

Finance for Biodiversity

Guide on engagement with companies



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Additional materials to be found [online](#):
 Annex 2. Templates for biodiversity engagement
 Annex 3. Collaborative engagements overview

Preface

Biodiversity is one of the topics that is gaining attention among financial institutions. On the one hand, this is because financial institutions have an impact on global biodiversity levels, largely through the companies they finance or invest in. On the other hand, it's because of the fact that declining biodiversity levels create substantial financial risks. Many financial institutions are increasingly taking their responsibility to decrease their negative impact and increase their positive impact on society. Alongside screening, voting, and exclusion, engagement with companies is an important strategy to mitigate biodiversity-related risks and to reduce or reverse the negative impact on biodiversity.

Guide on engagement with companies

This guide targets financial institutions that are looking for ways to engage with companies on biodiversity, and it aims to provide comprehensive information on this topic. The need for such a guide was expressed by members of the [EU Finance@Biodiversity Community](#) and by signatories to the [Finance for Biodiversity Pledge](#) supporting the implementation of their second commitment Engaging with companies. This guide serves as an annex to the 'Engaging with companies' paragraph of the Pledge's more generic [Guidance Document](#). This guide builds on the practices shared and lessons learned during [four workshops](#) organized in 2021 by the Finance@Biodiversity Community under the EU Business@Biodiversity Platform.

Furthermore, we aim to build further on the PRI discussion paper '[Investor action on biodiversity](#)' and its call for investors to engage companies on reducing negative biodiversity outcomes and to design stewardship approaches to deliver positive outcomes. We link to work of others wherever relevant with the aim to increase alignment.

This guide and its annexes can be found online [here](#).



Management summary

1. Why should I engage with companies on biodiversity?

Biodiversity is declining rapidly. Without swift action, societies and economies worldwide will suffer from the impacts, ranging from loss of food production, accelerated climate change and loss of healthy living environments. The economic case for reversing biodiversity loss is clear, but awareness of the magnitude of the problem is still low among companies and knowledge on how to tackle the problem is lacking. Chapter 1 explains the leveraging role investors have to increase this awareness and spread best practices among investees.

2. What companies should I engage with first?

Different and complementary rationales can be used to prioritise companies for biodiversity engagement:

- Prioritise sectors with high dependency on biodiversity to measure and optimise dependencies
- Prioritise sectors with high impact on biodiversity to mitigate negative impact or create positive impact
- Prioritise sectors downstream in the value chain to drive systemic change throughout the entire value chain

Chapter 1 provides a framework to support financial institutions to target their engagement efforts. This could be within a specific biome, geographic area, or regarding a specific biodiversity challenge, which then influences company selection. Finally, a financial institution's level of exposure (e.g., the share of a company in the total AUM of a portfolio, or the share of a company's capital held in a portfolio) also plays a role in company selection.

3. What can I ask companies to do concretely?

The concrete engagement requests depend on whether the focus is on direct impacts/dependencies (relating to a company's own activities) or on indirect impacts/dependencies (taking place upstream or downstream in its supply chain). For example, direct impacts can be targeted by focussing on standard setting, integration of biodiversity into corporate strategy, and reporting on emissions and resource use; whereas upstream impacts can be targeted by focussing on procurement, sourcing or contacts with suppliers. Furthermore,

engagement requests need to consider the maturity of the company in acting on biodiversity. Chapter 2 offers examples of common biodiversity-related engagement requests.

4. How can I structure biodiversity engagement?

Once engagement cases are determined, biodiversity engagement can be structured along the following three steps:

- Determine goals and targets for each engagement case
- Plan engagement and track progress
- Validate engagement results

In Chapter 2, we propose templates for 1) setting up an engagement process and 2) tracking engagement impact and results.

5. What collaborative engagements are available to join or learn from?

Chapter 3 includes an overview of past and current collaborative engagements and joint investor letters on issues related to biodiversity. Some key platforms organizing such collaborative engagements are the PRI, CERES and FAIRR.

6. How can I use voting as a tool to promote corporate biodiversity stewardship?

Alongside engagement, voting can be used as a tool to draw companies' attention to biodiversity and to support its integration into corporate practices. Voting can also be used as an escalation tactic if biodiversity engagement is not successful. Chapter 4 outlines how investors can address biodiversity in voting practices and voting-related activities and suggests how to integrate it into standard meeting agenda items or shareholder proposals on nature.

7. Where can I find more information and resources?

This guide offers an introduction to biodiversity engagement by financial institutions. References to further readings can be found throughout the whole document, as well as in two dedicated overviews in Chapter 1 and Chapter 3.

1. Biodiversity-oriented engagement: scope and approaches

Arjan Ruijs and Liudmila Strakodonskaya

Engagement with companies is an important strategy for financial institutions to address biodiversity loss. This chapter offers guidance on scoping biodiversity engagements along the questions of 'Why?', 'What?' and 'How?'. Furthermore, it discusses what sectors and parts of the value chain to engage with.

1.1 Urgency to act – reverse biodiversity loss

There is overwhelming evidence that biodiversity is declining rapidly at a speed that we have never experienced before. Without swift action, economies worldwide will suffer from the impacts – ranging from loss of food production, accelerated climate change and loss of healthy living environments. To guarantee a resilient society and economy today but also for future generations, it is important to reverse biodiversity loss.

Numerous recent studies (see Key readings) have shown that biodiversity loss also causes substantial risks for businesses globally and for the financial sector in particular. On the one hand, many economic activities directly or indirectly depend on wood, animal pollination, soil fertility or clean water. Loss of biodiversity may lead to lower productivity, natural resource shortages or production interruptions. There is increasing evidence that this is already happening today. On the other hand, companies negatively impacting biodiversity run reputational and transition risks. Consumers are paying closer attention to company's responsibilities, biodiversity-related legislation is becoming stricter and more and more downstream companies are revisiting their procurement policies, demanding that their suppliers use more sustainable production methods. There are more and more examples of companies suffering from consumer or investor bans and/or facing reputational damages because of their contribution to deforestation or pollution. In addition, especially in European countries, several laws are in place or are being developed that force companies to ban suppliers that contribute to deforestation.

The economic case for reversing biodiversity loss is clear, but awareness of the magnitude of the problem is still low among many companies and knowledge on how to tackle the problem lacking. Investors play an important role in increasing this awareness and spreading best practices among investees.

Key readings on biodiversity and its relationship with the financial sector

- [Global Assessment Report on Biodiversity and Ecosystem Services](#). IPBES, 2019.
- [The Economics of Biodiversity. The Dasgupta Review](#). Dasgupta, P., 2021.
- [The Economic Case for Nature](#). World Bank, 2020.
- [Beyond 'Business as Usual': Biodiversity Targets and Finance](#). UNEP-FI, 2020.
- [Indebted to Nature. Exploring Biodiversity Risks for the Dutch Financial Sector](#). Dutch Central Bank and Netherlands Environmental Assessment Agency, 2020.
- [A "Silent Spring" for the Financial System? Exploring Biodiversity-related Financial Risks in France](#). French Central Bank, 2021.
- [New Deal for Nature and People](#). WWF (a plan for nature positive by 2030).
- [The Little Book on Investing in Nature](#). Global Canopy, 2021.
- [Nature Risk Rising. Why the Crisis Engulfing Nature Matters for Business and the Economy](#). World Economic Forum, 2020.

1.2 Underpinning life on Earth

The Convention on Biological Diversity defines biodiversity as “the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems”. Biodiversity contributes to people and economies in many ways. Ecosystems, species and genes provide ecosystem services that are vital for people and economies. Usually, three types of ecosystem services are distinguished: regulating services, cultural services and provisioning services (see Figure 1).

Provisioning services are the most visible, as they capture products such as food, water and timber. Regulating services, such as climate regulation, soil fertility regulation and water storage, are essential to environmental stability. Cultural services relate to natural heritage, recreational and spiritual values people attach to nature and biodiversity. Some also consider habitat services as a separate category. They relate to the underlying habitats and ecological processes that are necessary for maintaining the other services.

According to the WEF report [Nature Risk Rising \(2020\)](#), \$44 trillion of economic value generation – over half the world’s total GDP – is moderately or highly dependent on ecosystem services. As a result, the loss of biodiversity and of associated ecosystem services leads directly to economic and financial risks.



Figure 1: Overview of the types of ecosystem services commonly distinguished
Source: PBL (2016) Natural Capital in the Netherlands: Recognising its true value. PBL, The Hague.

1.3 Causes of biodiversity loss

To investors, biodiversity might seem a dauntingly complex topic when compared to other environmental challenges such as climate change. Indeed, biodiversity covers many different subthemes, and relationships between pressures and biodiversity are not straightforward. Yet, there is little doubt about the causes of biodiversity loss. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) identified five main drivers of biodiversity loss (see Figure 2). Businesses may impact biodiversity or ecosystem services negatively when their operations or value chains contribute to one or more of these drivers:

- **Land and sea use change** due to land conversion, degradation and modification of ecosystems is the largest factor driving biodiversity loss. Land use change is mostly related to agricultural production, soft commodity production and cattle raising, causing land conversion and deforestation. Resource extraction, urbanisation and infrastructure development are also among the activities causing land use change.
- **Overexploitation** of animals, fish, trees and plants is the second largest cause of biodiversity loss, especially caused by overlogging, overgrazing or overfishing due to insufficient regulation and enforcement.
- **Climate change** is an important catalyst for ecosystem degradation, ocean acidification and desertification and it increases the likelihood of catastrophic weather events.
- **Pollution of soil, water and air** is an important cause of soil and water degradation. Chemical emissions, oil spills, unmanaged wastewater, microplastics, residues of crop protection agents and emissions of pharmaceuticals are just a few causes of pollution related to biodiversity loss.
- Spread of **alien invasive species**, through trade or tourism, can destabilize ecosystems.

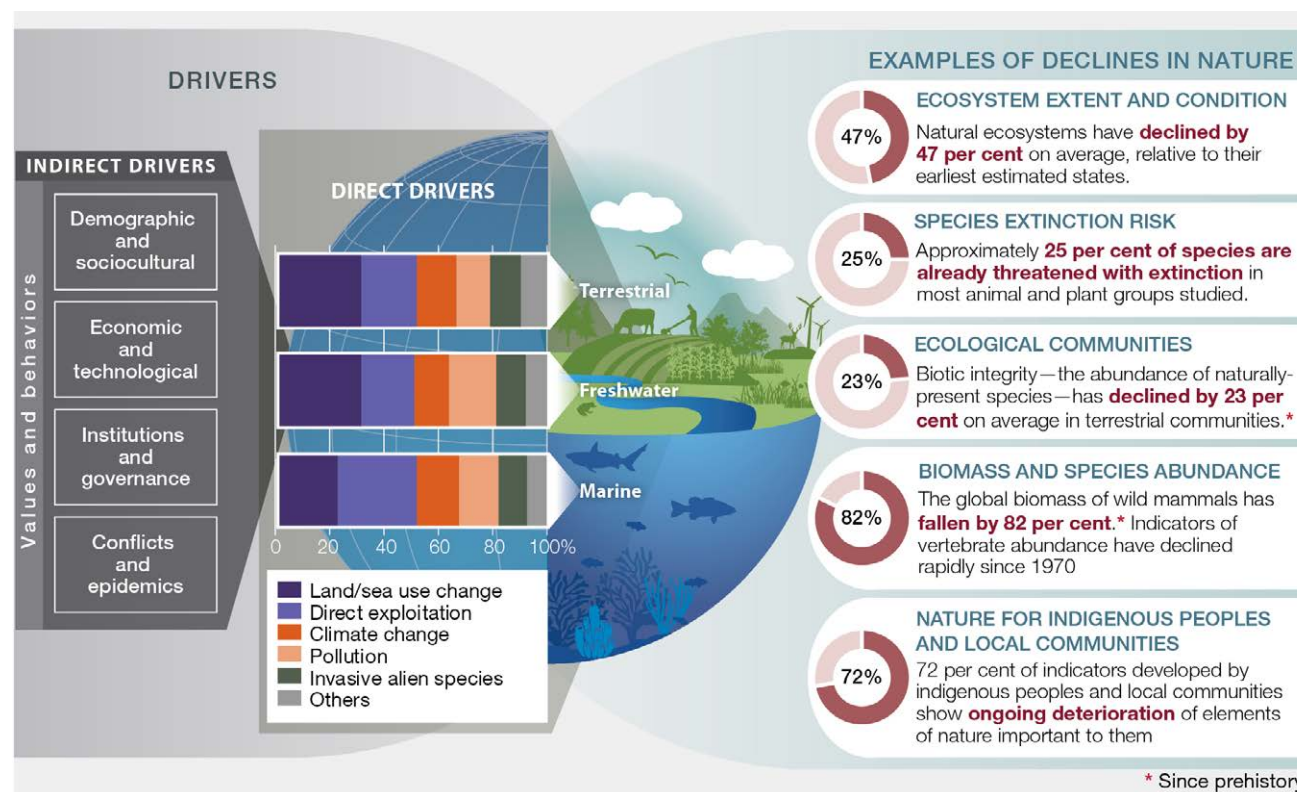


Figure 2: Drivers of biodiversity loss.

Source: [Global Assessment Report on Biodiversity and Ecosystem Services](#). IPBES, 2019.

1.4 Scoping a biodiversity engagement: Why, What and How

Provided, as discussed above, that biodiversity is a complex matter, investors can take many different aspects into account (and different combinations of these aspects are possible) in the setup of a biodiversity-oriented engagement. Each financial institution will finally achieve its own 'unique' formulation of an engagement approach in line with particularities of its investment and financing strategies, its sector exposure and its views on the materiality of biodiversity loss. However, all of them will need to consider some fundamental elements to ensure their approach is comprehensive. These elements can be structured in a set of simple questions: Why? What? and How?

Why?

Define the broad topic of interest (biodiversity challenge) and present why an engagement is set up:

- 1 Work on specific **realms or biomes**: focus on the terrestrial, freshwater or marine realm or zoom into a specific biome (e.g., tropical forest, temperate grassland, wetlands, agricultural land, deep sea).
- 2 Focus on a specific **geographic area**: focus on a particular continent, country or region.
- 3 Work on a specific **biodiversity challenge**: focus on one or multiple ecosystem services or drivers of loss (see above).

Scoping the Why? leads to the definition of broad engagement topics, such as 'deforestation in the Amazon rainforest'; 'soil productivity of agricultural land in East-Africa'; or 'marine plastic pollution'.

What?

Formulate a strategy to address the topic defined under "Why":

- 4 Focus on one or two **overall goals**, by considering what can be done to address the production, reputational and transition risks that result from the loss of biodiversity and the opportunities from ecosystem restoration:
 - a. mitigate negative impacts
 - b. manage risks
 - c. adapt to dependencies
 - d. promote positive solutions
 - e. drive systemic change
- 5 Define the **scope** of the engagement approach. This is further elaborated on under 'Sectors and value chains' below.
 - Focus on direct versus indirect exposure (i.e., direct versus indirect impacts or dependencies) of the engaged companies
 - Optional: Focus on a specific value chain or sector

Adding the What?-layer to the Why? leads to the definition of a broad engagement strategy, such as 'reduce deforestation through engaging with soft commodity retailers on upstream deforestation risks'; 'promote regenerative agriculture amongst cocoa farmers through engaging chocolate manufacturers'; or 'drive systemic change through engaging the packaging industry on substitution of plastics'.

How?

Based on the two previous layers, an engagement approach can now be concretized by

- 6 **Selecting issuers** to be engaged. Selection will be based on the scope defined under What? as well as on a financial institution's financial exposure.
- 7 Defining **engagement requests**. These should be in line with the overall goal defined under What?, and fit to the maturity of selected issuers on the topic of biodiversity. The definition of engagement requests is elaborated further in Chapter 2.
- 8 Defining the **metrics** and **KPIs** to measure progress towards the engagement requests.

The Why? What? and How? elements altogether constitute a process that can be used to formulate a comprehensive engagement approach on biodiversity matters (Figure 3). Annex 1 provides a more detailed worksheet on this matter.

The next section, paragraph 1.5, provides guidance on the What?-dimension of the Why?What?How?-matrix, discussing the sectors and value chains that can be engaged for different goals.

Chapter 2 further discusses the How?-dimension, by focusing on biodiversity-related engagement requests and the structuring of an engagement process.

Chapter 3 discusses to what extent current biodiversity-related engagements already target all challenges and all sectors that are related to biodiversity, and where we see gaps.

Figure 3: The 'Why? What? How? Matrix' with steps and building blocks for developing a comprehensive engagement approach

Level 1

Why? Biodiversity challenge

- ① Key biome
- ② Geographic area
- ③ Challenge: driver or ecosystem service

Level 2

What? Strategy

- ④ Overall goal
 - mitigate negative impacts
 - manage risks
 - adapt to dependencies
 - promote positive solutions
 - drive systemic change
- ⑤ Scope

Level 3

How? Engagement approach

- ⑥ Select issuers
(incl. based on financial exposure)
- ⑦ Define engagement requests
(incl. based on issuers' maturity)
- ⑧ Define metrics and KPIs
to measure progress

1.5 Sectors and value chains

Relating to the What?-dimension of the matrix presented above, financial institutions sometimes choose to focus on a specific sector or value chain. The priority sectors to engage with depend on the overall engagement goal.

Managing dependencies and risks

When it comes to measuring and optimising dependencies and risks, sectors (and associated value chains) most often flagged for being **dependent** on biodiversity include:

- Agriculture, forest products & fisheries
- Fashion, incl. textiles, apparel & luxury goods
- Food, beverage & tobacco
- Electric utilities

Managing impact

When the focus is on mitigating negative impact or creating positive impact, sectors (and associated value chains) most often flagged for having the largest **impact** are:

- Agriculture, forest products & fisheries
- Food, beverages & tobacco, incl. packaging
- Infrastructure & mobility, incl. housing, public infrastructure and vehicles
- Energy & mining, incl. fuels, power, and other commodities
- Fashion and related FMCG, incl. luxury goods
- Other sectors, incl. pharma, cosmetics and consumer electronics

The materiality matrix of the Science Based Target Network (see Figure 4) offers further insight into the main drivers through which different sectors negatively impact biodiversity loss, and it shows whether these impacts are related to direct operations or to the upstream or downstream value chain.

Systemic change

If systemic change is targeted, usually sectors more downstream in the value chain are chosen. For example, consumer goods companies or retailers have the ability to influence consumption behaviour and, in that way, may impact entire value chains. Furthermore, achieving systemic change may require engaging with other stakeholders in the system that affect corporate behaviour, such as governments, certification bodies, NGOs, industry bodies, etc.

Key readings on biodiversity and business

- [The Biodiversity Crisis is a Business Crisis](#). BCG, 2021.
- [Beyond 'Business as Usual': Biodiversity Targets and Finance](#). UNEP-FI, 2020.
- [Science-Based Targets for Nature. Initial Guidance for Business](#). SBTN, 2020.
- [Identifying high-impact and high-dependency sectors with biodiversity measurement tools](#), 22 July Finance@Biodiversity Community workshop results, 2021.
- [Business readiness to step up action on nature – trends & insights on corporate reporting](#). WBCSD, 2022.
- [Capital... naturally - Nature & biodiversity in investor presentations](#). IRRI & WBCSD, 2021.
- [Guidelines for planning and monitoring corporate biodiversity performance](#). IUCN, 2021.

Dutch collaborative engagement to drive systemic change

In 2021, 20 Dutch insurance companies and 5 pension funds with an AUM of €927 billion started an engagement trajectory with three European food and dairy companies, focussing on halting soy-related deforestation in Brazil and boosting the transition from meat-based to alternative protein sources. The engagement focusses on making soy production more sustainable, but also on boosting systems change. During the engagement, the food and dairy companies are urged to set up policies to reduce soy demand, locally produce fodder and boost the transition towards providing alternative proteins for supermarkets, restaurants and thus consumers.

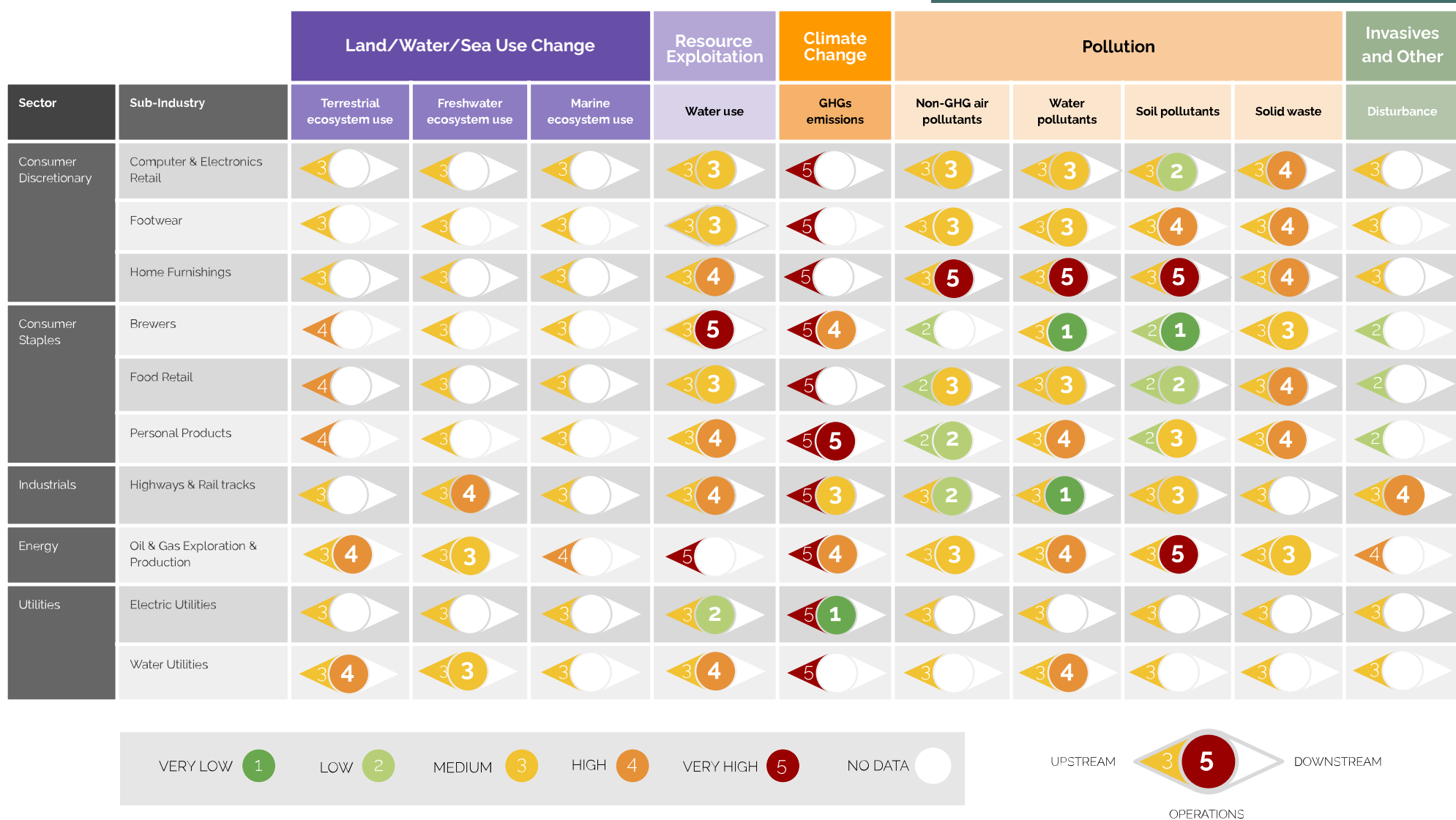


Figure 4: Materiality ratings of impacts on the drivers of biodiversity loss
Source: [Science-Based Targets for Nature. Initial Guidance for Business](#). SBTN, 2020.

Direct versus indirect exposure

Important in the 'What?'- scoping is the question whether focus is put on the **direct** impact of a company or on the **indirect** impact of a company in its value chain. Is the focus on the company's own activities or on their impact or dependencies up- or downstream in the supply chain? As shown in Figure 5, all biodiversity challenges can be targeted from each segment of the value chain. Focus can be on the direct impacts of a company, but upstream impacts can also be targeted by focussing on procurement, sourcing or contacts with

suppliers. For instance, deforestation can be targeted by directly engaging with the soft commodity producer. But this can also be done through its trader, food processor or retailer. Similarly, polluting impacts of crop protection chemicals can be addressed by targeting the supplier of these products, but also by targeting the farmer, the company supplying the machinery or the retailer.

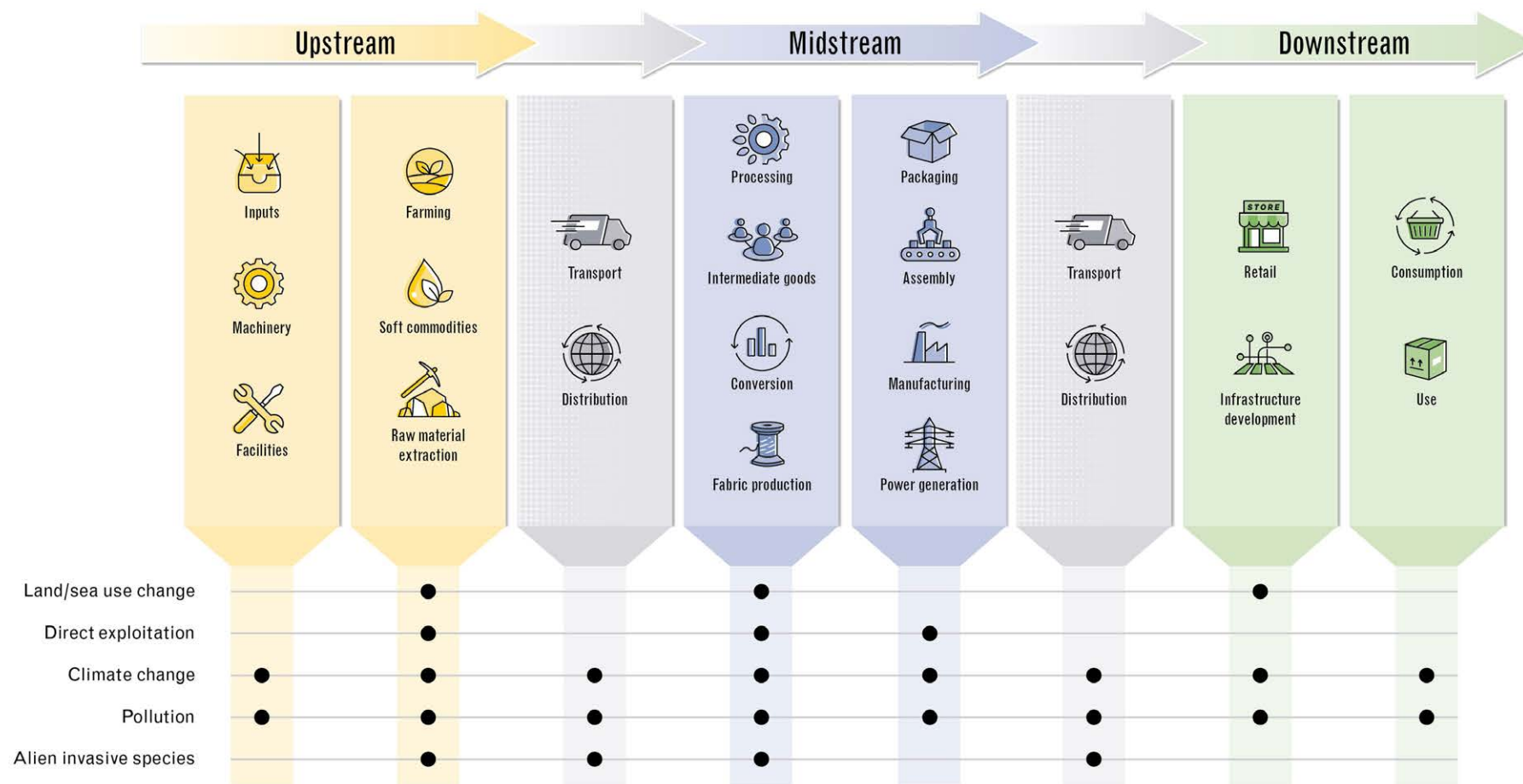


Figure 5: The importance of considering the 'value chain' of activities putting pressure on biodiversity

Finally, plastics pollution can be reduced by targeting retailers or waste management companies, but can also be reached by targeting plastics producers or packaging companies. Financial and professional services providers can leverage their influence by including biodiversity-related considerations in their advice or financial requirements. As a substantial part of the direct impact on biodiversity is not caused by listed companies, banks, asset managers and investors play a particularly important role to convince their investees to engage with their suppliers on biodiversity.

When targeting companies directly or indirectly causing biodiversity loss or when targeting particular segments of the value chain, it is relevant to consider who has responsibility for the impacts or who has the capacity to create change. Should the company causing the impact be held responsible if they only receive a marginal share of the total value added throughout the supply chain? Or should downstream segments that receive a larger part of the value added be held responsible? For many value chains, the downstream providers of end products receive a larger part of the value added than those involved in primary production or those producing intermediary goods and services.

1.6 Biodiversity-related data

When choosing companies or value chain segments to target in an engagement, it is relevant to consider availability of data and information. Quality of information on greenhouse gas emissions has evolved considerably over the last couple of years. Yet, information about how individual companies can be linked to, for instance, water pollution, overexploitation of fertile soils or deforestation is still less developed. As a result, engagement efforts may target topics well covered in the data, underrepresenting the other drivers or sectors for which data is still more scarce. Pushing for improved disclosure and stimulating companies, even in more remote parts of the value chain, to develop biodiversity-related policies and targets is a valuable approach to create awareness.

Next to information about the drivers of biodiversity loss, several initiatives have developed methods to measure the change in biodiversity. Generally, two measures are being used, both depending on model-based approaches. Mean Species Abundance, based on the Global Biodiversity model GLOBIO, compares the actual abundance of native species in a given ecosystem to their (estimated) abundance if the ecosystem would be in an undisturbed state. Potential Disappeared Fraction, based on Life Cycle Assessment methods, measures the percentage of species lost in a one-year time period in a specific area due to environmental pressures. Furthermore, the ENCORE tool allows financial institutions to understand companies' dependence on nature. The [Guide on biodiversity measurement approaches](#) gives more information about these methods.

High-impact and highly dependent sectors with the ENCORE tool

[ENCORE](#) (Exploring Natural Capital Opportunities, Risks and Exposure) is a tool that can help investors understand how businesses potentially depend on and impact nature and how these dependencies might represent a business risk. This can guide potential engagement topics with investee companies. Specifically, ENCORE's 2022 phase of work seeks to support financial institutions in answering the following questions:

- 1 *Am I influencing biodiversity through my investment or lending portfolio?*
- 2 *Am I harming or building the resilience of biodiversity with my investments?*
- 3 *Is my portfolio in alignment with global/regional biodiversity targets and how much so?*

2. Guidelines for biodiversity engagement

Liudmila Strakodonskaya and Katarina Heissenberger

The Why? What? How?-matrix proposed in Chapter 1 offers guidance for formulating and scoping engagement policies and approaches. It also provides ways to identify and prioritise companies to engage with. In this chapter, we will elaborate further on the How?-dimension, discussing company selection and the formulation of engagement requests.

2.1 Selection of issuers to engage with

Next to the Why?, What? and How? questions, the decision to set up or join an engagement with specific companies usually depends on the financial exposure to the selected engagement cases. The level of exposure and its materiality can be shown by the share of a company in the total AUM of a portfolio, the share of a company's capital held in a portfolio, or the magnitude of the credits provided to a company. The materiality of exposure is also closely linked with the time horizon of investment/financing. As a result, the engagement time horizon may represent a shorter, longer, or equivalent period in comparison to the investment or financing timeline. General market practice accepts engagement duration of up to 24-36 months to reach the objectives set. It should be noted, however, that changes in the state of biodiversity can often not be achieved within such timeframes, as ecosystem recovery typically takes more time.

Furthermore, financial institutions often have a reason to engage with specific issuers. Among the possible reasons for starting an engagement, we have identified the following (this list is indicative and not comprehensive):

- React to an incident, negative information, or controversy
- Engage for fact finding (e.g., on incidents or real data)
- Address lack of strategic commitments for biodiversity (policy)
- Initiate transformation (establish awareness of risks and opportunities in nature-positive business model and operations)
- Encourage integration of biodiversity topics into governance principles and strategy (KPIs/targets)

- Address lack of risk identification, assessment, and monitoring, as well as remediating measures (management)
- Monitor progress for targets, achievements, and strategies for continuous improvement
- Address lack of disclosure
- Support development of impact assessment
- Support adoption of SBT and associated science-based indicators

WBA Nature Benchmark

In 2021, the World Benchmarking Alliance (WBA) expanded its scope of circular transformation to include nature and biodiversity, establishing the Nature and Biodiversity Benchmark. The benchmark will assess the 1,000 most influential companies across 22 industries on their contributions to stable and resilient ecosystems through adequate governance, biodiversity and environmental management, while considering social inclusion and community impact. WBA has sought to include companies identified as having a disproportionately positive or negative influence on nature and biodiversity loss, specifically in developing countries. [A draft methodology](#) was published in January 2022 and the WBA is expected to publish a finalised methodology in April 2022, following a public consultation of the draft methodology. Expected by November 2022, the first iteration will assess up to 400 companies.

Once engagement cases are determined, we recommend establishing a clear and structured process to conduct them, which will assure adequate engagement target-setting and provide a framework for comparing the results of different engagements. Such a structured engagement process will show whether an engagement case is successful and what impacts have been generated in each engagement case. It will also help in disclosing results to clients. Figure 6 shows an example of an overall engagement structure. Its three parts are discussed in more detail in the following sections.



Figure 6: Example of an engagement structure

2.2 Step 1: Determine objectives, targets and indicators

Clear objectives should be associated with each engagement case identified and prioritised through the Why?What?How?-matrix. The overall goal identified in the What?-dimension (e.g., to mitigate highly negative impacts, to adapt to dependencies, or to drive systemic change) thus has to be broken down into objectives, targets and indicators. The definition of objectives and targets needs to consider the maturity of each issuer/client as well as the level of its direct and indirect exposure to biodiversity. Some issuers lack basic knowledge about the risks of biodiversity loss and have no biodiversity-related policies in place. For them, the focus should be on initiating biodiversity-related policies and procedures.

Others are already advanced, have policies and monitoring systems in place, but can still improve in their grievance and remedy policies or in disclosure of their compliance. Finally, when formulating objectives, financial institutions can ask companies to follow existing standards and practices, such as the [SBTN 5-step approach](#) to address biodiversity impact and risks or the [TNFD reporting framework](#), of which a first beta version was released in 2022. Table 1 shows some examples of objectives, targets and indicators related to some of the possible reasons for starting an engagement.

Engagement requests by Federated Hermes

EOS at Federated Hermes established a biodiversity-focused engagement framework which was published in a 2021 [white paper](#), outlining its expectations of sectors with high biodiversity impacts and dependencies. EOS at Federated Hermes' high-level expectation is for companies to have a net-positive impact on biodiversity through their supply chains and operations by 2030 at the latest.

Table 1: Examples of objectives, targets and indicators that could be associated with three of the possible reasons for starting an engagement

Reason for starting an engagement	Objective	(Company) Targets	Impact indicators: qualitative & quantitative
React to an incident, negative information or controversy	The issuer/client should react adequately to the incident.	- Establish and clearly communicate the reach, scope, and materiality. - Develop a relevant action plan to mitigate an issue, conduct an audit to identify the cause of the issue as well as to improve internal systems - Estimate the impact of an incident (double materiality perspective) etc.	- Level of controversy - Reach of controversy (number of people or territory under risk, etc.) - Scope of controversy (limited perimeter or core activity at stake and mother company implicated, etc.) - Materiality of controversy (potential sanctions judicial and societal, including boycott, etc.)
Address lack of strategic commitments for biodiversity (policy)	The issuer/client should put into place strategic commitments for biodiversity	- Conduct an analysis on relevance of biodiversity for their businesses throughout value chain (Scope 1, 2 & 3) - Identify "hot spots" for action - Establish commitments to tackle the biodiversity "hot spots" identified.	- Consideration of biodiversity as a material topic by the investee/client (yes/no). - Concrete actions / commitments related to biodiversity
Encourage integration of biodiversity topics into governance principles and strategy (KPIs / targets)	The issuer/client should integrate biodiversity into governance and strategy	- Introduce environmental / biodiversity expert(s) among the members of the board (executive and / or Supervisory) - Ensure competence on main biodiversity dependence and impact among senior management. - Integrate biodiversity KPIs into remuneration schemes (or integration of such KPIs).	- Representation of environmental and biodiversity experts among members of Supervisory board - Integration of biodiversity KPIs into remuneration schemes - Frequency with which biodiversity is on the Supervisory board agenda - Consideration of biodiversity in relation with the general strategy (yes/no) - Accountability of management board for biodiversity topic (yes/no)

We recognise three key objectives that are relevant for all issuers/clients independent of the sector, reason for starting the engagement and the maturity of their biodiversity approaches.

Key objectives

- Comply with international norms and conventions for the protection of biodiversity
- Proactively prevent nature degradation and loss of biodiversity
- Report publicly on significant positive and negative contributions to global biodiversity goals

Especially for high-impact sectors, these can be complemented with additional objectives that capture essential elements and pinpoint areas in need of urgent

and adequate management. The formulation of objectives could also consider the level of exposure to biodiversity matters, position in the value-chain and level of financial exposure.

Additional objectives for companies in high-impact sectors

- Work systematically to prevent pollution and discharge of waste into air, water and soil.
- Act to stop deforestation, particularly in pristine forest.
- Apply the precautionary principle when designing and developing new products and services or applying new techniques or substances.
- Assess dependence on nature and the impact of business operations on the environment, ecosystems, species, and organisms considering both local, regional as well as global implications.

- Integrate biodiversity commitments into governance principles and corporate strategy.
- Set and disclose targets for biodiversity and natural capital management, based on the best available standards.
- Publicly disclose impact from their own operations, production, supply chain and end-use of products and services, as far as appropriate.
- Collaborate in their sector to set standards and improve practices for protection of nature.
- Openly share knowledge and best practices.

The objectives suggested above include both process- and impact-related objectives. Process-related objectives describe internal (management) processes that companies should put into place, such as reporting, impact assessment or target setting related to biodiversity. The rationale behind these processes is that in the end they contribute to a better management of biodiversity risks and impacts. However, process indicators cannot be used as a proxy for a company's biodiversity impact. As biodiversity engagement is maturing, financial institutions are moving towards adding impact-related objectives and indicators that measure biodiversity outcomes (e.g., zero deforestation, net positive biodiversity impact).

Robeco's engagement demands to end commodity-driven deforestation

Robeco established an internal biodiversity task force and began [engaging with companies on the topic in 2020](#).

Their focus is on the impact on biodiversity of deforestation that is linked to five high-risk crop commodities – cocoa, natural rubber, soy, beef, and tropical timber and pulp. Targeting an initial 12 companies, engagement is structured around 5 demands – zero deforestation, impact assessment, restoration, reporting, and social management. In Robeco's biodiversity [white paper](#), the asset manager elaborates not only on its biodiversity engagements but also its wider biodiversity approach and roadmap.

Amundi's engagement questions to start the conversation with companies in high-impact sectors

In 2021, Amundi launched an engagement stream on biodiversity, looking at the topic not within a specific sub-topic (e.g., deforestation or pollution) but holistically as a strategic topic in and of itself. The engagement focused on three key areas: strategy from the top; identification and management of impacts, risks, dependencies, and opportunities; and metrics, targets, and reporting. The following questions proved useful to raise awareness, encourage companies to examine the topic within their own context, and help them to take action. See further details in the 2022 Engagement report on [Amundi's website](#).

- 1 Is biodiversity discussed at the board level?
- 2 How has the company formalized its biodiversity strategy?
- 3 Has the company assessed its biodiversity impacts?
- 4 What are the biodiversity-linked measures that the company has already implemented?
- 5 Does the company refer to biodiversity dependencies such as material benefits and ecosystem services?
- 6 Does the company identify biodiversity as a risk?
- 7 How is the company measuring risk linked to biodiversity?
- 8 Has the company identified opportunities linked to preventing biodiversity loss?
- 9 Does the company have any metrics or targets linked to biodiversity?
- 10 How is the company collectively addressing the reporting gaps linked to biodiversity?

Collaborative engagements to overcome disclosure barriers

Use of satellite imagery by ACTIAM and others

While some companies have made strides towards improving supply chain transparency through mapping and disclosing their supplier base, supply chain transparency and the ability of investors to monitor actions of investee companies continue to be a barrier to ending deforestation and the overexploitation of biodiversity resources. In an innovative attempt to overcome the lack of transparency in complex supply chains, several investors are utilising satellite imagery, machine learning and data analytics to measure and monitor changes in forest cover and any forest loss potentially linked to soft commodity production. The satellite monitoring technology enables investors to drive dialogue with companies directly or indirectly involved in soft commodities, with the changes in forest cover used as evidence to question if company efforts are leading to a reduction of deforestation. One example of this is the [‘Satellite-based engagement towards no-deforestation’](#) launched by ACTIAM in partnership with Satelligence, a satellite imaging company, and with the support of nine financial institutions representing €1.8trn in AUM. See further details in this [PRI leadership showcase](#).

Regulation to enforce disclosure in California

In 2019, through an [investor letter](#) addressed to members of the Senate, Domini Impact Investments led an investor coalition representing over \$440 billion in AUM to express support for the California Deforestation Free Procurement Act. If passed, all California state contracts involving tropical forest-risk commodities, such as palm oil, soy, cattle, rubber, paper/pulp, and timber, would require contractors to maintain a No Deforestation, No Peat, No Exploitation (NDPE) policy, and disclose information evidencing that their operations are not linked to rainforest destruction or abuses of indigenous peoples’ rights.

Promoting established disclosure systems on water risk

Through leveraging the power of collaborative engagement, investors have targeted a number of industries to encourage companies to enhance their water disclosures by completing CDP’s water security questionnaire, which is a well-established global disclosure system.

[Source: PRI Collaborative engagement: Water Risk in Agriculture Supply Chains](#)

2.3 Step 2: Plan engagement and track progress

Once objectives, targets and indicators have been identified, it is time to set up an engagement, launch it and regularly track its advancement towards determined targets. We propose two templates for planning, structuring, and performing engagement and following up on progress. They indicate relevant steps to take and information to gather to ensure successful engagement execution. An Excel-version of these templates can be found [online](#) as well.

The first template (see Table 2) can be used when setting up an engagement. It structures the documentation of 1) general information on the issuer and the biodiversity challenge, 2) engagement objectives, targets and indicators, and 3) contacts with the issuer, thus facilitating monitoring of progress and reporting on actions taken.

Table 2: Template for documentation of general information, targets & timeline

General information					
Issuer identifier	Exposure	Influence potential	Sector	Country	Performance
Name etc	Financial or business exposure to an issuer	High/medium/low, share of capital/votes etc	Industry, GICS	Issuer domicile, location of operations, project, issue	Criterion used by investor to identify needs of action and prioritise engagement. E.g. ESG/ biodiversity performance, sector ranking, etc.
Biodiversity challenge					
Overall goal	Reason for taking contact	Relevant biodiversity challenge(s)	Materiality	Current state of management	
E.g. mitigate negative impacts, manage risks, promote positive solutions	E.g. Incident, transformation opportunity, lack of commitment, management, or disclosure	E.g. Deforestation, pollution, soil productivity	Issuer-specific exposure – direct & indirect, apparent business impacts as well as investment implications	Issuer specific level of awareness, preparedness & measures at place to manage issue	
Objectives, targets, and indicators					
Objectives	Targets	Sub-targets		Progress indicators	Expected timeline
E.g. Systematically prevent pollution discharge of waste to air, water, and soil	a) E.g. Establish a waste management system	a.1) E.g. Identify and classify all sources of waste, map current waste-management practices, and assess impacts on air, water and soil.			
		a.2) Set up processes for management, review, incident reporting, and associated responsibilities.			
Planning and documentation of contact with the issuer					
Stage in engagement	Date of contact	Type of contact	Engagement lead	Issuer representative	Outcome
First contact, Issuer response, follow up		Call, letter, meeting, site visit etc.	Persons responsible for performing engagement	Title, role, Contact details	Content or nature of discussion, such as recognition of issue, sharing of relevant information, actions initiated, issue resolved/ remediated, target met etc

The second template (see Table 3) helps to structure the actions taken, the issuer's/ client's responses to the requests and the follow-up steps (to be) taken. At each stage of the engagement (every round of engagement) the second template should be updated. This will allow tracking engagement impact and results in relation to the engagement and investment timelines. Such follow-up against the engagement timeline will also help to identify an adequate moment to pass to an escalation tactics, which in some cases will be a real turning point for an engagement to be successful and to reach the targets set.

An efficient escalation may take many forms (specific voting positions, sending formal letter to CEO, change of interlocutor, contacting supervisory board, enlarge to collaborative engagement, etc.) and will depend on the principles of the global engagement policy of each financial institution.

Table 3: Template for documentation of actions, progress, escalation and investment/financing decision

Progress overview and results							
Key requests	Response/ effect	Date	Quality of response	Timeline	Next steps	Objective reached	Impact
<i>In relation to target</i>			<i>Satisfactory or not related to target</i>	<i>Expected or agreed timeline for actions</i>	<i>Next call, new publication, etc</i>	<i>Separate sign off for each stage of the engagement</i>	<i>Actual output on ground, effect of engagement on the issuer (by stage) result for biodiversity challenge & objective Potential to discuss with an issuer how they measured their advancement</i>
Investment/financing decision							
Decisions made based on outcome of engagement activities		Escalation	Date of next action		Issues to raise in the next phases of engagement	Post-engagement check	
<i>Sell, maintain, close or continue engagement, etc.</i>		<i>If relevant</i>	<i>Validity of decision, follow-up meeting</i>		<i>vs key engagement asks</i>	<i>Performance review, continuation of development at issuer level, major changes in Issuer business setup, reason to renew contact</i>	

2.4 Step 3: Validate results

Several aspects will determine success of an engagement, among them:

- Clear engagement targets and key engagement requests
- Structured and transparent process
- Regular contact with the targeted issuer/issuers
- Documented evidence of improvement in line with targets and timeline
- Direct link between engagement results and final investment/financing decisions made

The level of engagement success may vary, from being unsuccessful to partially or fully successful. Review of success is based on the evidence of improvements made in relation to the targets. The capacity of an issuer or client to reach targets also depends on the level of ambition and the context of business-related constraints.

We encourage detailed documentation of the engagement process and its output. However, we recommend investors to be diligent as regards attributing improvements on the ground to a specific engagement action, in the absence of common and scientifically based performance indicators suitable to measure engagement impact. There is also risk of double counting with regards to actual biodiversity improvements. As several actors may have raised the same issue or expectation towards an issuer or client, the share of impact may be very hard to determine. Thus, aggregated calculations of total effects from engagement on nature and biodiversity, on SDGs or similar, may become misleading. For actors seeking to disclose actual effects from biodiversity-related engagement, we currently suggest case-based reporting that is verifiable and reflecting measurable improvements that are directly linked to the targets set and agreed upon by both engaging parties.



3. Biodiversity engagement collaborations

Claire Ahlborn and James Kearns

The previous two chapters focused on how individual financial institutions can set up engagements around biodiversity. Many of this thinking can be applied to collaborative engagement as well. Collaborative engagement is an essential capability which financial institutions can adopt to achieve change, reverse biodiversity loss and ultimately preserve and enhance the value of assets on behalf of beneficiaries and clients. This chapter provides a snapshot of the landscape of collaborative biodiversity engagements, highlights opportunities to get involved, suggest areas where further action is needed, and outlines available resources.

3.1 Key collaborative engagement initiatives

When looking at the biodiversity engagement landscape, a few key collaborative investor initiatives stand out, ranging from well-established broader initiatives, such as the PRI and ICCR, to more focused groups, such as Ceres and FAIRR. Table 4 shows some of the key collaborative engagement initiatives that have started to pave the way in collaborative biodiversity engagements.



Table 4: Overview of key biodiversity-related collaborative engagement initiatives and their biodiversity focus areas

Initiative	Biodiversity challenge	Activities and resources
The PRI	Sustainable land use (cattle, soy, palm oil) Water risk Plastics	The PRI has been leading and facilitating collective investor action for numerous years. The PRI Collaboration Platform enables members to easily search and join collaborative engagements across social, environmental and governance topics. The PRI and its investor working groups regularly shares resources on biodiversity (including webinars, guidelines and investor statements) to support investors in their engagements. Key resources • Investor Action on Biodiversity: Discussion Paper. PRI, 2020 • Growing Water Risk Resilience. An investor guide on agricultural supply chains. PRI, 2018 • Engaging on plastic packaging. PRI Plastics Investor Working Group, 2021
Ceres	Sustainable land use (cattle, soy) Water	Ceres Investor Network focuses on various climate and nature related issues. The Land Use and Climate Working Group enables investor coordination and collaboration on climate and land use issues, specifically focusing on 1) commodity-driven deforestation and land conversion, 2) biodiversity, 3) natural climate solutions, and 4) GHG emissions from agriculture. The working group itself meets quarterly but there are more frequent in-depth sessions on specific topics. Ceres provides an array of resources to investors, ranging from webinars to ESG integration and engagement toolkits. Key resources • Investor Guide to Deforestation and Climate Change. Ceres, 2020 • Engage the Chain: An Investor Guide on Agricultural Supply Chain Risk. Ceres, 2017. • Investor Water Toolkit
FAIRR	Sustainable land use (meat & other protein) Antibiotics (meat) Aquaculture	The FAIRR Initiative is a collaborative investor network that raises awareness of the environmental, social and governance risks and opportunities brought about by intensive livestock production. FAIRR's research, case studies and collaborative engagements focus not only on addressing climate change but also on protein-linked deforestation, antibiotics, and labour issues. FAIRR has developed a framework to assess the quality of corporate initiatives and set up several company scoring portals and investor support tools. Key resources • Protein Producer Index • Sustainable Proteins Hub • Climate Risk Tool
ICCR	Sustainable land use Pesticides Antibiotics (meat) Water	ICCR is a coalition of faith- and values-based investors who view shareholder engagement with corporations as a powerful catalyst for change. The ICCR focuses on numerous topics, from human rights, health, food justice, water stewardship and climate change to corporate governance and responsible finance. The group works closely with NGOs and civil society groups, providing unique insights to their wide investor network. Key resources • Shareholder Exchange, shareholder resolution database

Each collaborative engagement initiative has its unique strategy, focussing on specific biodiversity challenges. The Collaborative Engagement Overview (see Table 5) maps the main collaborative engagement initiatives and the biodiversity challenges they focus on, in an attempt to identify remaining gaps in the engagement landscape. The overview focuses on ongoing or recently closed

collaborations. It is complemented by a more exhaustive list of past collaborative initiatives (including investor letters) [online](#). In line with the Why?What?How?-matrix, the overview shows the key sectors, realms and biodiversity challenges targeted, as well as which part of the value chain is engaged.

Table 5: Collaborative Engagement Overview. Overview of ongoing collaborative engagements related to biodiversity (updated in December 2022).

Sector / value chain		Upstream	Midstream	Downstream	Biodiversity challenge	Letter vs Engagement	Lead investor and title
Agriculture/ Food	General				Climate Land use change	E	Achmea IM: Biodiversity in the food & agri value chain*
					Deforestation	E	ICCR: Protecting Natural Resources & Pesticides
					Chemicals	E	ICCR: Water Risk
		  		  	Chemicals	E	IEHN & Mercy Investment Services: IEHN Biodiversity and Pesticide Use Reduction Working Group*
					Deforestation	E	Finance and Deforestation Advisory Group: Finance Sector Deforestation Action
					Climate Deforestation	E	Ceres: Food Emissions 50
					Business models	E	FAIRR: Engaging with the food industry to build sustainable protein supply chains
	Meat / Protein	  	  		Manure management	E	FAIRR: Biodiversity Loss from Waste & Pollution
	Palm oil				Deforestation	E	Actiam, Achmea IM, Aegon, A.s.r., Robeco, Zwitterleven: Satellite-based engagement on no-deforestation
	Aqua-culture				Overexploitation of wild fish	E	FAIRR: Managing Biodiversity & Climate risks in Aquafeed
Consumer products					Microplastics	E	First Sentier Investors: Investor Collaboration Marine Microplastic Pollution
					Deforestation	E	Storebrand AM, Columbia Threadneedle, Rainforest Foundation Norway: Investor Working Group for a Deforestation-Free Automotive Industry
Chemicals		  			Hazardous chemicals	E	Aviva, Storebrand AM, ChemSec: Investor Initiative on Hazardous Chemicals*
Cross-sector					Water risk	E	Ceres: Valuing Water Finance Initiative ; Valuing Water Finance Taskforce
Public Policy					Deforestation	E	Tropical Forest Alliance: Investor Policy Dialogue on Deforestation
					Deforestation	L	FAIRR: Statement of Support Cerrado Manifesto

Legend of realms  Terrestrial  Freshwater  Ocean

* For this initiative, no information is available online. If you wish to learn more or get involved, please contact info@financeforbiodiversity.org so that we can bring you into contact with the lead investors.

Note: This engagement overview provides a snapshot of the main ongoing collaborative engagement initiatives, focusing on international collaborations that are open to the wider investor community. A more exhaustive list of current and past collaborative engagement efforts, which will be updated regularly, can be found [here](#). Please reach out to info@financeforbiodiversity.org if you are aware of other biodiversity-focused collaborative engagement initiatives that would be a valuable addition to this overview.

3.2 Geographical coverage

When it comes to geographical coverage, a large proportion of the collaborative engagements reviewed are concentrating on the Amazon and specifically Brazil, while a smaller number focus on Indonesia. The engagement coverage widely overlaps with the key areas of deforestation. According to the WWF report on [Deforestation Fronts](#) (2021), most forest loss is clustered in 24 deforestation fronts across Latin America, sub-Saharan Africa, Southeast Asia and Oceania. Clearly, investor engagement is required with companies contributing to deforestation in all of these regions. Given that many companies have operations spanning various regions and taking into account the naturally complex nature of supply chains, it is fair to say that collaborative investor engagement has so far been lacking in the majority of these areas. This is even true for the better covered areas in Brazil and Indonesia, given the rate of deforestation currently seen.

3.3 Key gaps in collaborative action

The collaborative engagement overview (see Table 5) provides unique insight into what engagement areas have so far been covered by collaborative engagement initiatives, and it highlights key biomes, sectors and biodiversity challenges lacking investor action thus far.

Gap 1: Key sectors and value chains beyond beef, palm oil and soy

Most collaborative engagements focus on reducing deforestation across just a few of the key agricultural soft commodities, namely beef, palm oil and to a more limited extent soybeans. The report [The Biodiversity Crisis is a Business Crisis](#) (BCG, 2021) found that soft commodities are key drivers for deforestation, with around 50% of biodiversity pressures being linked to food supply chains and 27% to current farming practices. However, while these engagements are unquestionably critical, biodiversity risks from other important sectors, such as the fashion industry, mining and other extractive operations, and other commodities such as forestry products (paper, timber, and rubber) and smaller agricultural commodities (maize, rice, cacao, and coffee) have been neglected by current collaborative engagements. While the biodiversity challenges of these sectors

are occasionally addressed by individual engagement efforts or alongside broader engagements on climate, a focused approach appears to be missing. One reason for this is the lack of a consistent and widely used benchmark allowing investors to assess progress (such as the one created for the palm oil sector by the Roundtable for Sustainable Palm Oil). Nevertheless, individual and collaborative measurement and engagement efforts are growing, most notable being the upcoming Nature Action 100 collaboration which aims to engage the 100 companies with the largest negative impact on biodiversity.

Resources to fill the gap on other key sectors and value chains

Agriculture & food

- [Food and Agriculture Benchmark](#). World Benchmarking Alliance
- [Nespresso and biodiversity](#). IUCN, 2021.
- [Benchmark factsheet about the agriculture and agrifood sector](#). CDC Biodiversité, 2021.
- [The Natural Value Initiative: Linking shareholder and natural value](#). UNEP FI, 2009.
- [Engage the chain](#). Ceres.
- [FAIRR](#)

Mining and extractives

- [Investor engagement guide on biodiversity and mining](#). VBDO, 2020.
- [Operational framework for engagement with the extractives sector](#). IUCN, 2020.
- [Tread Lightly: Biodiversity and ecosystem services risk and opportunity management within the extractive industry](#). UNEP FI, 2011.
- [Cross Sector Biodiversity Initiative](#). Partnership to develop good biodiversity-practices in the extractive industries.
- [Good practice guidance for mining and biodiversity](#). ICCM/IUCN, 2006.

Chemicals and pharmaceuticals

- [Investor Environmental Health Network](#)
- [Biodiversity and ecosystem services: Risk and opportunity analysis within the pharmaceutical sector](#). UNEP FI, 2011.

Resources to fill the gap on other key sectors and value chains (continued)

Plastics

- [Engaging on plastic packaging](#). PRI Plastics Investor Working Group, 2021.
- [Investor expectations for global plastics challenges](#). Federated Hermes Limited, 2020.

Renewable Energy

- [Mitigating biodiversity impacts associated with solar and wind energy development](#). IUCN, 2021.
- [Greening blue energy: identifying and managing the biodiversity risks and opportunities of offshore renewable energy](#). IUCN, 2010.

Gap 2: Infrastructure and mobility

The report [The Biodiversity Crisis is a Business Crisis](#) (BCG, 2021) estimates that infrastructure and mobility, reaching from housing and public infrastructure to vehicles, accounts for nearly 25% of biodiversity pressures. Transforming these sectors is key to reversing biodiversity loss. However, collaborative investor initiatives focusing on the biodiversity impacts of these sectors, from material sourcing to land clearance, remain scarce.

Resources to fill the infrastructure and mobility gap

- [Engagement with UK housing associations to adopt Sustainability Reporting Standards for Social Housing](#). Schroders, 2021.
- [Mainstreaming of Biodiversity in the Infrastructure Sector](#). CBD, 2018.
- [Collaborative engagement on responsible sourcing of cobalt](#). PRI, 2018-2020. (Although the engagement had a social focus, its learnings could be used to feed into biodiversity engagements on this topic.)
- [Guidelines and other publications for business leaders and policymakers in the cement and aggregates industry](#). IUCN

Gap 3: The freshwater realm

Engagements around freshwater and biodiversity are scarce. The few that exist are generally integrated into broader engagements focusing on water risk and pesticide use in the agriculture and mining sector. However, transparency around waste and water management is gaining importance. This is especially the case among European investors, as they will be required to report on water and waste risks for all sustainable labelled funds in the future, following the Sustainable Finance Disclosure Regulation's (SFDR) mandatory Principal Adverse Impacts indicators. Some investors have already taken a lead in measuring and engaging on water and waste risks.

Resources to fill the freshwater gap

- [Investor Water Toolkit](#). Ceres
- [The Freshwater Crisis](#). ACTIAM, 2021.
- [An Investor Guide on Basin Water Security Engagement: Aligning with SDG 6](#). South Pole, 2020.
- [Investor Mining and Tailings Safety Initiative](#). Church of England Pensions Board and the Council on Ethics of the Swedish National Pension Funds, 2020.
- [Engagement guide on water management and mining](#). VBDO, 2020.
- [Engagement guide on reclamation and mining](#). VBDO, 2020.
- [Water Risk Filter](#). WWF

Gap 4: The marine realm

Despite the undeniable importance of the marine ecosystem and nature-related risks faced by fishing and aquaculture, energy, trade and tourism supply chains, collaborative action protecting oceans and coastlands remains limited. Nevertheless, some investors have taken up the battle and share their experiences.

Resources to fill the marine gap

- [BNP Paribas Asset Management Seafood Case Study](#). Capitals Coalition.
- [Ocean Framework](#) and [Ocean Approved Label](#). French Foundation for the Sea.
- [The Ocean 100: Transnational corporations in the ocean economy](#). Virdin et al., 2021.
- [Ocean Stewardship Coalition](#). UN Global Compact.
- [Seafood Stewardship Index](#). World Benchmarking Alliance.

Engagement on oceans by Amundi

Amundi AM uses the [Ocean Framework](#), launched by Fondation de la Mer in 2020, for sector/company analysis and as a tool for engagement, focusing on four sectors: seafood and aquaculture, energy, hotels and shipping/cruise lines. They call on companies to:

- Assess their impacts on oceans using the Ocean Framework as a guideline;
- Report on ocean-specific impacts using the KPIs identified in the Ocean Framework;
- Develop dedicated ocean strategies and policies to include ocean preservation within biodiversity strategies.

Gap 5: Engagement with financial institutions

Banks and other financial institutions are ramping up their efforts around climate change, assessing their investment and lending portfolios and setting transition roadmaps. However, while corporate and investor action continue to be focused mainly on climate change, first industry actors have realised the role banks will play in achieving zero deforestation and in protecting not only climate, but also biodiversity. The UN PRI Investor Working Group on Sustainable Palm Oil for instance have recently started engaging with the ASEAN banks to ensure more sustainable lending towards palm oil. Meanwhile, some banks with operations in Brazil, such as [Santander](#) and [BNP Paribas](#), have been starting to adopt pledges on deforestation and to set expectations on the traceability of meat supply chains. As seen in the earlier chapters, banks and financial institutions are key in addressing biodiversity threats; however, collaborative engagements with financial institutions around biodiversity remain scarce.

Resource to fill the gap on financial institutions

- [NGO guide: 6 steps to engaging financial institutions](#). VBDO

3.5 Conclusions and resources

While collaborative investor action is a powerful tool, coordinated engagement with a focus on biodiversity remains limited. The largest focus remains on deforestation and water risk caused by a couple of key commodity supply chains. However, natural ecosystems cannot exist in isolation; for biodiversity to be protected and restored, global and cross-sectoral action is required. The power of coordinated investor action lies in exactly this: its ability to leverage and amplify a multitude of investor voices in an efficient manner across industries and supply chains, going beyond anything possible by individual engagements. In order to successfully protect biodiversity, investors require a coordinated approach to the different biomes, biodiversity challenges and geographic areas. The upcoming Nature Action 100 collaboration promises to offer just this. By working together, investors as well as companies can learn from each other.

Nature Action 100

Since 2021, a group of investors – supported by the Finance for Biodiversity Foundation – has been taking the lead in setting up Nature Action 100 (NA100), a collaborative engagement program for investors to engage with companies and policy makers on nature. The initiative is in the process of scoping its governance structure and selecting partner organisations for coordination and to support operations. NA100 is expected to launch summer 2022. The Finance for Biodiversity Foundation is supporting the development of the program with seed funding from Porticus via the Global Commons Alliance Accountability Accelerator. NA100 will be an investor-led initiative that engages with companies and policymakers deemed to be systemically important to the goal of reversing nature loss by 2030. The corporate engagements will be designed to ensure that key companies are taking robust and timely actions to address their biodiversity impacts and dependencies. The corporate engagements will be complemented by policy engagement with relevant policymakers. The engagements will be supported by a technical advisory group, which will help to identify priority engagements and ensure that actions are guided by the latest science.

Additional references

General guidelines and tools

- [The nature handbook for financial institutions](#). Get Nature Positive.
- [IUCN Review protocol for biodiversity net gain](#). IUCN, 2017.
- [Guidelines for planning and monitoring corporate biodiversity performance](#). IUCN, 2021.
- [Biodiversity index 2021](#). Ecogain.
- Benchmark example: [Ecosystem services benchmark](#). UNEP FI, Fauna & Flora International and others, 2009.
- Independent monitoring by local people: [Kumacaya tool](#). Earthworm Foundation.
- Certifications: RSPO, FSC, MSC, ASC, etc.

Guidelines and tools focusing on deforestation

- [Forest 500](#). Global Canopy.
- [An introduction to how investors can manage deforestation risk](#). Storebrand Asset Management, 2020.
- [Investor Initiatives for Sustainable Forests - Engagement Results](#). PRI, 2022.

Additional sector-specific guidelines and tools

- Tourism: [Guidelines and case studies for businesses in the Tourism sector](#). IUCN.
- Sports: [Four guides on sports and biodiversity](#). IUCN-IOC partnership.
- Apparel: [Apparel sector guide](#). Natural Capital Coalition.

4. From engagement to voting

Katarina Heissenberger, Liudmila Strakodonskaya and Rebeca Coriat

Corporate engagement, which was the focus of previous chapters, is one of the tools investors have to promote biodiversity stewardship in companies. A second tool is voting. This chapter presents voting as a tool to address and, if necessary, escalate biodiversity engagement and to hold companies accountable for lack of action on biodiversity-related matters.

4.1 Engagement and voting: two elements of active ownership

Today, along with climate change and other ESG megatrends, the biodiversity topic attracts a rising tide of engagement actions launched by investors and a growing interest among investors to integrate this topic more broadly into their voting activities and beyond. Voting is another dimension of corporate engagement investors can add to influence companies to develop their practices with regard to emerging issues, such as biodiversity. The recent years have seen a clear increase in ESG-related topics in management and shareholder proposals, such as '*say-on climate*' as well as proposals filed by NGOs requesting issuers to provide better disclosure on sustainability, for example to increase transparency of the nature-related management of high-impact companies. For investors, it's important to express their view and promote their principles for sustainable investment also in their voting practices. This chapter presents some aspects to consider in relation to voting as a tool for biodiversity engagement. Figure 7 shows that there is continuous feedback between engagement and voting activities. Engagement informs voting and voting also informs and triggers engagement.

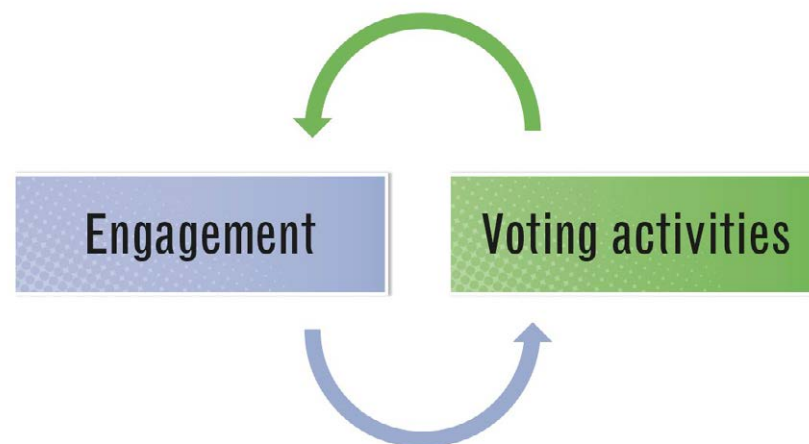


Figure 7: Engagement and voting activities influence and feed into each other.

4.2 Introducing biodiversity into voting activities

To be an active owner is to use shareholder engagement to influence company management regarding its strategic direction and corporate governance practices. This influence is directed towards board of directors and/or management and can be exercised in several ways. For example, it can be done through close, direct dialogue with a company's management regarding integration of sustainability into its corporate governance practices (corporate engagement), but also through filing a shareholder proposal or voting at a company's annual general meeting (AGM). Some owners may have the possibility to participate directly as a member of the board or in a board committee. Corporate engagement was discussed in detail in the previous chapters. This chapter describes voting-related activities as a second component of active ownership. Figure 8 shows the elements included in voting-related activities.

Regulatory differences between countries and markets define which tools for active ownership are available. What characterises 'good practices' in terms of active ownership as well as corporate governance is in turn often determined by praxis in the market where the investor or its investments are located. Additionally, the investor's own ownership principles or voting policy will present details in the implementation and guide the decisions for shareholder engagement.

Through active ownership, investors can oversee that companies maintain a healthy balance between the responsibilities, rights, and obligations for shareholders, the board of directors, and the management in companies as well as introduce new aspects into the governance framework of the company. Active ownership can also be used to reinforce already ongoing dialogue between an investor and a company regarding corporate conduct or relevant aspects of sustainable development, in line with investors' principles for responsible investment.

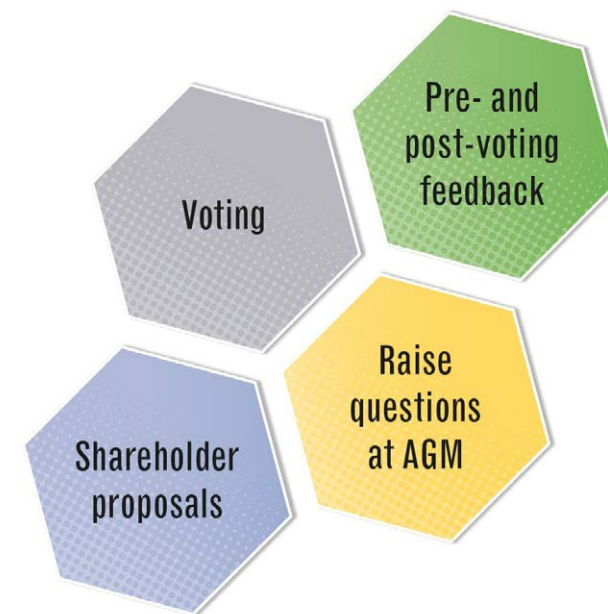


Figure 8: Different types of interaction investors as active owners may have with a company, beyond the engagement practices described in Chapters 2 and 3 in this Guide.

Swedbank Robur Sustainability in Principles for Shareholder Engagement

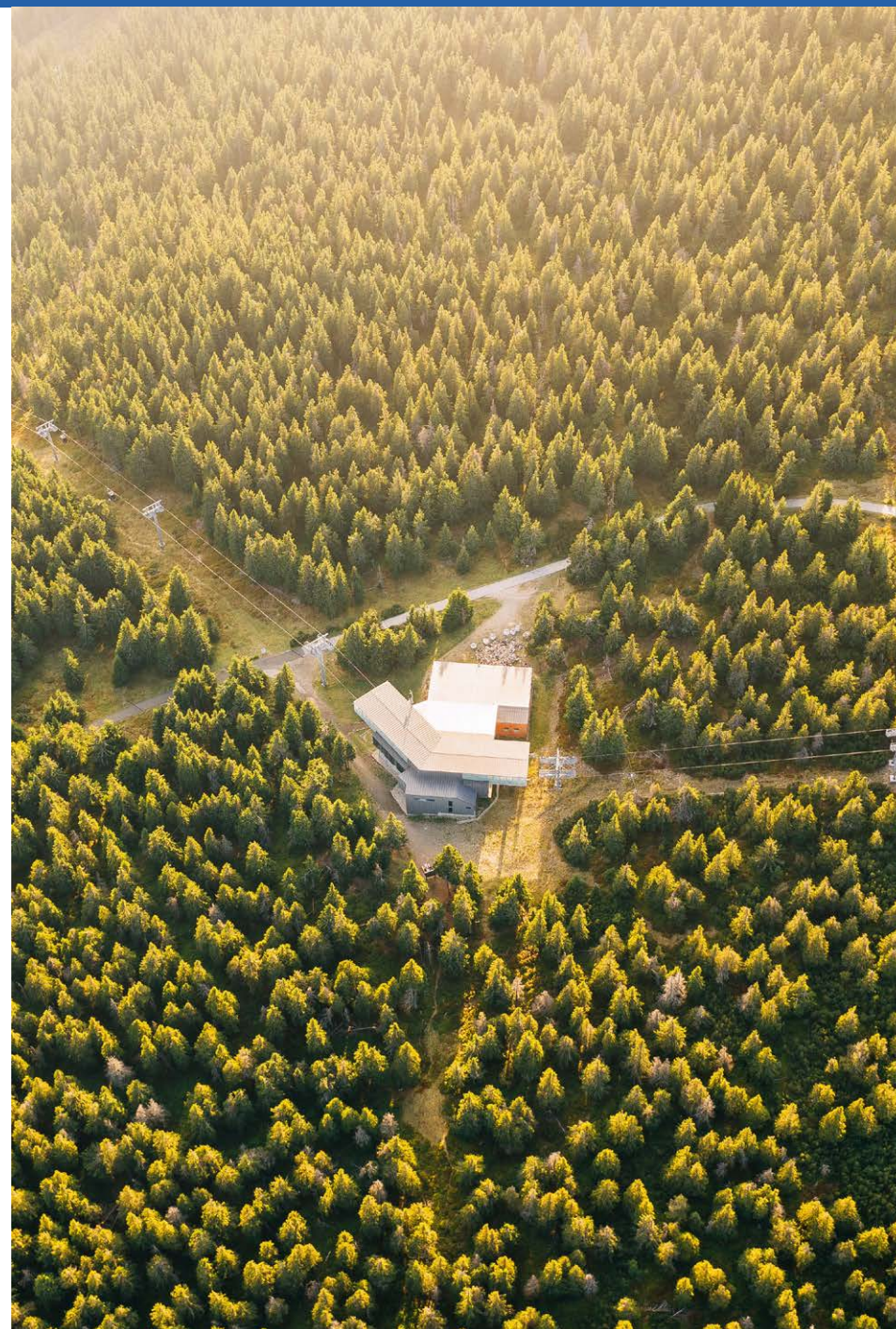
The asset management firm Swedbank Robur has integrated sustainability into its shareholder engagement practices for many years. The overall ambition and approach are stipulated in the firm's "[Principles for Shareholder Engagement](#)". §11 Sustainability (p. 12), reflects the investor standpoint to corporate conduct regarding assessment and disclosure of business-relevant risks and opportunities, management accountability and expectations on alignment with international agreements for the environment and biodiversity. Each company and case is assessed individually regarding its performance in sustainable business and all voting items are handled on a case-by-case basis, such as items addressing nature and biodiversity or climate.

4.3 Pre- and post-voting feedback

In a company that lacks a solid commitment to nature and biodiversity, a discussion with board members may be a start to challenge praxis of director election or board composition and skills. Potential questions that can be used for this are:

- How can we ensure that the board contains competence, experience, and background sufficient in relation to the company's unique prerequisites and material sustainability issues?
- How can we achieve an, in all relevant aspects, diverse composition of the board so that it is well equipped for facing challenges from climate change and biodiversity loss?
- How can members of the board act to protect the interests of shareholders and actively promote long-term optimization of the share value, taking nature-related dimensions into account?
- To what extent does management compensation approved by the board incentivise the executive team to consider and tackle material ESG issues, including biodiversity?
- What information does a company disclose on the material ESG issues for its businesses?
- Is biodiversity (or any other material ESG issue) considered in the risk mapping by the board?

Pre- and post-voting dialogue and feedback provide companies with valuable insights and help shape guidelines and policies within the company. Providing feedback on management proposals and informing companies beforehand of how investors aim to place their votes on items at an upcoming AGM, is a way to explain the investors' position on certain issues and an opportunity to discuss the content and design of proposals. Providing an issuer with information about the investors' position on a specific matter, both pre- and post-voting, can also influence the contents of management proposals and make them more likely to be adopted by the shareholders



4.4 Voting

The general meeting is the company's highest executive body. The AGM is also an opportunity for all shareholders to meet and direct questions to the board and the company management. Participants at general meetings can exercise their voting rights in person or via a proxy who has been given instructions beforehand on how to place the investor's votes.

Clear and relevant information and background to the proposals are essential for investors to be able to make well informed decisions when utilising their rights via proxy voting. A case-by-case evaluation is needed to determine if a proposal is necessary, reasonable, presented in a timely manner and the proposed actions are directed toward the correct roles or positions in the company.

Voting advisors offer pre-voting analysis and proxy voting services to investors and provide support for their voting decisions. Several advisors provide ESG-specific analyses with background research well in line with the global standards as well as references to local environmental regulations. Engaging with proxy research providers can accelerate the inclusion of nature and biodiversity elements in their analysis and benchmark policies and develop these services to better serve investor needs.

Voting (or refraining from voting) can be used to reinforce existing shareholder engagement. It can also be used to escalate engagement in cases where direct contact with the company management has not been successful. Voting can also serve as a basis for dialogue; even if a resolution has not been passed, it will emphasise the importance of these topics. In the end, not all proposals are filed and, even with little public exposure, they can be meaningful because they lead to meaningful change.

To state, in a public policy, guideline or strategy, how aspects of environment, nature and biodiversity are considered when exercising active ownership and voting rights can send an important signal to companies as well as to other stakeholders

AXA IM – Integration of biodiversity into voting policy

Throughout 2021, AXA IM reinforced its Deforestation and Ecosystems Protection Policy and its related engagement initiatives have evolved, completing the dialogue with companies on deforestation with stronger focus on biodiversity protection and fighting against ecosystem conversion. Namely, a specific engagement program on deforestation and natural capital protection was launched in 2021, targeting a selection of companies identified under the criteria of AXA IM's new [Deforestation and Ecosystems Protection Policy](#) published in June 2021. A special engagement questionnaire has been developed to enter into dialogue with the target companies based on internal expertise and discussions with relevant industry experts such as CDP and WWF. The program was launched in Q4 2021 and will be pursued in 2022 with the ambition to support 'Forest- and Nature-Positive' transformation of target businesses. Moreover, during 2021, AXA IM has worked to further align its stewardship activities with imperatives to fight against climate change and nature degradation. Thus, the topic of biodiversity and natural capital protection is being progressively introduced into AXA IM's [voting policy](#) starting from 2022.

Aviva Investors – Integration of biodiversity into voting policy

In early 2022, Aviva Investors introduced a [biodiversity-policy](#) to vote against targeted management resolutions at the worst-performing forest risk commodity companies in the Global Canopy Forest 500 ranking, and to communicate their concerns to these companies. Aviva Investors will vote in favour of proposals asking companies to abstain from operating in, or using materials extracted from, protected areas, key biodiversity areas or those deemed environmentally sensitive. Aviva Investors will also support shareholder resolutions asking management to assess, report on and reduce key impacts and dependencies on nature for high-impact sectors.

Currently, there are no specific voting items on a standard meeting agenda allowing investors to hold companies accountable on biodiversity-related matters. Nevertheless, in conjunction with post- and pre-voting feedback, biodiversity aspects can be integrated into regular voting items. Furthermore, resolutions or agenda items on related topics can be possible entry points for highlighting and integrating biodiversity issues. Resolutions on, e.g., climate change, fossil fuel use, waste management, plastics, supplier relations, or sustainability policy and reporting, may either depend on or impact biodiversity. Some examples of how biodiversity can be addressed through standard meeting agenda items include:

- **Board composition** – In election and re-election of directors, aspects of sufficient competence and experience among board members in relation to the company's dependence on natural capital and its operations' impact on biodiversity can be considered. The same is true for the composition of a sustainability committee, if relevant.
- **Executive board remuneration** – Integration of ESG criteria in short- and long-term compensation plans. Clarity on how remuneration, including share-related incentive programs, reward long-term performance and, how remuneration is affected if performance on environmental metrics (and other) is not met. This link can connect sustainability metrics to creation of long-term shareholder and stakeholder value.
- **Specific sustainability proposals** – Proposals can be made by management or shareholders, including corporate purpose, etc. see paragraph 4.6 below.
- **Auditors' roles & responsibilities** and scope of verification, particularly in relation to biodiversity-related risks in annual accounts.
- **Votes against chairman** or senior independent director as a specific escalation (insufficient engagement results).
- **Report and accounts** – Description of how the business incorporates biodiversity considerations into its overall strategy as part of financial statements and/or sustainability reporting. Concerns can be raised about the lack of appropriate and timely disclosures in relation to biodiversity, including KPIs and measuring progress. Votes can be placed against report and accounts lacking sufficient information.
- **Votes on general financial statements** and other general votes related to issuer's performance/strategy. This is often an escalation tactic in case of insufficient engagement results.

It is expected that companies identify, evaluate and report relevant biodiversity-related risks and opportunities to their board on an ongoing basis. Risks of adverse negative impacts on natural habitats, species and ecosystems should be incorporated into the risk assessment and management systems as well as risks mapping at the board level. Companies are expected to disclose full information representing a fair picture of their risks, position and active work in the area of sustainability.

Lombard Odier IM – Integration of biodiversity into voting policy

Lombard Odier IM's [Corporate Governance Principles and Proxy Voting Guidelines](#) specify the asset manager's leadership expectations of the board of directors: "boards should be accountable for the commitment to net zero, nature positive and fair business models" (p. 8). LOIM may vote against the chair if, "following engagement and without appropriate justification, the company has not addressed/put in place policies, processes and reporting mechanisms that protect and harness natural capital. As a minimum, we would expect disclosures on how the company has considered the impacts of its operations across the whole supply chain." (p. 3)

Advisory votes and 'say-on-nature'

There has been an increase in climate-related resolutions issued by company management. Such advisory votes are provided to shareholders by the management at an AGM, often to demonstrate the corporate climate ambition. Some cases of management 'say-on-nature' have also been noted and could become more common as biodiversity reclaims its position on the global sustainability agenda.

Initiatives like this can be a powerful tool for companies seeking their owners' support for their existing or future, more ambitious sustainability plans. It is an advisory decision providing a direct response and from an important stakeholder group on an issue of high importance to the company.

Advisory votes and 'say-on-nature' - continued

Recent cases show a high level of support from investors for these initiatives, which provides a signal to companies with high biodiversity-related risks in their operations or supply chain that investors are on high alert and keen to engage on these issues.

They could also function as a response by corporate management to mitigate the impact of recent controversies or disputes. There are some examples of this conduct in the last couple of years. For example, oil and gas companies faced legal issues stemming from a climate action or strategies failing to convince some investors, organizations, and local authorities.

One challenge for investors is how to evaluate the content and feasibility of ambitions or action plans, and how to analyse this prior to the voting decision. There are no current legal frameworks and there is little experience of best-practice standards to provide tangible evaluation criteria and serve as guidance for voting.

Advisory votes are not legally permitted in all markets. This may constrain the development of and challenge the stewardship of climate-transition plans through shareholder proposals. In such cases, investors can leverage their shareholder rights to cast votes on other agenda items, such as board elections, since board members have fiduciary duties to protect the rights of all shareholders.

In conclusion, advisory votes, and the support in intent they provide, may serve a larger purpose, increasing the interaction between company executives and owners regarding the strategic direction for a company's management of nature-related impact. However, the value of, for example, adopting a strategy aligned with the Paris Agreement or the UN Convention on Biodiversity should still be regarded as a stronger indicator of a company's transformative capacity.

4.5 Raise questions at AGM

Exercise one's voting rights also implies having a right to ask questions at general meetings. If participating via proxy, questions are sent in beforehand, for example via an investor forum prior to the AGM. Direct participation at the AGM offers possibilities to raise a hand and ask a question. This opens the opportunity to formulate a question based on statements made by management or mention that the replies to questions that have been sent in beforehand are insufficient. Furthermore, the engagement questions and objectives proposed in section 2.2 could offer inspiration for biodiversity-related topics that can be brought up. Raising an issue during the general meeting in front of all other owners or requesting a 'non-voting' item be added to the agenda could be a way to introduce biodiversity issues at general meetings even if there are no specific biodiversity-related items on the agenda. Issues raised in this manner are heard by all attendees and requests that are made can gain support in the room. This type of procedure can work in favour of transparency and accountability.

4.6 Shareholder proposals

Shareholders can issue shareholder proposals (SHP) for voting at the AGM. The ability to file proposals depends on regulation and praxis for the market in question. The corporate management usually provides responses to filed proposals prior to or at the general meeting and thereby provides their view to the shareholders pre-voting. Management can also choose to initiate a dialogue with the issuing shareholder to better understand the reasoning behind the filing or to resolve the matter and sometimes get the proposal withdrawn. Filing an SHP can therefore be a way to highlight an interest or a request on the company management, either as part of an ongoing engagement, to escalate a matter if direct engagement has not been successful or to manifest a position on a matter where the company is associated with controversial practises. Shareholders can also collaborate to develop and co-file a proposal, which in some markets can increase the chance of getting the SHP accepted. Another opportunity to address biodiversity aspects in voting is to support SHPs issued by others. ESG-analysis providers have started to keep track of the support-rate of investors in backing climate-related proposals, and increasingly proposals on nature and biodiversity. This may be included in the assessment of for example the ESG-score for a bank or investor or in the evaluation of the quality and impact of its sustainable investment practices

Fictive examples of biodiversity-related proposals:

- The company's ambitions for use of natural capital and responsibilities for nature-related impact should be in line with international standards regarding protection of natural habitats, species, and ecosystems.
- For the company-relevant risks and opportunities in biodiversity to be analysed, the board shall have knowledge of material impact and risk management, and regularly follow up on the progress.
- Risks of adverse impacts on natural habitats, species, and ecosystems should be incorporated into the risk assessment and management.
- Companies with significant risks of adverse biodiversity impacts in their operations must adopt strategies to manage the impacts, and targets to reduce negative contributions.
- Adopt sustainability policy, strategies, targets, code of conduct etc. for internal operations and business partners such as suppliers, when relevant.

- Establish governance and management systems, including board supervision and evaluation of the Company's biodiversity-related performance on an ongoing basis.
- Disclose information representing a fair picture of the company's risks, position, and active work with biodiversity impact, for example in annual reports or on websites.
- Publish essential policy documents and code of conduct that reflect responsibilities in relation to nature assets.

Direct participation in governance

Governance regarding management of biodiversity is becoming a critical issue in successful management of many companies. A well-balanced composition of the board is likely to increase the preparedness of a company to meet sustainability-related challenges and support development of incentives for company management to deliver on an ambitious sustainability strategy.

When feasible, direct involvement in governance as a board member or member of a committee can provide a lever for driving positive change within a company. One way could be to actively contribute to the board's selection process, primarily if it is conducted externally.

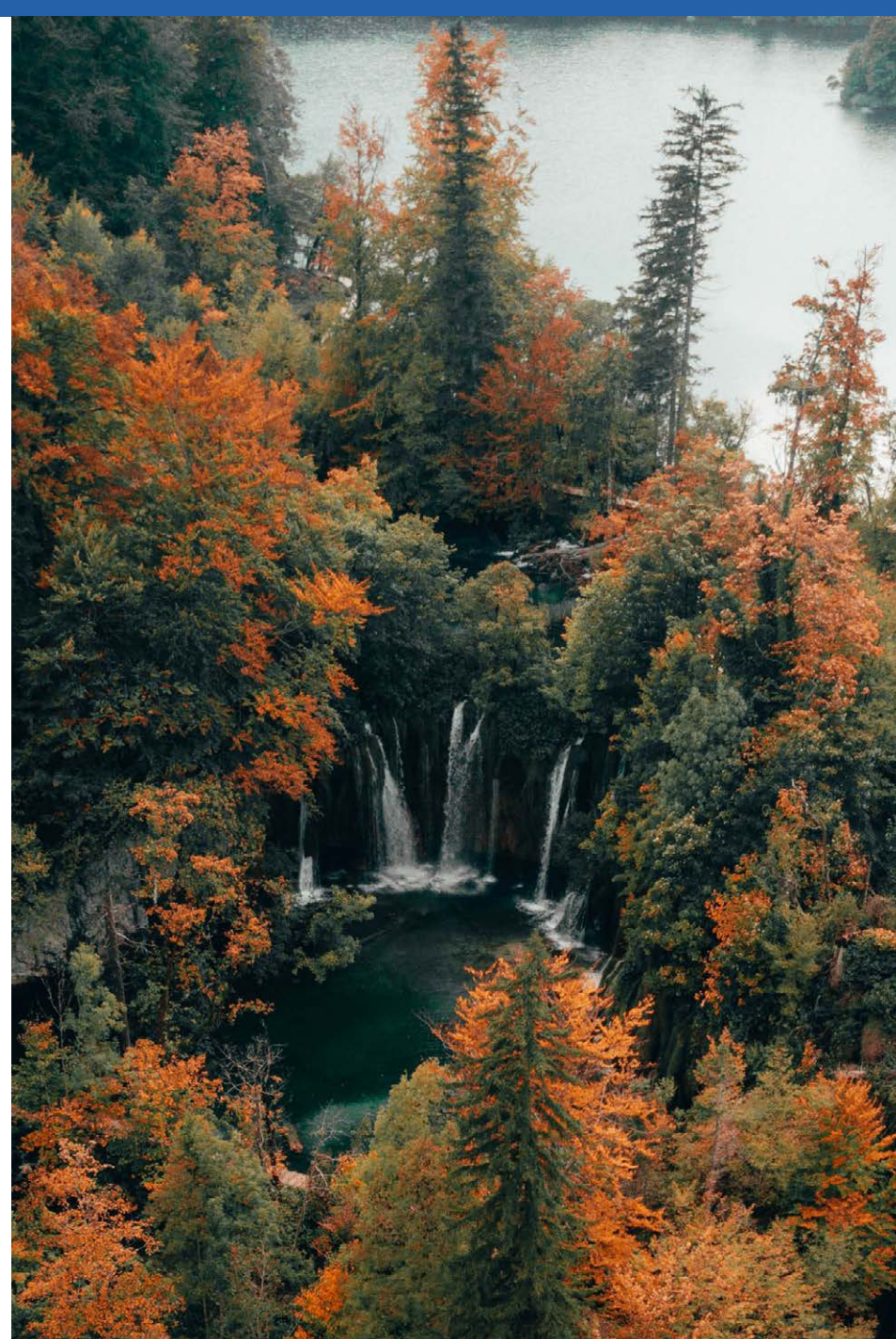
The nomination committee is the general meeting's body for suggesting election or re-election of board members and it should see to the common interests of all the shareholders. Nomination committees are often part of the board and participating in this work could, just as board membership, mean conflicts of interest and is therefore generally not a recommended practice. They can, however, be fully separated from the board, for example constituted by participants representing the largest shareholders.

4.7 Concluding remarks

Environmental issues have been on the agenda of countless AGMs, often bringing more clarity and contributing to increased accountability. Regardless of the issue, voting and related activities can be used as a complement to other forms of engagement to influence the direction of sustainable and responsible corporate management practices, and biodiversity is no exception. Biodiversity is an item reflecting the new and wider scope for sustainability accounting and it is on the rise.

For investors to be able to utilize their rights via proxy voting, it is essential that the company make sure that all shareholders have access to clear and relevant information and motivation regarding the proposals to be presented, in adequate time prior to a general meeting. Insufficient information provided for a decision can result in investors refraining from voting or voting against the proposal. This voting behaviour is likely to drive an increase in biodiversity-related content in formal reporting and other documentation in relation to annual general meetings.

In their turn, investors can demonstrate how they exercise their ownership rights and use their influence by providing public information on voting and other forms of shareholder engagement. A public active ownership policy describing engagement and voting practices of an investor supports high transparency and can communicate positions on major ownership matters to the companies, customers, and other stakeholders in the capital market. This supports a statement of active ownership and can be used by stakeholders to review the investor on its actions.



5. Next steps

With the growing sense of urgency caused by the rapid decline of nature's capacity to support life on Earth, biodiversity corporate engagement is rising on the agenda of investors. With this guide we aim to contribute to this. Through the F@B Community under the EU B@B Platform, we will continue to share practices and challenges and consolidate lessons learned. The Finance for Biodiversity Foundation members will continue to share and work on collaborative engagements

To halt biodiversity loss through targeted engagement with companies, we advise investors, membership organisations and service providers to cooperate and develop:

- Aligned investor expectations towards companies per sector (especially for high-stake sectors) in line with the latest science, which are updated as we improve our understanding of impacts and dependencies.
- New collaborative engagements on biodiversity challenges, especially in the areas of the identified gaps addressed in Chapter 3, i.e., the marine and freshwater realms, key supply chains, infrastructure and mobility, and the finance sector.
- A broad collaborative program for Nature Action in addition to the Climate Action 100+ program.
- Policy engagement to improve enabling conditions for companies.
- Engagement services in line with global goals, material biodiversity aspects and the specific needs of investors.
- Engagement with data providers and sector initiatives to better align sector-specific biodiversity measurement tools with finance impact assessment tools.
- Sector pathways for companies to transform into nature-positive outcomes.
- An online dashboard with sector and company engagement initiatives, so that investors can see which organisations are part of the initiatives and what each initiative is trying to achieve.
- Guidance for engagement by banks with clients such as SMEs.
- Monitoring and analysis of results on corporate engagement.
- Linkages between the biodiversity and climate debates, leveraging and integrating biodiversity into climate efforts wherever relevant.
- Guidance for financial institutions on setting science-based biodiversity targets underpinned by robust metrics and measurement techniques.

Some of these actions will be further explored and set up under the FfB Foundation. We invite interested investors and potential partners to reach out and contribute to these actions. Collaborative engagement is key to reverse nature loss in this decade.

6. Glossary

Engagement: In this publication, 'engagement' 'engagement' is used as shorthand for 'corporate engagement'. It is a stewardship strategy used by financial institutions to incentivise changes in corporate behaviour through dialogue with investee/client companies.

Collaborative engagement: Engagement by multiple financial institutions collectively. Often, this takes the shape of a formal coalition of investors formulating a time-based engagement objective and working with a coordinating body. See also Chapter 3.

Realm: Nature can be roughly divided into three realms: land, freshwater and ocean.

Biome: Ecosystem type, for example 'tropical forests' or 'deserts'. Within every realm, different biomes can be distinguished. See Annex 1 for the classification of biomes used by IPBES.

Driver (of biodiversity loss): Process caused by human activity that contributes to the loss of nature and biodiversity. The five main drivers identified by IPBES are land/sea use change, pollution, climate change, direct exploitation and invasive species. In this publication, 'pressure' and 'driver' are used as synonyms.

Pressure: See Driver.

Impact (on biodiversity): Change in the state of biodiversity caused by human activity. Companies can have both a negative impact (through the drivers

described above), and a positive impact (through restoration and conservation practices).

Biodiversity risk: Risks to businesses, financial institutions, and/or society at large caused by the decline of nature and biodiversity. This includes production risks (e.g., loss of agricultural harvest), reputational risks (e.g., controversy about companies with a large negative impact on biodiversity) and transition risks (e.g., business risks associated with conservation policies).

Ecosystem service: Goods and services provided by ecosystems that benefit humans. Usually, three types of ecosystem services are distinguished: regulating services, cultural services and provisioning services. See also Section 1.2.

Dependency: Ways in which a specific community, company, value chain, etc. depends on ecosystem services.

Biodiversity challenge: A driver or ecosystem service on which action is needed to avoid unacceptable biodiversity risk. Financial institutions often scope their biodiversity engagement around one or multiple biodiversity challenges. See also Section 1.4.

Exposure: 1) Companies', sectors' or financial institutions' exposure to a biodiversity challenge refers to the extent to which the company, sector or institution contributes to an impact on biodiversity or depends on biodiversity. Companies' or sectors' exposure can be direct (i.e., linked to direct operations) or indirect (i.e., mediated through the

value chain). 2) A financial institution's exposure to a specific company (also: financial exposure) refers to the importance of their business relation (e.g., the share of a company in the total AUM of a portfolio, the share of a company's capital held in a portfolio, or the magnitude of the credits provided to a company).

Materiality: A biodiversity challenge is material to a company or a sector if it can have a major impact on the financial, economic, reputational, or legal aspects of a company and in that way impact performance of the company or sector if it is not properly accounted for in decision-making.

Systemic change: Change that goes beyond the operations of one company, but impacts multiple companies/sectors/value chains and the ways in which they interrelate.

Engagement objective: Objective set by a financial institution for the engagement with a specific company (e.g., increase disclosure on biodiversity). One engagement can have multiple objectives.

Engagement target: Concrete and measurable specification of the objective, outlining the desired company behaviour (e.g., issue climate report annually). One objective can be accompanied by several targets.

Active ownership: Addresses the environmental, social and governance aspects of an investment, in order to promote the long-term value of the returns. The main tools of active ownership are engagement and voting.

Proxy voting: Refers to ballots cast by a person or a firm on behalf of a shareholder who is not able to attend a shareholder meeting. Rather than attend the meeting, investors can elect someone else to vote in their place, and this person is designated as a proxy.

Annual general meeting (AGM): A meeting of the voting shareholders of a company, at which the board of directors reports on the last year's activities, and accounts are submitted for approval. AGMs normally elect the chief officers and directors of companies, approve remuneration, share capital and external auditors.

Management proposal: A proposal included in the notice of meeting of a shareholder meeting that has been filed by the company itself.

Shareholder proposal: A proposal included in the notice of meeting of a shareholder meeting that has been filed by a shareholder or group of shareholders. It generally advocates that a company take a specific course of action.

Say-on-nature proposal: Following from say-on-pay proposals and say-on-climate proposals, say-on-nature proposals are management-presented proposals that give shareholders an annual vote on the company's approach to nature and biodiversity.



Annex 1. Why?What?How?-matrix worksheet

WHY? Biodiversity challenge

1 Realms and biomes¹:

☐ Terrestrial

- ☐ Tropical and subtropical dry and humid forests
- ☐ Temperate and boreal forests and woodlands
- ☐ Mediterranean forests, woodlands, and scrub
- ☐ Arctic and mountain tundra
- ☐ Tropical and subtropical grasslands
- ☐ Temperate grasslands
- ☐ Deserts and xeric shrublands
- ☐ Cryosphere [i.e. Arctic, Antarctic, glaciated mountains, polar regions]

☐ Fresh water

- ☐ Wetlands
- ☐ Inland surface waters and water bodies

☐ Marine

- ☐ Shelf ecosystems [e.g., Coral reefs]
- ☐ Surface open ocean
- ☐ Deep sea

☐ Anthromes [Biomes highly influenced by humans]

- ☐ Urban and semiurban areas
- ☐ Cultivated areas
- ☐ Aquaculture areas
- ☐ Coastal areas intensively used by humans

2 Geographical area:

Specific country, continent, region:

3 Challenge:

☐ Drivers of loss

- ☐ Land/sea use change
- ☐ Resource exploitation
- ☐ GHG emissions
- ☐ Pollution
- ☐ Invasive species
- ☐ Other specific driver:

☐ Ecosystem services

- ☐ Coastal protection
- ☐ Soil fertility
- ☐ Pest control
- ☐ Pollination
- ☐ Carbon sequestration
- ☐ Water purification
- ☐ Water storage
- ☐ Urban cooling
- ☐ Provisioning of wood, fibres, biomass, food
- ☐ Other ecosystem service:

1 Following the 'Units of analysis' of the IPBES Global assessment 2019, [chapter 2.2.](#)

Annex 1. Why?What?How?-matrix worksheet

WHAT? Strategy

4 Overall goal

- ☐ Mitigate negative impact
- ☐ Manage risks
- ☐ Adapt to dependencies
- ☐ Promote positive solutions
- ☐ Drive systemic change

Please specify:

5a Focus on companies' direct vs. indirect exposure

- ☐ Exposure of direct operations
- ☐ Upstream exposure
- ☐ Downstream exposure

5b Focus on a specific value chain or sector (optional):

.....

HOW? Engagement approach

6 Selected issuers (including based on financial exposure):

- ☐
- ☐
- ☐
- ☐
- ☐
- ☐

7 Engagement requests (based on issuers' maturity):

- ☐ Comply with international norms and conventions for the protection of nature
- ☐ Proactively prevent nature degradation and loss of natural habitats
- ☐ Report publicly on significant positive and negative contributions to global biodiversity goals
- ☐
- ☐
- ☐
- ☐
- ☐

8 Metrics and KPIs to measure progress:

- ☐
- ☐
- ☐
- ☐
- ☐
- ☐

Colophon

Initiators

This guide was made by members of the [Finance for Biodiversity Foundation](#), in collaboration with members of the Finance@Biodiversity Community (F@B Community), which is part of the EU Business@Biodiversity Platform. It acts as an annex to the Guidance document of the Finance for Biodiversity Pledge, providing more information on its second commitment 'Engaging with companies'. The guide partly builds on the four '[Engagement with companies](#)' [F@B workshops](#) held in 2021.

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Sharing practices and collective action

This guide is one of the many steps in our journey towards engaging with companies on biodiversity as financial institutions. We encourage all financial institutions to share their practices and to collaborate on aligning their expectations towards companies. The Finance for Biodiversity Foundation working groups and the Finance@Biodiversity Community will continue to share practices, challenges and lessons learned.

As part of their collective action, the members to the Finance for Biodiversity Foundation are investigating further collaboration on engagement with companies. A potential Nature Action 100 programme is one of the options.

Invitation to join

Financial institutions from all continents are encouraged to engage with companies on biodiversity in order to accelerate the transition towards nature-positive business. Join us to share your practices and challenges, contributing to reversing nature loss in this decade. Get in touch if you are interested.

Contact

EU Business@Biodiversity Platform, Finance@Biodiversity Community: Anne-Marie Bor and Anita de Horde, info@financeforbiodiversity.org. Both Anne-Marie and Anita are also coordinating the Finance for Biodiversity Pledge and Foundation.

This guide and its annexes can be found online [here](#).

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