

Getting started in nature, biodiversity and finance

11 January 2022



Finance for
Biodiversity
Pledge



Business @
Biodiversity

Agenda

1. Welcome and opening

- **Anna Karamat**, Business@Biodiversity Platform, DG Environment, European Commission
- **Gemma James**, PRI
- **Anita de Horde**, Finance for Biodiversity Foundation

2. Keynote: The why and what of finance and biodiversity

- **Beatrice Crona**, Stockholm Resilience Centre

3. Keynote: The how of finance and biodiversity

- **Annelisa Grigg**, Global Balance

4. Practitioners panel

- **David Heller**, Citi
- **Wendelin von Gravenreuth**, MEAG
- **Sonya Likhtman**, Federated Hermes

5. Wrap up and close



The how for finance and biodiversity - Approaches, tools and data to understand biodiversity risks and opportunities

Annelisa Grigg, Director
11th January 2022

globalbalance

Overview



- Commitments and strategy
- Tools and data
- Metrics



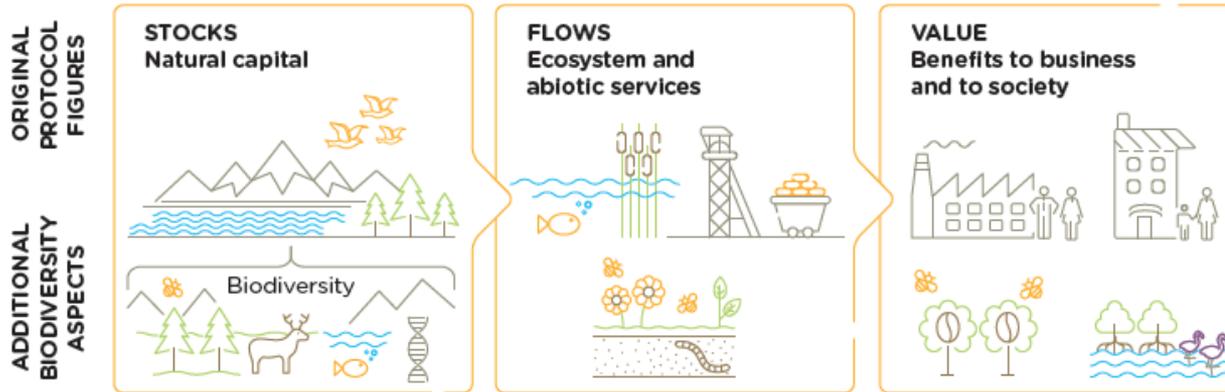
Commitments and strategy



Definitions



- **Natural capital** is the *stock* of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soil, minerals) that combine to yield a *flow* of benefits to people (NCC 2016)
- **Ecosystem services** are the **flows of benefits** to people from ecosystems, commonly divided into four categories: provisioning, regulating, cultural, and supporting



- **Biodiversity** is the variability among living organisms from all sources including, ...terrestrial, marine, and other aquatic ecosystems and the **ecological complexes** of which they are a part; this includes **diversity within species, between species, and of ecosystems**

Source: Capitals Coalition and Cambridge Conservation Initiative. 2020. "Integrating biodiversity into natural capital assessments". (Online) Available at: www.capitalscoalition.org

Where to start



- **Establish policy and strategy, assessing impacts and dependencies** and act to reduce them, reflecting emerging global policies
- **Allocate finance: adapt investment strategies and engage with investees** on their biodiversity impact and dependencies
 - Avoid and reduce harm
 - Finance to support the transition to a nature positive economy (including linking climate finance and nature)
- **Set targets in line with global goals and the CBD post-2020 Global Biodiversity Framework**
- **Measure and disclose nature-related financial risks and opportunities**
- **Collaborate, engage and influence**

Sources: [CBD \(2021\)](#), [PRI \(2020\)](#) and [Finance for Biodiversity Pledge \(2020\)](#)

Guidance and frameworks

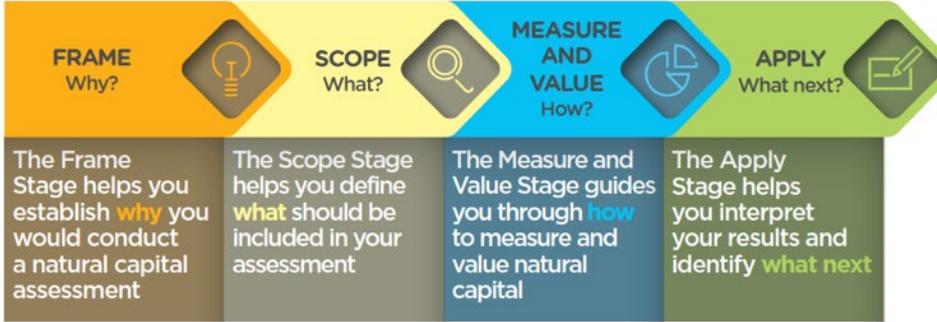


■ Natural Capital Protocol & Finance Supplement

- Standardized framework for business and finance to *identify, measure* and *value* their direct and indirect impacts and dependencies on natural capital
- The recently launched biodiversity guidance to the Protocol provides guidance on how biodiversity can be integrated into natural capital assessments
- Navigation tool to determine entry point for analysis

■ Science Based Targets for Nature

- Guidance for companies and investors, five step process: assess, interpret & prioritise, measure, set and disclose, act and track

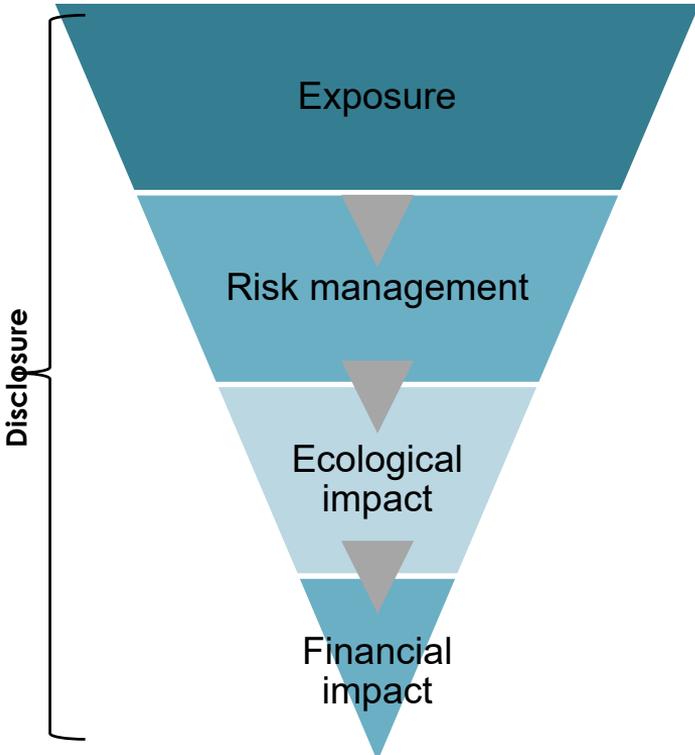


Source: Capitals Coalition (2018).



Source: SBTN (2020)

Data information flow



Which means

Exposure of companies to biodiversity related risk e.g. presence of protected areas

Evaluation of effectiveness of corporate risk mitigation processes

Impact following avoidance & mitigation

Translation of ecological impact to financial implications

Requires understanding of

- Company location
- Biodiversity present/ impacts
- Nature of activities
- Regulatory environment (law and enforcement)

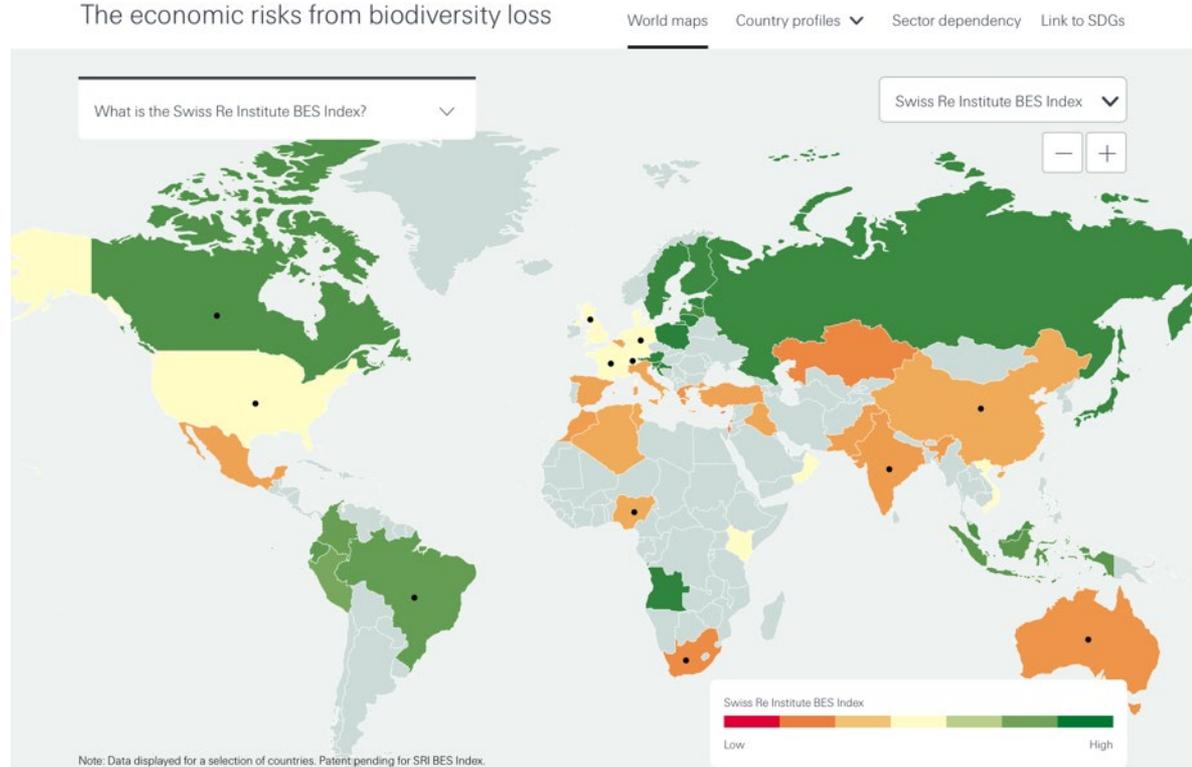
- Quality of company policy, strategy and action plan
- Assessment of effectiveness of implementation

- Change in state of biodiversity/ change in pressure

- Business performance impacts (e.g. financial, reputational, compliance with regulation)

Sovereign level

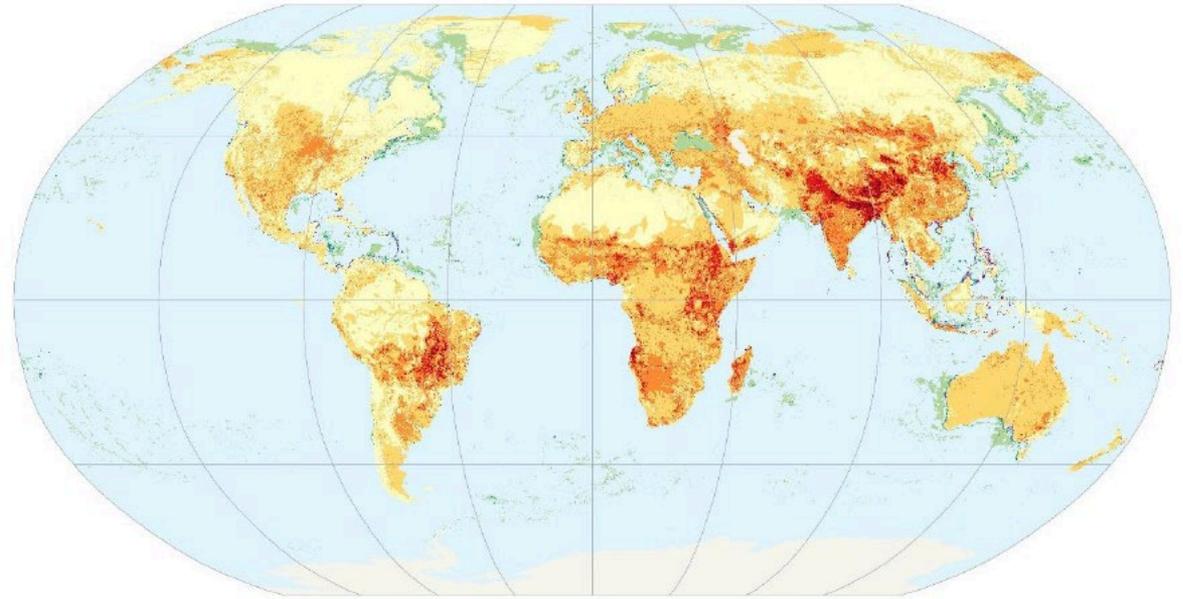
- Swiss Re issued a Global SRI BES Index which identified a 5th of countries at risk of ecosystem collapse
- WWF and Ninety One Climate and Nature Sovereign Risk index combines a range of datasets to suggest insight to country risk
- World Bank ESG framework sets out data sets for inclusion in Sovereign Risk assessment



Source: Swiss Re BES Index, accessed Jan 2022.

Sovereign level

- Overlapping hotspots of current/recent depletion of stocks of natural capital assets (atmosphere, water, soil and sediments, biodiversity) in terrestrial environments, and of potential depletion of stocks of natural capital assets (carbon and biodiversity) in marine environments.
- Gives insight into potential risk exposure for natural capital dependent companies



Number of overlapping hotspots of:

Depletion of terrestrial assets



Potential depletion of marine assets



Projection Robinson, Central Meridian 0

© UNEP-WCMC 2021

Source: UNEP-WCMC (2021) Mapping global hotspots of natural capital depletion: Using ENCORE to identify natural capital risks and opportunities and focus investor engagement, Cambridge, UK

Portfolio level – sector risk



- Not all sectors are equally exposed to risk
- Risks (and opportunities) are linked to the nature of the products and services, location of the company operations and market forces acting upon it
- Often much of the risk exists within the supply chain or products
- Understanding of opportunity much less well developed, WEF identifies 3 transition sectors:
 - Food, land and ocean use
 - Infrastructure and the built environment
 - Energy and extractives

Impacts	Dependence
<ul style="list-style-type: none">• Agricultural Products• Distribution• Mining• Oil & Gas Exploration & Production• Oil & Gas Storage & Transportation	<ul style="list-style-type: none">• Agricultural Products• Apparel, Accessories & Luxury Goods• Brewers• Electric Utilities• Independent Power Producers & Energy Traders

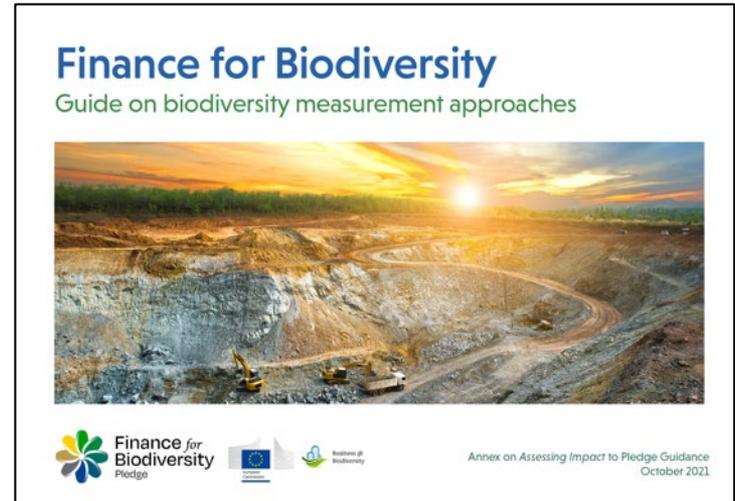
Source: UN Environment Programme, UNEP Finance Initiative and Global Canopy 2020. Beyond 'Business as Usual': Biodiversity targets and finance. Managing biodiversity risks across business sectors.

- Swiss Re BES Index has also identified high risk sectors
- World Economic Forum and PWC (2020) looked at sector exposure to risk linked to dependence on ES

Portfolio level



- Significant methodological advances in recent years
- Biodiversity Footprint approaches
 - CBF - Corporate Biodiversity Footprint
 - BFFI - Biodiversity Footprint Financial Institutions
 - BIA-GBS - Biodiversity Impact Analytics powered by the Global Biodiversity Score
- Approaches based on extinction risk
 - STAR - Species Threat Abatement and Restoration metric
- Dependence
 - ENCORE - Exploring Natural Capital Opportunities, Risks and Exposure
 - WWF biodiversity risk

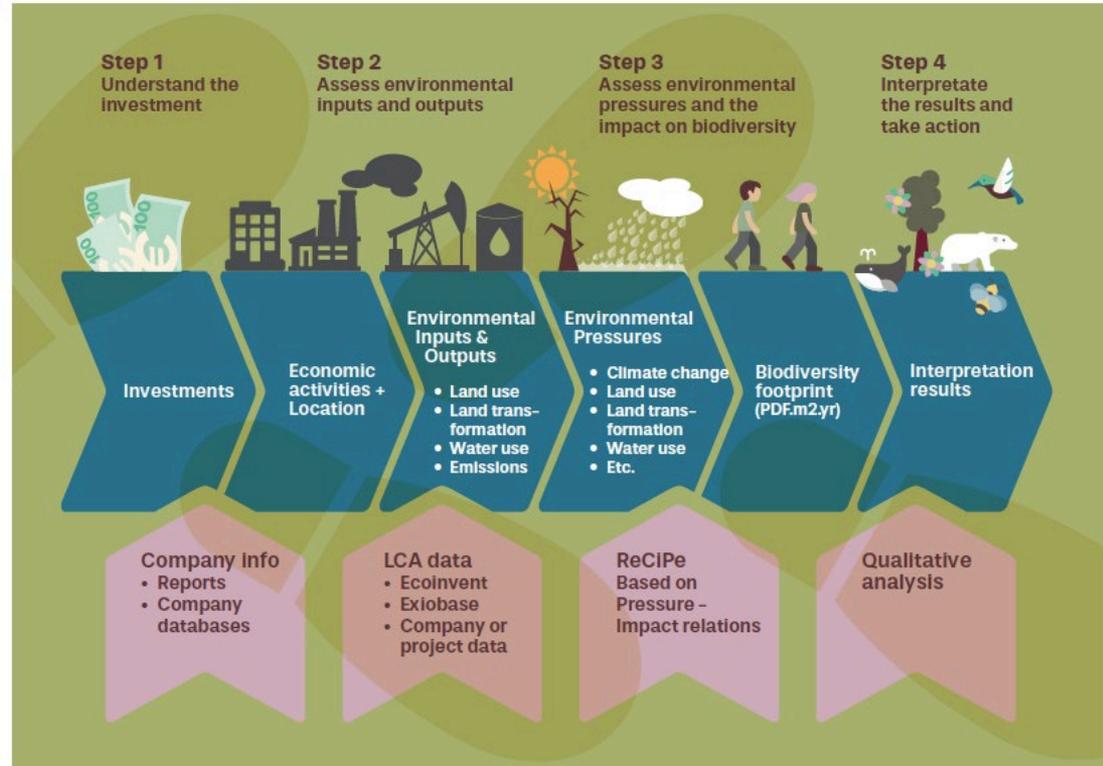


[Source: Finance for Biodiversity](#)

Biodiversity footprinting



- Uses company revenue and location to calculate potential environmental pressures
- Uses models to calculate potential impacts on biodiversity
- Under development for large investment universes
- Currently focused on impact (although working on dependence)
- Focus on terrestrial impacts rather than dependence



Source: PBAF Netherlands (2020) Paving the way towards a harmonised biodiversity accounting approach for the financial sector,

Dependence



- Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE): web-based tool designed to help financial institutions assess the risks that environmental degradation pose to the economy
- Maps industry sectors against the ecosystem services on which they depend, natural capital assets and drivers of change
- Used by the Dutch and French Central Banks to understand finance sector exposure to risks associated with nature loss

ENCORE

About Explore Data & Methodology Contact

Select from a Sector or Sub-industry (based on the Global Industry Classification Standard) to explore dependencies and impacts on natural capital.

Sector Sub-industry

View: Dependencies Impacts

Select option EXPLORE

UN Environment WCMC Finance UN Initiative Global Canopy

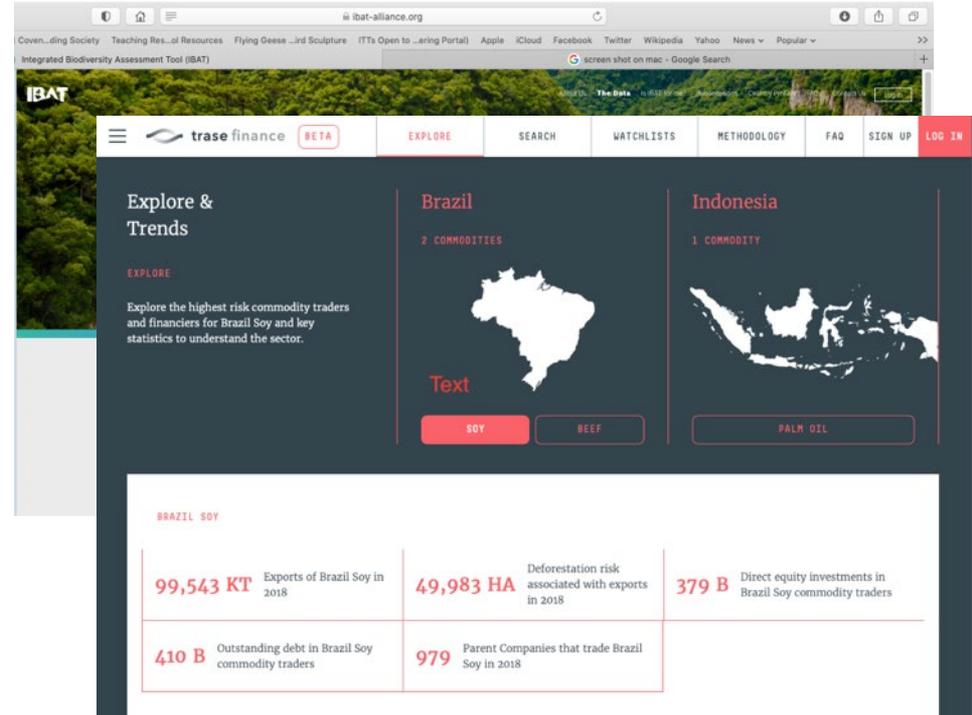
Explore spatial data on natural capital using the map

Understand natural capital risks arising from dependencies and impacts of business activities by exploring spatial data.

MAP

Company/project level

- What do I need to understand?
 - Nature of operations e.g. impacts and dependence analysis
 - Company location including proximity to important areas of biodiversity e.g. [Integrated Biodiversity Assessment Tool](#) or [Trase Finance](#)
 - Quality of company management – multiple sources e.g. Forest 500, SPOTT, various benchmarks
 - Impact and outcome: biodiversity footprinting e.g. Global Biodiversity Score
- What information is being developed?
 - Asset level data
 - World Benchmarking Alliance, CDP/ BNP Paribas, Nature Action 100





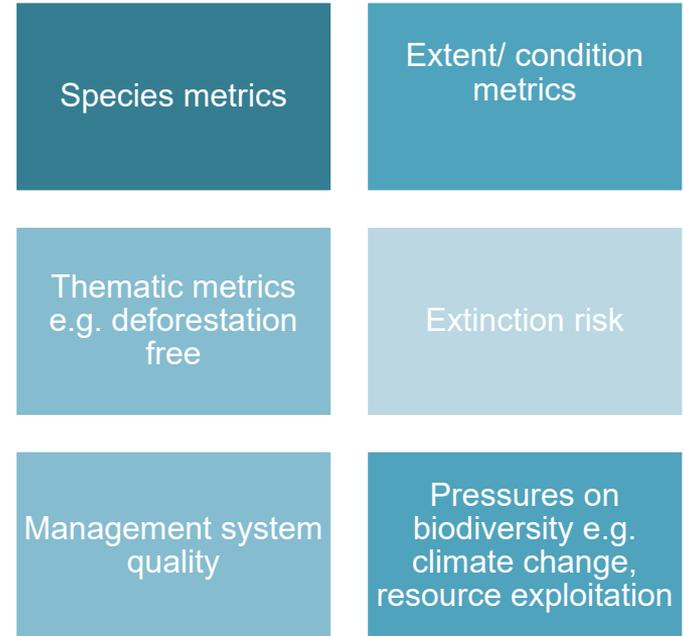
Metrics



Metrics

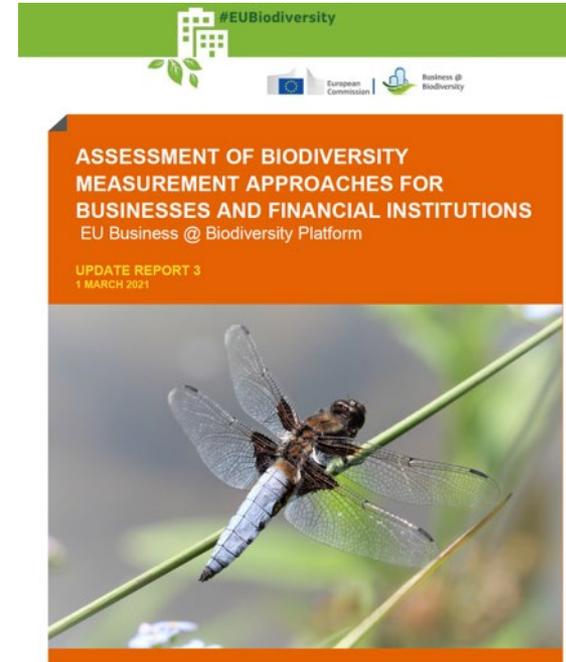


- No GHG equivalent for biodiversity is available / feasible
- Extent (area), condition (quality) and significance are generally accepted elements of an appropriate biodiversity metric, but are not widely accessible to investors
- Model-based approaches relying on metrics such as MSA (mean species abundance) and PDF (potentially disappeared fraction of species) allow aggregation of results but lack local specificity
- Approaches relying on ‘significance’ such as STAR (‘threatened species’) also allow aggregation and are much more accurate, but focus on IUCN Red List Species
- There are a large number of thematic metrics in the field of biodiversity e.g. ‘deforestation free’ and ‘palm oil free’



Aligning impact and dependence measurement

- **Align:** aligning accounting approaches for nature: aims developing recommendations for standardising measurement and valuation of biodiversity and associated sector guidance
- **Partnership for Biodiversity Accounting Financials:** developing a standard to help financial institutions to assess and disclose impacts and dependence on biodiversity
- **Finance for Biodiversity Pledge:** impact working group, exploring needs, barriers and solutions linked to assessing impact/ data
- The **Aligned Accountability project**, a partnership project between Global Canopy, ZSL, Trase and the Accountability Framework Initiative, will bring together the best available open data on company performance on deforestation risks in commodity supply chains and create standardised common metrics.



[Source: European Business @ Biodiversity Platform](#)

In conclusion

- Data gaps and lack of broad agreement on metrics has hampered progress to date
- Rapidly evolving space with significant developments made in biodiversity measurement
- Although there are gaps, investors are still acting
- Multiple disclosure initiatives are likely (if coordinated) to drive a focus on biodiversity and enhance standardization
- Important for finance institutions to track and respond to this rapidly evolving field
- TCFD Hub [training course](#) related to biodiversity disclosure may assist



Convention on
Biological Diversity





Thank you

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