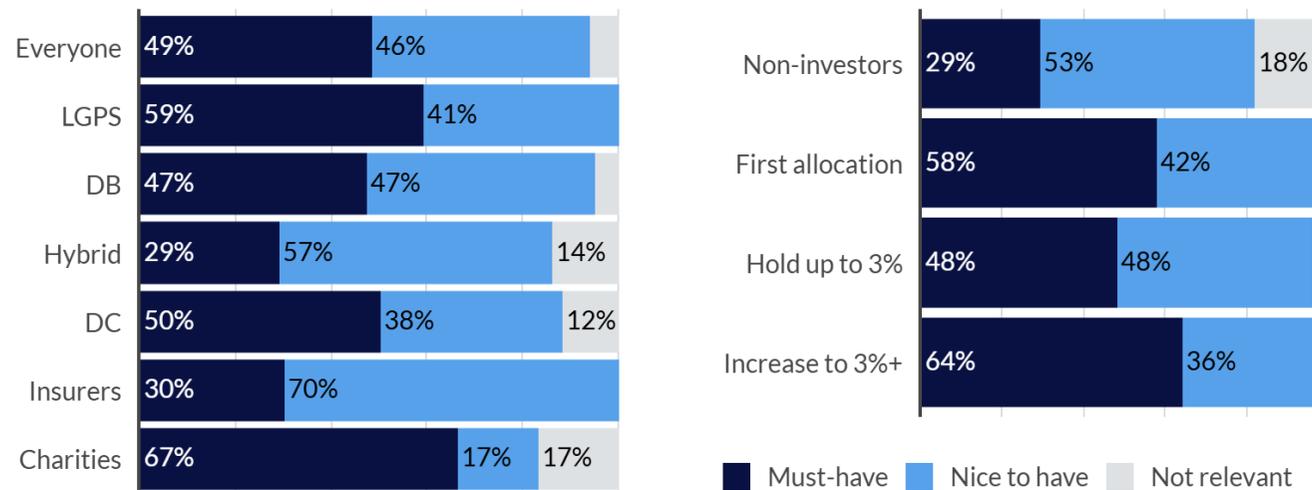
67%

of charities and 59% of LGPS schemes say reporting on non-financial impact is essential, not optional.

70%

of insurers view impact reporting as a nice-to-have rather than a requirement.

INTEREST IN REPORTING ON NON-FINANCIAL RETURNS AND IMPACT



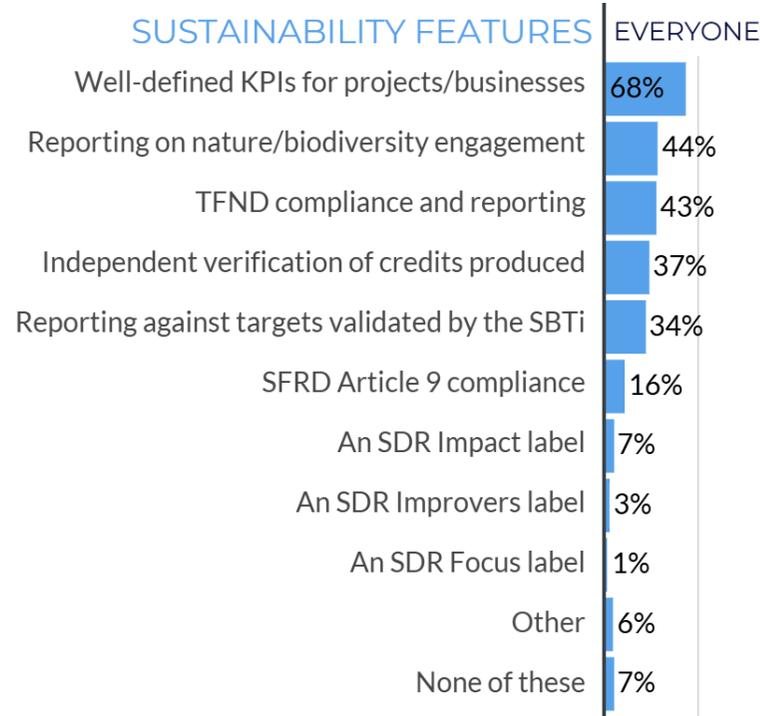
WELL-DEFINED KPIS NOW MATTER MORE THAN LABELS

UK asset owners now prioritise clear, decision-useful evidence over regulatory labels, signalling a meaningful shift from compliance to substance in natural capital reporting.

UK asset owners are increasingly selective about what “good” sustainability reporting looks like in natural capital investing. The strongest signal is a clear preference for well-defined KPIs at project or business level, chosen by over two-thirds of investors. This reflects a desire for evidence that links activity to outcomes, rather than reliance on high-level frameworks. Reporting on engagement with nature and biodiversity follows, building on familiar climate-engagement practices. Reporting against the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations and framework also ranks highly, suggesting investors hope it can replicate the role the Task Force on Climate-related Financial Disclosures (TCFD) played in normalising climate risk disclosure.

Independent verification of carbon or biodiversity credits and reporting against targets validated by the Science-Based Targets Initiative (SBTi) are valued almost as much as TNFD, indicating a preference for externally validated evidence over regulatory labels. By contrast, Sustainable Finance Disclosure Regulation (SFDR) Article 9 compliance and UK Sustainability Disclosure Requirements (SDR) labels attract limited interest. Comments reinforce this: labels are seen as useful entry points but insufficient without credible data, technical expertise and a clear philosophy. Investors want proof—particularly on carbon sequestration and physical risk—rather than box-ticking compliance.

The opportunity—and challenge—for managers is now clear. Asset owners are signalling appetite to grow exposure, but only where propositions are credible, investible and measurable. That means clearer economic narratives, practical routes to scale, and reporting that demonstrates outcomes rather than compliance. If natural capital is to move from niche to mainstream, the next phase will be defined less by labels and more by evidence, experience and execution.



KEY STATISTICS

68%

of UK asset owners say well-defined KPIs for projects matter most when assessing natural capital managers.

44%

of investors value reporting on biodiversity and nature engagement.

43%

of asset owners prioritise TNFD compliance, signalling hope it can mirror the success of TCFD.

16%

of UK asset owners see SFDR Article 9 compliance as a key sustainability feature.

7%

are interested in the SDR Impact label, and even fewer in other SDR labels.

CONCLUSION:

NATURAL CAPITAL IS AT A TURNING POINT

Taken together, the findings show a market that has moved beyond first principles. Natural capital is no longer an unfamiliar concept, but it is still being approached cautiously—often through the lens of traditional real assets, familiar revenue streams and established governance structures. Climate goals act as the gateway, but they do not automatically translate into confidence in the economic case or into large, clearly defined allocations. The next phase of natural capital will be defined less by labels and more by evidence, experience and execution.

APPENDIX:

EUROPEAN SUPPLEMENT AND AUDIENCE BREAKDOWN

ZOOMING IN ON EUROPE: A DIFFERENT NATURAL CAPITAL VIEW

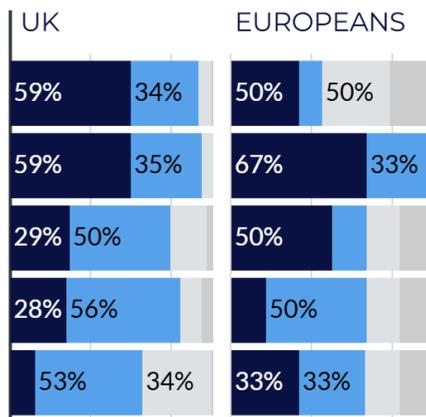
European investors show clearer economic conviction and restoration focus, even as their definitions of natural capital remain narrower than in the UK.

We gathered six additional responses from European asset owners representing over €182bn in assets. Three of them represent DB schemes, two DC schemes and one is an expert with significant experience in major global pension schemes. European investors define natural capital more narrowly than UK peers and only one respondent includes credits or offsets. In contrast with the UK, Europeans are more likely to include technology solutions in natural capital definitions. Another big difference is that half of them strongly believe that investing in natural capital makes long-term economic sense—a higher proportion than in the UK.

Unlike the UK—where climate adaptation and net zero often act as gateways—European investors appear more strongly motivated by nature restoration and sustainable production, based on their main reasons to invest other than returns. This suggests conservation and restoration are more closely linked in Europe, even when not always explicit in definitions.

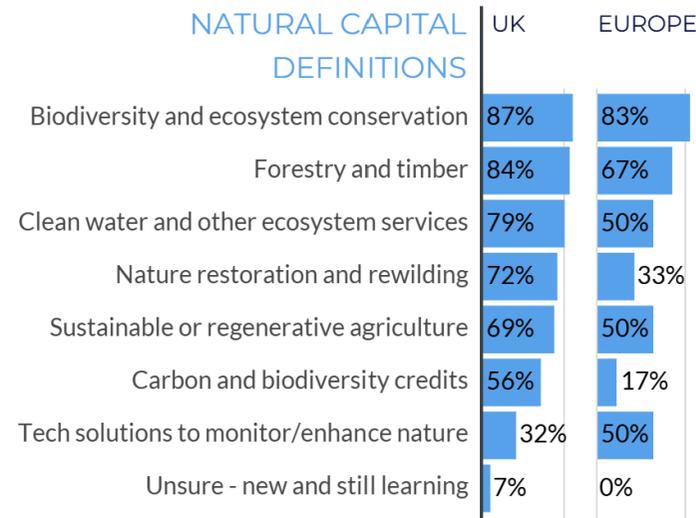
NATURAL CAPITAL VIEWS

- Protecting nature is inseparable from tackling climate change.
- Healthy ecosystems underpin social wellbeing and quality of life.
- Investing in natural capital makes long-term economic sense.
- Investing in natural capital strengthens local economies.
- Circular closed-loop systems build resilient local economies.



■ Strongly agree
 ■ Somewhat agree
 ■ Neutral
 ■ Somewhat disagree
 ■ Strongly disagree

NATURAL CAPITAL DEFINITIONS



REASONS TO INVEST



KEY STATISTICS

50%

of European investors strongly agree that natural capital makes long-term economic sense, versus 29% in the UK.

50%

of European investors cite nature restoration as a reason to invest, compared with 28% of UK investors.

17%

of European investors associate natural capital with carbon or biodiversity credits, compared with 56% in the UK.

17%

of European investors are driven by net zero commitments, versus nearly two-thirds of UK investors.

EUROPEANS VIEW NATURAL CAPITAL THROUGH AN SDG LENS

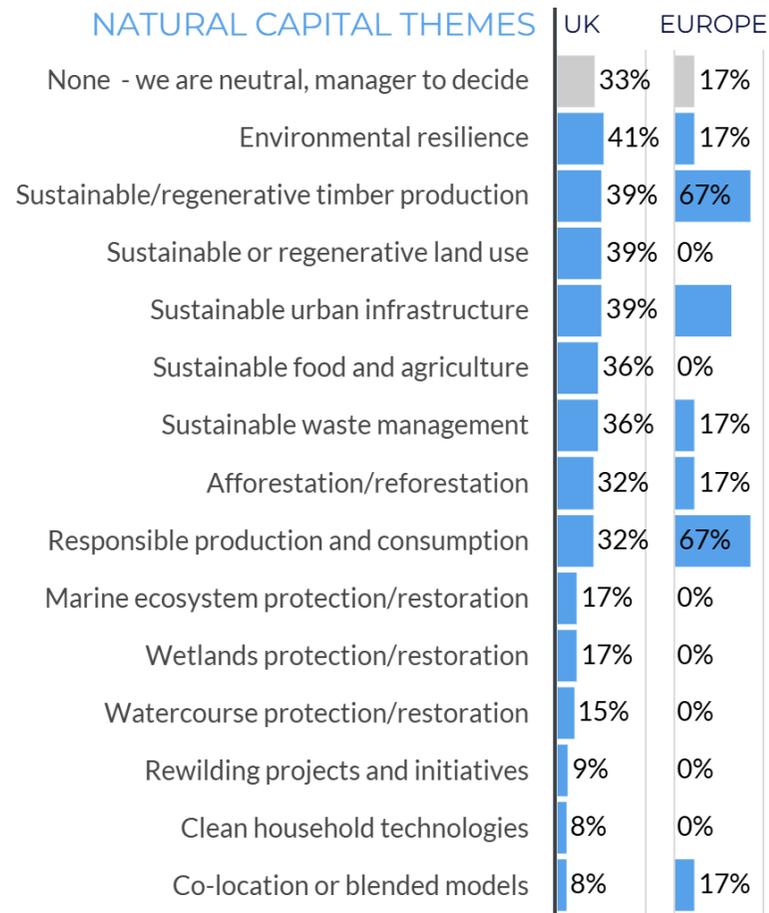
European investors emphasise sustainable production and portfolio stability and take a more cautious approach to scaling allocations.

European investors show a different thematic entry point to natural capital than UK peers. Their strongest interest sits with sustainable or regenerative timber production and responsible production and consumption, which may reflect stronger alignment with Sustainable Development Goals (SDGs) rather than the climate adaptation framing seen in the UK. While revenue streams broadly mirror the UK, investment characteristics diverge. **Only 40% of Europeans value natural capital for its attractive risk-adjusted performance**, compared with 75% of UK investors—which suggests it plays more of a diversifier role (charts not shown where just one statistic is quoted).

There is virtually **no appetite for carbon or biodiversity credits**, with 67% uninterested in generating or purchasing offsets (compared with just 24% in the UK).

Around half of European investors have already allocated, rising to 67% within five years, yet ambition remains measured: in two-thirds of cases, **allocations are expected to remain below 3%**. Ticket sizes of interest broadly track UK preferences, suggesting differences are driven more by mindset and objectives than by scale constraints.

Additionally, like UK investors, two-thirds of European asset owners are primarily looking at their home base for natural capital investments at the moment—and **only 33% are looking at global investments**, suggesting either less readiness to take natural capital to the next level or access to sufficient opportunities regionally for the time being given the level of appetite of European investors.



KEY STATISTICS

50%

of European investors have already invested in natural capital, rising to 67% within five years.

67%

expect natural capital allocations to remain below 3%.

67%

are interested in European investment opportunities.

67%

of European investors say they are not interested in generating or purchasing carbon or biodiversity credits.

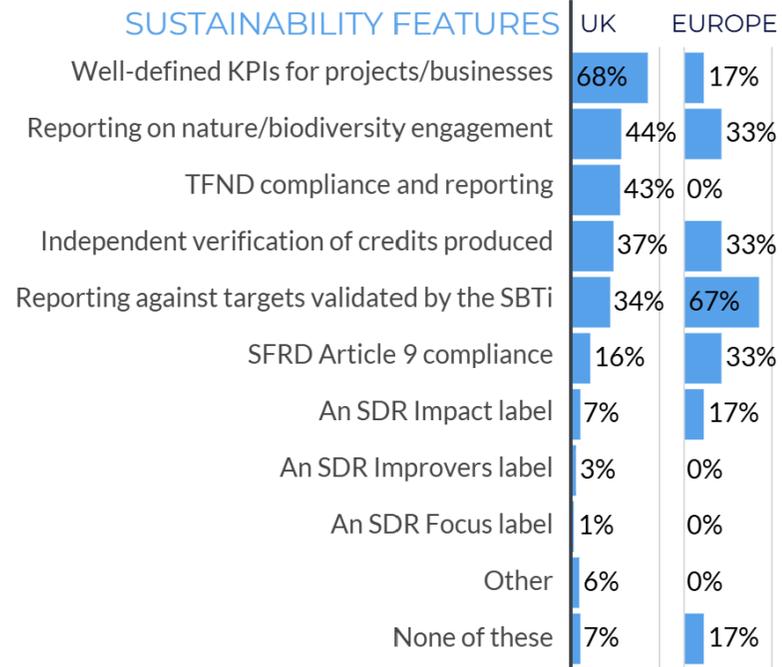
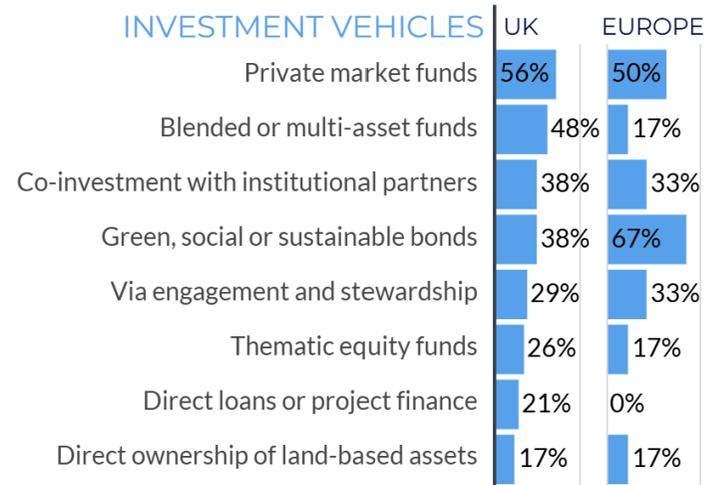
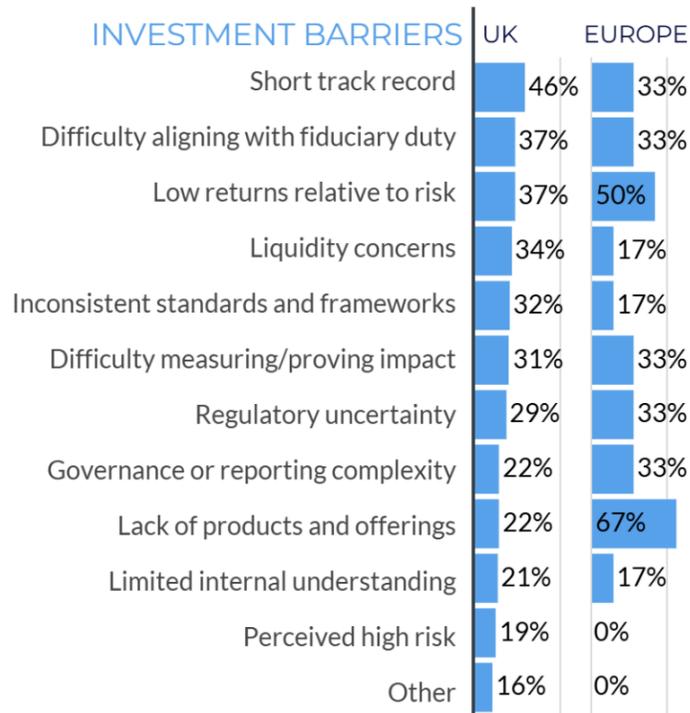
67%

are interested in responsible production and consumption, which may reflect SGD alignment.

EU ASSET OWNERS LEAN ON BONDS, LABELS AND SBTI EVIDENCE

They prioritise regulated routes and verified frameworks, with bonds and SBTi evidence leading, while product scarcity limits wider natural capital adoption.

Europeans access natural capital differently to UK peers: green, social or sustainable bonds are the most popular route, while private market funds lead in the UK. The biggest barrier is supply-side: lack of products and offerings is cited far more in Europe, signalling room for managers to introduce their credible, investible strategies. European preferences also look more framework-led, with stronger demand for SBTi-validated targets and SFDR Article 9 alignment than in the UK, and no interest in TNFD. For half of European asset owners, **reporting on non-financial returns and impact is just a 'nice to have'** (chart not shown), so there are lower expectations for proving impact, as long as regulatory framework requirements have been met.



KEY STATISTICS

67%

of European asset owners favour green, social or sustainable bonds to invest in natural capital.

67%

cite a lack of products and offerings as the top barrier.

67%

of Europeans prioritise reporting against SBTi-validated targets.

33%

look for SFDR Article 9 compliance from managers.

50%

still treat non-financial impact reporting as a "nice-to-have".

UK AUDIENCE BREAKDOWN AND RESEARCH PROCESS

This research reflects the views of mainly large UK and European institutional asset owners, including defined contribution (DC), defined benefit (DB) pension schemes, local government schemes, insurers, and charitable or endowment-style investors. The study was conducted through an online survey run in October and November 2025. Questions combined quantitative multiple-choice sections with optional open-text additional comments to provide context and nuance.

Results are reported in aggregate to preserve confidentiality, with charts showing total responses by relevant groups. Where referenced, qualitative comments are used illustratively to explain patterns in the data rather than as standalone evidence. The analysis for UK and European investors is kept separate so as not to skew the core UK findings.

To gather responses, we selected circa 1,400 contacts from our online community and database, giving priority to those with responsibility for sustainable investing, ESG or real assets, as well as trustees and key investment personnel. Of them, about 60 could not be contacted because they had either left their roles or we had outdated contact information.

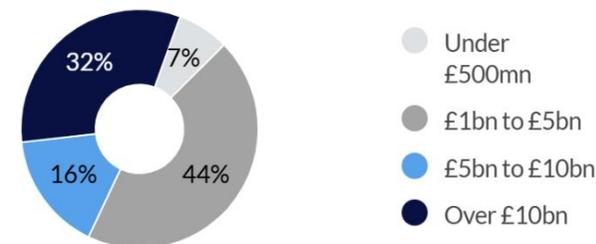
We only accepted one response per scheme/organisation. Where there were multiple responses from the same scheme/organisation, we gave priority to the more senior person, whoever is closest to natural capital investment decision-making based on their role, or if all else is equal, to the first response we received chronologically. We disqualified and ignored the duplicate responses from each organisation/scheme.

The initial outreach was comprised of three chasers to the initial list. We did a separate mailer to professional trustee firms to ask that they forward to the most relevant person on their team and give them the choice of two surveys running concurrently, one of which was the natural capital one and the other one about UK investment opportunities.

Mid-October, we added more people to our target list as they were not going to be chased for the other survey anymore. We also obtained an external list of charity investors to boost the response rate from this group.

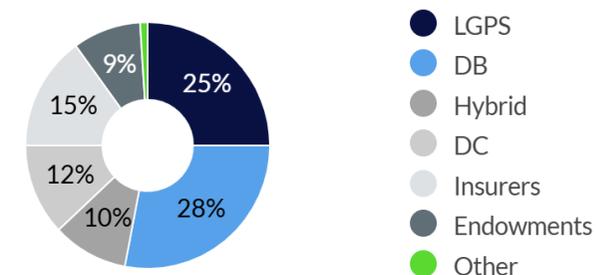
In November, we suppressed professional trustees because they were needed on another survey about illiquid assets. The European audience is from the personal contacts of mallowstreet's Head of Insights.

BY ASSET SIZE



Asset size	Count
Under £500mn	5
£1bn to £5bn	30
£5bn to £10bn	11
Over £10bn	22

BY ORGANISATION TYPE



Organisation type	Count
LGPS	17
DB	19
Hybrid	7
DC	8
Insurers	10
Endowments	6
Other (fiduciary manager)	1

mallowstreet Insights

Ally Georgieva | Head of Insight
e: albena.georgieva@mallowstreet.com

mallowstreet Sales

Stuart Breyer | CEO
e: stuart.breyer@mallowstreet.com

Bryan Verster | Commercial Director
e: bryan.verster@mallowstreet.com

James Pamplin | Head of Sales
e: james.pamplin@mallowstreet.com

BNP Paribas Asset Management

Claudia Sanchez | Client Group, Core
e: claudia.sanchez@axa-im.com

Paul Jeffries | Client Group, Alternatives
e: paul.jeffries@axa-im.com

Foresight Group

Robert Guest | MD Real Assets
e: rguest@foresightgroup.eu

Richard Kelly | MD, Real Assets
e: rkelly@foresightgroup.eu

Rebalance Earth

Robert Gardner | CEO
e: robert.gardner@rebalance.earth

mallowstreet.com/research