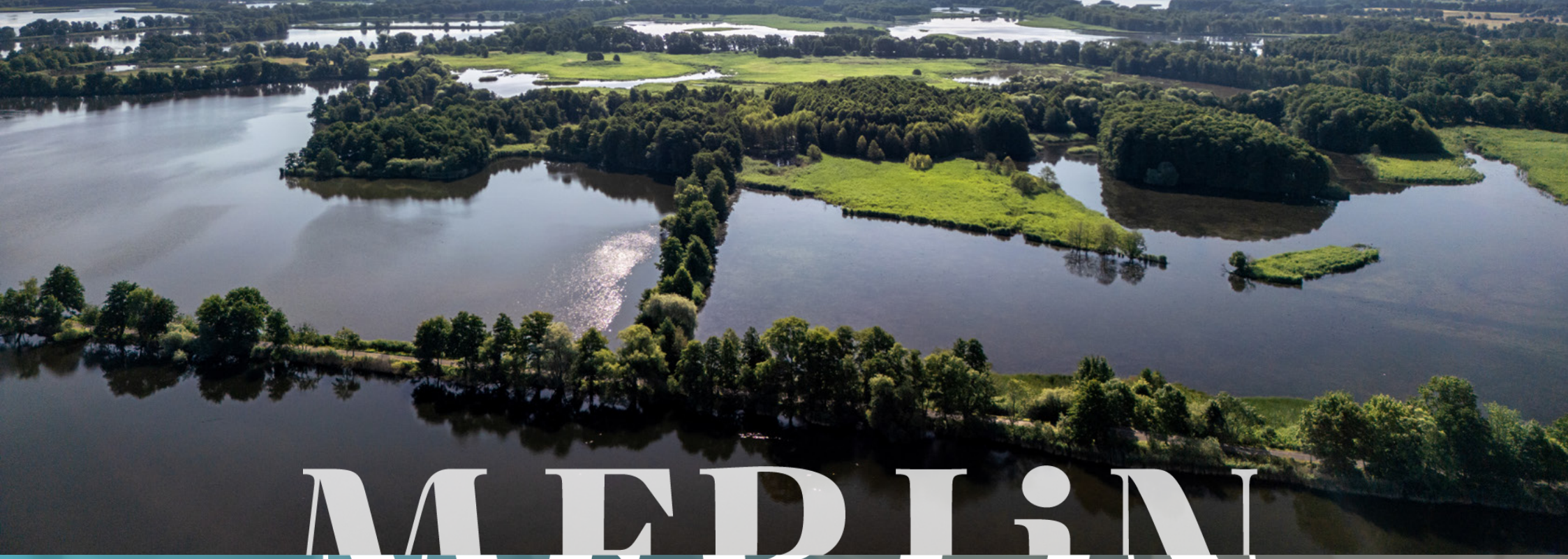

MERLiN

What makes a restoration project investor-ready?

Part 1. Understanding the investors' workflow

Investors do not start with restoration sites — **they start with risk, credibility, and structure.** Private investors do not assess restoration projects in a single step. Instead, they follow a progressive **decision workflow,** where **each stage acts as a filter.** Many restoration projects fail not because of weak ecological value, but because they do not meet investor expectations at an early screening stage.

Understanding this workflow will help restoration teams focus their efforts on the information that matters at the right time.

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1 Discovery: how investors first encounter projects

Investors rarely search proactively for individual restoration projects. Instead, projects typically enter their field of view through a combination of structured and informal channels:

Common investor discovery channels of restoration projects include:

- Trusted networks and referrals (peer investors, development banks, advisors)
- Specialised platforms and marketplaces (impact or sustainability-focused)
- Intermediaries such as accelerators, incubators, advisors, and public programmes
- Policy-linked initiatives and pilot programmes, often supported by public institutions

Beyond formal channels, investors often discover projects at:

- International fairs, summits, and conferences (impact investing, climate finance, ESG (Environmental, Social, and Governance) and sustainable finance events)
- Startup and innovation competitions (especially those linked to climate, nature, or sustainability themes)
- Corporate-led initiatives and industry forums (where companies explore partnerships, offsets, or supply-chain investments)
- Side events and closed-door roundtables (often more influential than main stages)

At this stage, **investors are not analysing details.** They are **forming a first impression** based on clarity, credibility, and relevance to their mandate (e.g. climate, biodiversity, impact, or blended finance).

What this means for restoration teams:

It is not enough to be present only in spaces where like-minded restoration actors meet. Projects must also show up in spaces where investors already are. If your project cannot be clearly understood in a short, non-technical description, it is unlikely to progress further. Simple, consistent messaging matters more than technical detail at this stage.

2 Investment thesis and mandate

Before examining the ecological details of a restoration site, investors first determine whether a project fits within their investment mandate. Every investor operates within defined strategic boundaries, whether focused on climate mitigation, biodiversity, ESG (Environmental, Social, and Governance) performance, blended finance, or broader impact objectives. If a project does not align with these priorities, it will not move forward, regardless of its ecological merits.

At this stage, investors also consider the type of capital required — whether the project seeks grants, concessional finance, debt, equity, or a blended structure. Equally important is the risk profile. Each investor has a predefined tolerance for technical, regulatory, financial, and long-term uncertainty. Only when a project fits within these strategic, structural, and risk parameters does it proceed to deeper evaluation.

What this means for restoration teams:

Restoration projects must clearly fit a known investor category.

3 First screening: risk before impact

The first active decision point is a rapid screening focused on risk and feasibility, not environmental ambition.

Key questions investors ask at this stage will be:

1. Is the project credible and well-structured?
2. Is there a credible governance structure and an accountable team?
3. Are the main risks identified and acknowledged?
4. Does the project align with existing policy or regulatory frameworks?
5. Is there a clear revenue or funding logic?
6. Are outcomes measurable and verifiable?

Only once these conditions are met do investors consider impact potential and move forward.

Impact metrics, such as greenhouse gas reductions, biodiversity condition indicators, water use efficiency, ecosystem restoration outcomes, local employment opportunities, and others, often play a decisive role at this stage because they **provide signals of measurability, comparability, and reporting compatibility.** Carbon metrics are currently the most standardised and portfolio-compatible environmental indicators, which often gives them priority at early screening stages.

What this means for restoration teams:

Early screening is designed to filter out execution risk before environmental ambition is evaluated. Strong ecological benefits cannot compensate for unclear governance, legal uncertainty, or unmanaged risk. A basic risk framework is often more important than detailed impact projections at this stage.

In practice, most projects fail here because of an unclear structure, weak data, or vague impact claims.

4 Comparison and due diligence: evidence over narrative (deep dive)

Projects that pass initial screening are compared with other opportunities. At this point, investors look for evidence, not aspirations.

Typical focus areas include:

- Measurable KPIs (Key Performance Indicators) linked to recognised frameworks (e.g. SDGs (Sustainable Development Goals), IRIS+ (Impact Measurement Framework)
- Monitoring and reporting systems
- Track record of delivery or credible milestones
- Financial structure and use of funds
- Scalability or replicability potential
- Risk mitigation

Investors assess whether impact claims can be verified and whether data could, in principle, be audited. Long time horizons and ecological uncertainty are acceptable only if they are explicitly managed and communicated.

What this means for restoration teams:

Impact narratives must be translated into indicators, timelines, responsibilities and professional documentation. Projects that cannot explain how the impact will be measured tend to stall at this stage.

5 Investment decision and structuring — aligning capital with uncertainty

Final investment decisions are rarely binary. Rather than committing large amounts of capital immediately, **investors often begin** with **small ticket sizes** (relatively small initial investments compared to what the investor could potentially invest), **pilot or demonstration investments, milestone-based financing, and phased capital deployment.**

At this stage, the **focus shifts from simple valuation to capital structuring.** Investors aim to align the type and scale of capital with the project's maturity, uncertainty, and risk profile.

Capital is typically structured through:

- Risk-sharing mechanisms
- Blended finance arrangements combining public and private capital
- Guarantees, co-funding, or other forms of public support
- Performance-based or milestone-linked tranches

Investors seek to balance risk exposure, learning potential, reputational considerations, long-term optionality and scalability.

Blended finance is frequently used to absorb early-stage or structural risk, while private capital is deployed more confidently once technical performance, governance, and delivery capacity have been demonstrated.

What this means for restoration teams:

Being "investor-ready" does not mean being fully financed from the outset. Projects that can propose phased investment pathways, clear milestones, and realistic risk-sharing structures are significantly more likely to attract private capital.

6 Post-investment — monitoring, trust, and future capital

Once capital is deployed, the focus shifts from structuring to delivery. Investment is not the end of the process — it is the beginning of an accountability phase.

At this stage, investors expect the restoration project:

1. Regular reporting (financial and impact-related)
2. Transparent monitoring of restoration outcomes
3. Delivery against agreed milestones
4. Responsiveness to unforeseen ecological, regulatory, or operational challenges
5. Clear communication of deviations and corrective actions

Monitoring is not only about compliance — it is about maintaining credibility.

Beyond reporting, investors also look for clarity on the project's longer-term trajectory, including:

- A defined exit strategy (where applicable)
- Handover arrangements
- Refinancing pathways or long-term stewardship structures

Successful early delivery plays a critical role in building investor trust. When projects meet agreed milestones, communicate transparently, and demonstrate disciplined execution, confidence grows. This trust often determines whether follow-on funding is approved, whether investors are willing to increase their ticket sizes in subsequent rounds, and whether the project is recommended within investor networks. **In restoration finance, reputation and demonstrated reliability frequently matter as much as the initial investment decision itself.**

What this means for restoration teams:

Investment is not the end of the process. Transparent communication, reliable reporting, and consistent delivery are essential for sustaining long-term financing relationships.

Projects that treat reporting as a strategic tool, rather than an administrative burden, are significantly more likely to attract future capital.


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Part 2. Frequently Asked Questions (FAQ):

1 Why do nature restoration projects struggle to attract investors?

Nature restoration projects often struggle to attract investors, not because they lack ecological value, but because they do not meet investor expectations around structure and risk. Many are early-stage, lack clear financial logic, rely on non-standard metrics, or depend heavily on a single funding source. In addition, they are frequently described in scientific language that does not address governance, risk management, or scalability.

In most cases, the issue is not the value of the project — it is a translation and structuring gap between restoration practice and investment logic.

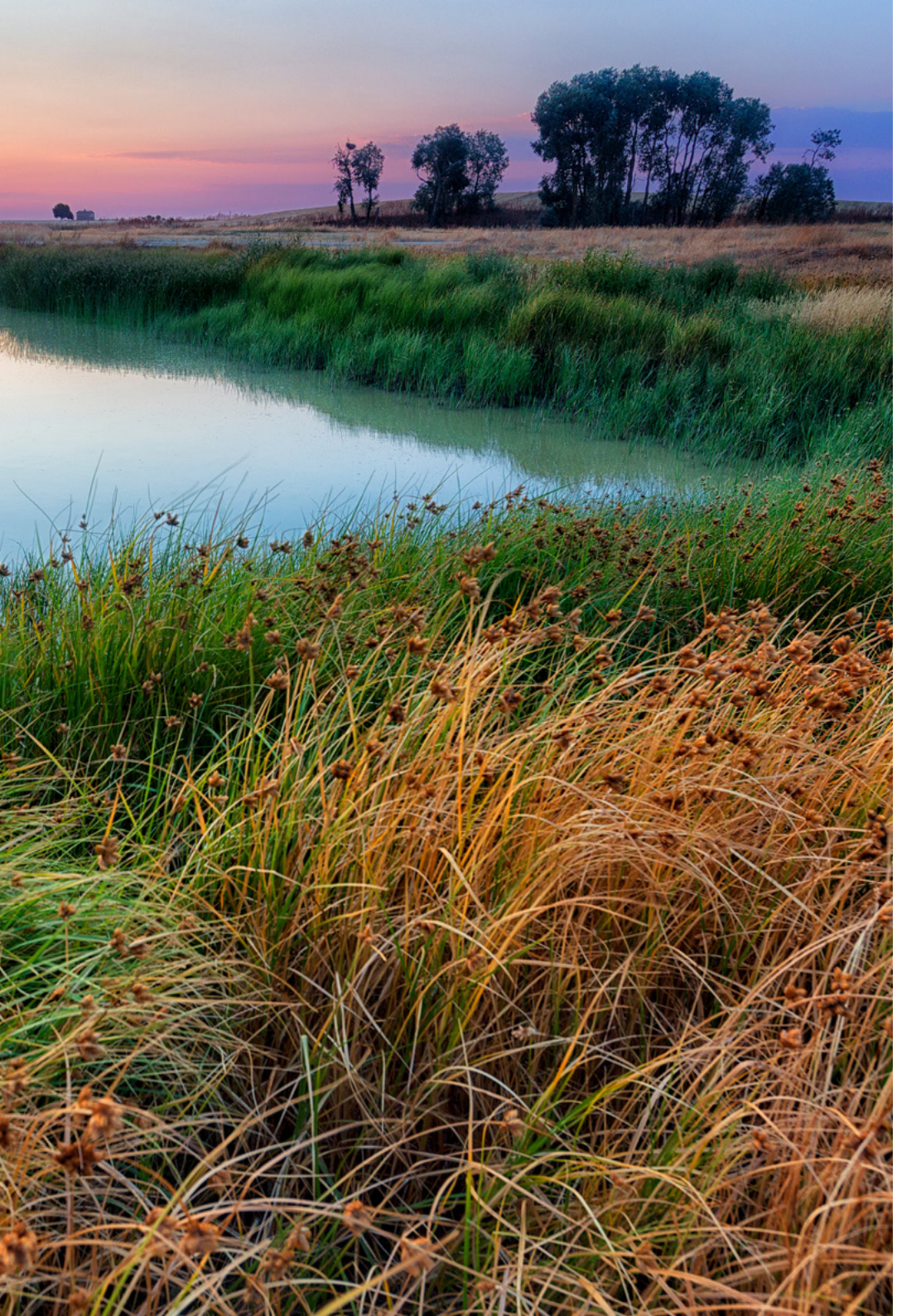
2 What can future restoration programmes, platforms or consortia do?

Restoration platforms can act as bridges between restoration practice and capital.

They can add value by:

- Building investment readiness through structured support programmes, coaching, and standardised templates that help projects clarify governance, funding needs, risks, and measurable outcomes
- Matching projects to the right type of capital, recognising that not every project fits every investor
- Aggregating projects into portfolios, increasing scale and reducing transaction costs.
- Providing credibility and validation, leveraging scientific and institutional authority to strengthen investor confidence
- Preparing projects for blended finance, using public funding strategically to de-risk and unlock private capital

In short, their role is to strengthen, structure, and position restoration projects so they can progressively access more diverse and larger sources of funding.



3 What are the types of investors in nature restoration?

Nature restoration attracts a spectrum of investors, each with different expectations around risk, return, and impact.

1. Philanthropic and impact-first funders prioritise environmental and social outcomes over financial returns, making them well-suited to early-stage or higher-risk projects.

2. Public and development finance institutions focus on policy alignment, scalability, and accountability. Through grants, concessional finance, and guarantees, they often de-risk projects and enable future private investment.

3. Impact investors seek measurable impact alongside modest financial returns. They engage where governance is strong, risks are managed, and a credible financial pathway exists. At larger scales, ESG-oriented institutional investors require stability, standardised reporting, and portfolio-level opportunities, typically investing through aggregated vehicles rather than individual sites.

4. Corporate and strategic investors are motivated by sustainability commitments, supply-chain resilience, and reputation, and they fund projects with credible, verifiable environmental outcomes.

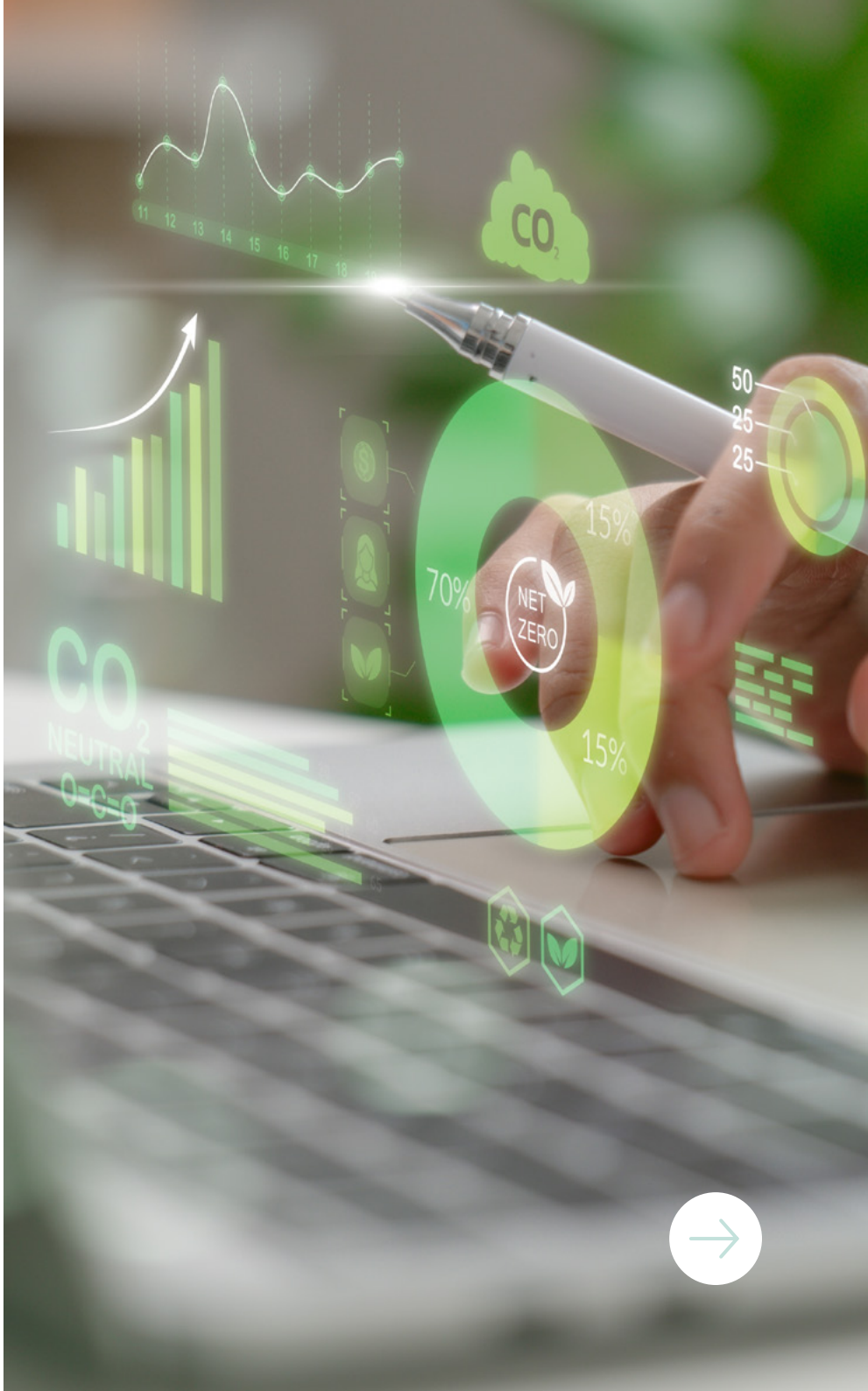
5. Across these categories, blended finance structures play a critical role in aligning public and private capital and managing early-stage risk.

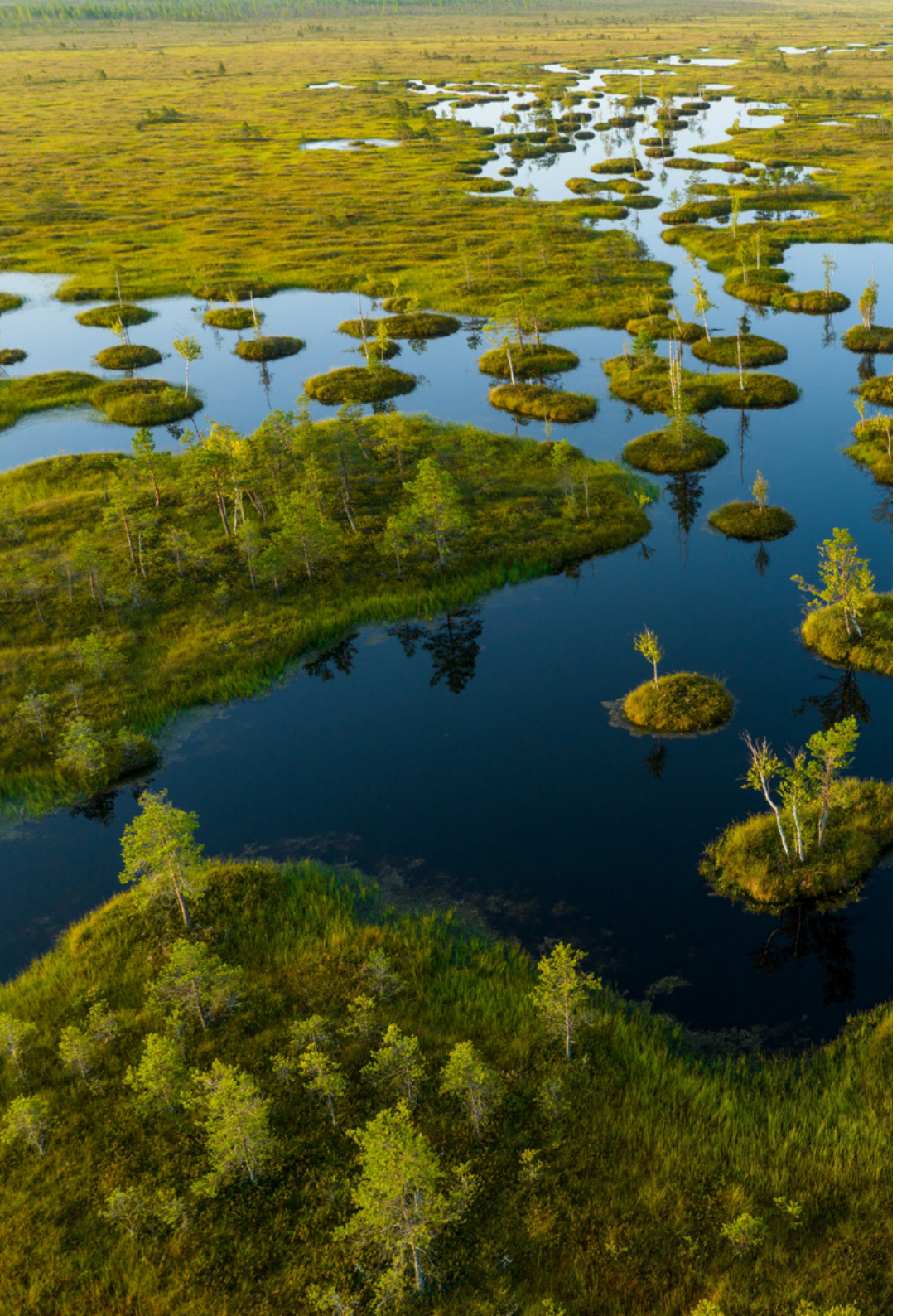
4 When investors evaluate environmental projects, what non-financial indicators actually influence their decisions most?

When investors evaluate environmental projects, the most influential non-financial indicators are not the environmental benefits themselves, but risk management, measurability, and governance quality.
Across investor types, there is a strong emphasis on ecological, legal, financial, and governance risks. Before considering environmental upside, investors seek reassurance that the project will not create hidden liabilities. A clear and structured risk framework, therefore, becomes a decisive non-financial indicator because it reduces uncertainty around long-term delivery. Closely linked to this is the presence of robust KPIs and monitoring systems. Investors consistently prioritise measurable, time-bound indicators, often aligned with SDGs (Sustainable Development Goals) or ESG (Environmental, Social, and Governance) frameworks, over general narratives about positive impact. KPIs function as a form of accountability: they translate environmental and social ambition into trackable commitments.

Beyond carbon, investors also consider broader biophysical indicators (e.g. water quality, soil health, hydrological regulation), social durability (community trust, jobs, local alignment), and strategic readiness factors such as team quality, scalability, and governance capacity.

Overall, so-called “defensive” indicators, such as risk, measurability, and governance, carry more weight in decision-making than benefit-oriented metrics alone. Impact must be measurable, structured, and auditable before it becomes investable.





5 How do investors define and assess Sustainable Return on Investment (S-ROI) in practice?

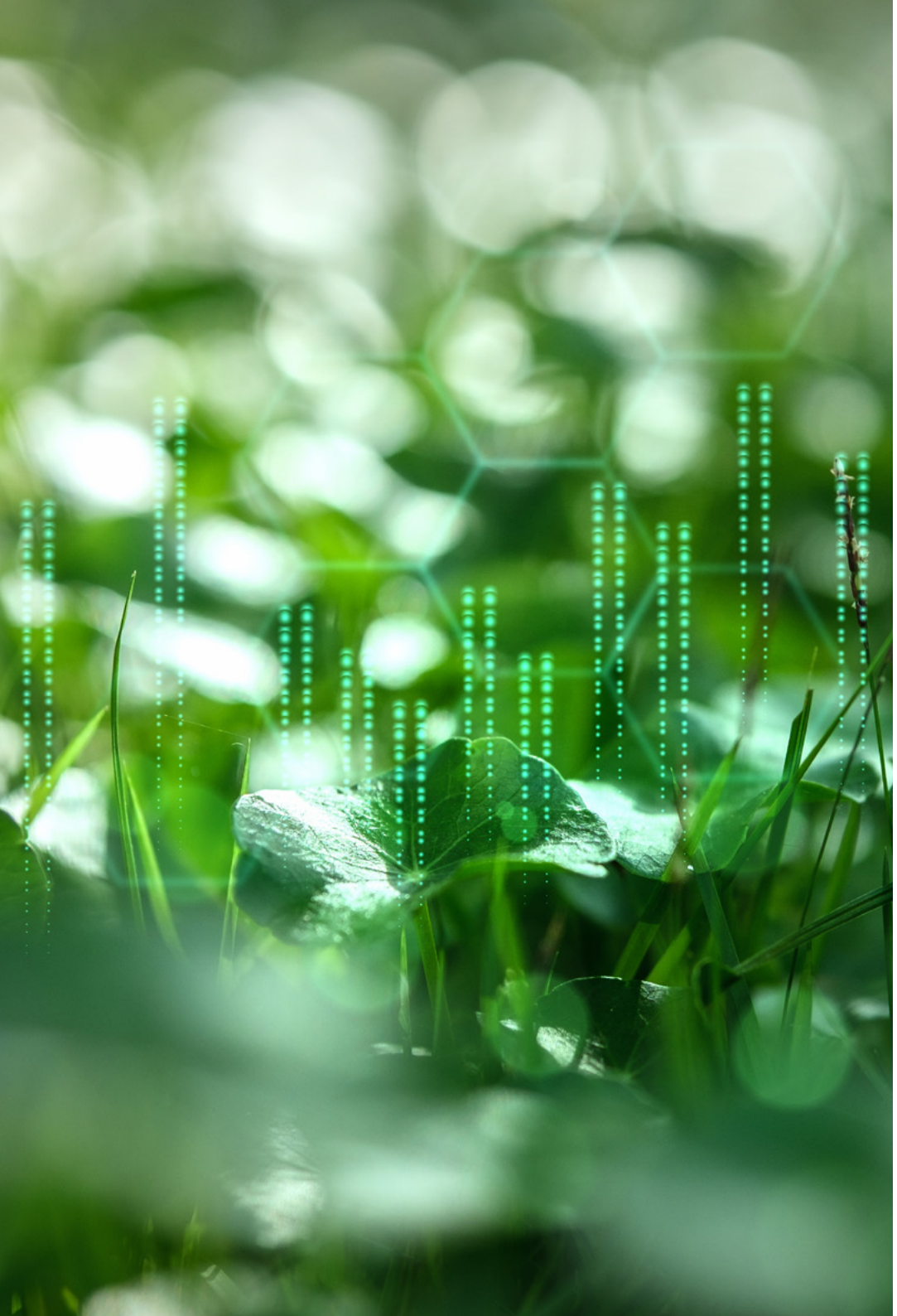
In restoration finance, investors do not apply a single Sustainable Return on Investment (S-ROI) formula. Instead, they assess financial viability and ecological impact in parallel. A “sustainable return” is understood as the combination of risk-managed capital deployment and credible, measurable restoration outcomes over long time horizons.

Investors anchor their evaluations in recognised frameworks (e.g. SDGs, standardised impact metrics) and expect a clear Theory of Change linking restoration activities to ecological results such as carbon sequestration, biodiversity improvement, or hydrological benefits. What ultimately determines confidence is evidence: baseline data, monitoring systems, and transparent reporting. In restoration projects, impact must be measurable and managed with the same discipline as financial risk. Otherwise, capital will not scale.

6 Why do some environmental projects attract capital — and others struggle even when their ecological benefits are strong?

Projects succeed not because they promise greater impact, but because they structure how impact is delivered in a way that reduces uncertainty for investors.
The table below summarises the key factors that differentiate projects that successfully attract investment from those that struggle to secure capital.

Projects that attract capital	Projects that struggle to attract capital
Clear governance and defined responsibilities	Unclear decision-making structures
Documented land rights and regulatory clarity	Legal uncertainty or unresolved permits
Measurable, standardised impact indicators	Vague or non-comparable impact claims
Transparent financial model and use of funds	Weak or unrealistic financial logic
Identified risks with mitigation strategies	Risks unacknowledged or unmanaged
Credible, experienced team	Limited implementation track record
Scalable or replicable model	One-off, non-repeatable pilot
Blended or diversified funding pathways	Dependence on a single funding source
Structured reporting and monitoring systems	Narrative-heavy, documentation-light approach



7 What drives philanthropic and impact-first investors?

For philanthropic and impact-first investors, financial return is not the primary driver. Their decisions are often shaped by mission alignment, legacy considerations, and a belief in long-term systemic change.

Emotional and strategic factors frequently include:

- Values alignment with climate action, biodiversity restoration, or regenerative economies
- Legacy and intergenerational responsibility, particularly among family offices
- Place-based identity and cultural connection to landscapes
- Desire to catalyse systemic change, not just fund isolated projects
- Support for purpose-driven founders and ecosystem building

In restoration contexts, social acceptance and community trust also matter deeply. Projects that recognise cultural, historical, and emotional attachment to land are more likely to attract catalytic and mission-driven capital.

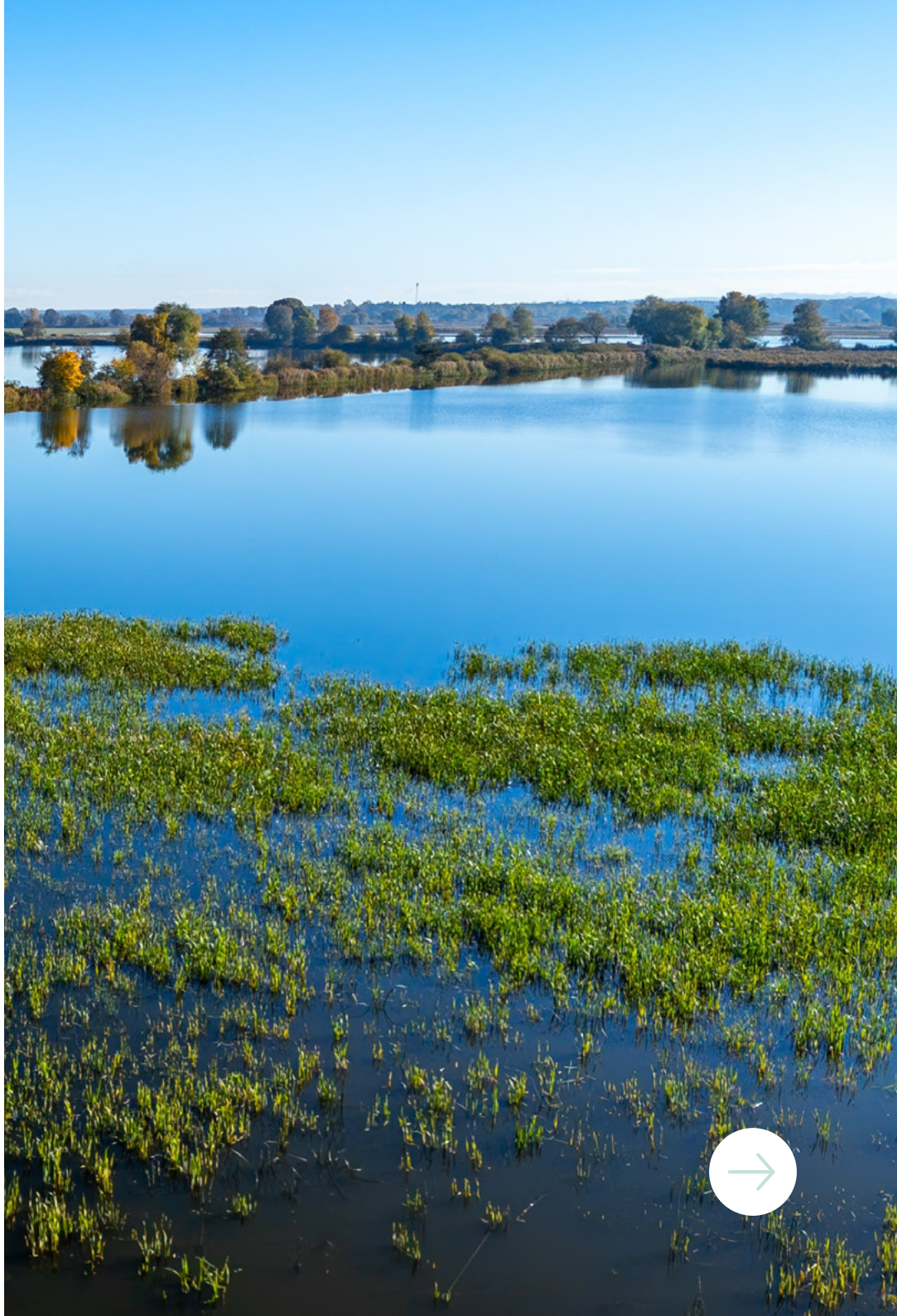
Unlike purely financial investors, impact-first actors are often willing to accept higher risk or longer time horizons — but they still expect governance clarity, credible metrics, and disciplined impact measurement.

8 If you were advising a habitat restoration project to become “investor-ready”, what would you tell them to strengthen first?

As we described in the chapter *First screening:* risk before impact of the “Understanding the investor’s workflow”, investors initially assess risk, structure, and feasibility, not environmental ambition. They look for clear governance, defined accountability, identified risks, coherent funding logic, and measurable outcomes. Only after these fundamentals are credible does impact potential come into focus.

Standardised indicators often influence early screening because they are comparable and portfolio-compatible. Biodiversity and social benefits are considered, but must be supported by structured monitoring systems.

In practice, projects fail at this stage not due to weak ecological value, but because of unclear structure, unmanaged risk, or vague impact claims.



9 Where do you see the biggest disconnect between what project developers emphasise and what investors actually care about?

Restoration practitioners highlight the uniqueness of ecosystems and long-term ecological processes. Investors, by contrast, look for replicable models, structured delivery, and scalable frameworks that reduce administrative complexity and portfolio risk.

A second disconnect concerns time horizons and uncertainty. Ecological outcomes often require multi-year validation, while investors need credible projections and structured milestones upfront. Uncertainty in natural systems is not inherently unacceptable, but it must be explicitly managed and translated into financial terms.

Ultimately, the gap is less about ambition and more about structure: restoration teams communicate ecological value, while investors allocate capital based on governance, measurability, scalability, and risk discipline.

When restoration objectives are framed in ways that address investor expectations without compromising scientific integrity, the pathway to capital becomes significantly clearer.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Further Reading

International Strategic Reporting and Frameworks

TNFD 2025 Status Report : A detailed overview of market progress, noting that over 620 organisations representing $20 trillion in AUM have committed to nature-related financial disclosures.

TNFD Knowledge Hub: Webinar Library : A collection of recorded sessions covering topics such as nature in transition plans, nature-related opportunities, and the LEAP approach for identifying nature intelligence.

International and European Strategic Guidance and Performance Metrics

Financing Nature: A Practitioner's Guide to Result Metrics Selection : A practical framework to help practitioners choose robust, outcome-oriented metrics that align with global biodiversity goals throughout the life cycle of financial instruments.

EIB & IDB Launch Initiative to Unlock Nature Financing : Official announcement of the "Belem Alignment" tool, designed to help project developers and investors select metrics that can be easily explained to institutional funders.

IDB Blog: Complexity to Clarity in Nature Investments : A roadmap for practitioners to translate environmental ambition into measurable, finance-ready outcomes.

International and European Market Dynamics and Financial Solutions

WEF: Finance Solutions for Nature 2025 : A report consolidating guidance into 37 financial solutions, identifying 10 priority instruments (such as sustainability-linked bonds and impact funds) ready for scale.

Convergence: Nature Finance Forum Europe Insights : Summary of trends showing how blended finance can align risk-return expectations for nature-positive transactions.

The New EU's Roadmap Towards Nature Credits : An analysis of the European Commission's blueprint for nature credits as quantifiable and fungible units for verified biodiversity outcomes.

Policy and Regulation

EU Nature Restoration Regulation Official Page : Authoritative source on binding restoration targets for wetlands, rivers, and forests intended to secure ecosystem services and limit global warming.

Future-Proofing with TNFD : Expert insights on the business case for nature-related risk management and how to engage with the TNFD framework.

Expanding Nature Markets and Blue Finance : A webinar on how evolving regulatory frameworks and blue bonds are linking ecological performance directly to investment decisions.

Practical Financing Pathways for NbS : Explores innovative instruments, blended finance, and strategies to connect restoration priorities with bilateral and multilateral climate finance.

Investor Outlooks

Research Reveals a Fundamental Shift in How Investors View ESG (HBR 2026) : Landmark research detailing how both retail and institutional investors have converged on a “pragmatic, risk-first approach” to ESG, moving away from strategies based on presumed altruism toward concrete risk mitigation.

Sustainable Investment: An Improving Context for 2026 (LSEG) : An analysis showing that 73% of asset owners now take sustainability into account, with a notable shift in market language toward clarifying the core investment business case.

2026 Sustainable Investment Outlook: 7 Key Trends (Schroders) : Identifies a shift toward “steely pragmatism” among North American investors, with nature risk in portfolios emerging as a critical trend for 2026.

Drivers of Nature-Related Investment Strategies Among Institutional Investors (Pollination/ResearchGate) : A study of over 550 institutional investors, finding that financial motivations (primarily risk reduction and return opportunities) are the strongest drivers of nature-related strategies.

Investor Expectations on Nature (Natcap) : Insights from leading asset managers on why nature risk is now viewed as a supply chain risk and how data is being used to inform long-term capital allocation.

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