

Biodiversity measurement for the financial sector: A Guide & comparison on practical applications

Organised by the EU Business@Biodiversity Platform and Finance for Biodiversity Foundation

Thursday 1 April from 14:00 - 15:00h CET

Moderators: Anne-Marie Bor and Anita de Horde,
Lead and advisor F@B Community & Coordinators FfB Foundation



Housekeeping Rules

- Keep your **mics muted and cameras off** during the main session.
- During the Q&A: submit **questions in the chat box** (format: “Name of speaker + question)
- The session will be **recorded**. The recording and the slides will be available on the website after the webinar.

In case of technical issues:

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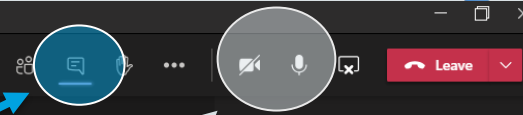


Waiting for others to join...

Post your **questions** in the chatbox

“Name speaker – question”

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Meeting chat

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You can ask questions at any time during the webinar. Just submit your questions in the chatbox.

Questions will be addressed at the end of the webinar. Due to time constraints we might not be able to answer all of your questions, but these will be answered afterwards and shared with all participants. Please make sure to write the name of the speaker followed by your question.

I would also like to inform you that we are recording the webinar. The recording, including a summary and slides will be published on the website afterwards.

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#EUBiodiversity

EU Business @ Biodiversity Platform & Finance for Biodiversity Foundation



Thomas Verheye
Principal Advisor Green
Finance & Investment,
European Commission



European
Commission



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Biodiversity



'Biodiversity measurement approaches for the financial sector: an overview & comparison on practical applications'

European Commission, Brussels

Webinar

1 April 2.00 - 3.00pm CET



Anita de Horde
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Initiative (UNEP FI)



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Platform and coordinator
Finance for Biodiversity
Foundation



Agenda

- 14.00 - 14:05 Welcome and opening
- 14:05 - 14:30 Overview of 6 different measurement approaches
- 14:30 - 14:55 Practitioner perspective on biodiversity measurement
- 14:55 - 15:00 The way forward and closing remarks



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Welcome and opening

Thomas Verheye, Principal Advisor Green Finance and Investment,
DG Environment of the European Commission



To watch the video message of Thomas Verheye visit the Finance for Biodiversity Foundation's website at <https://www.financeforbiodiversity.org/>



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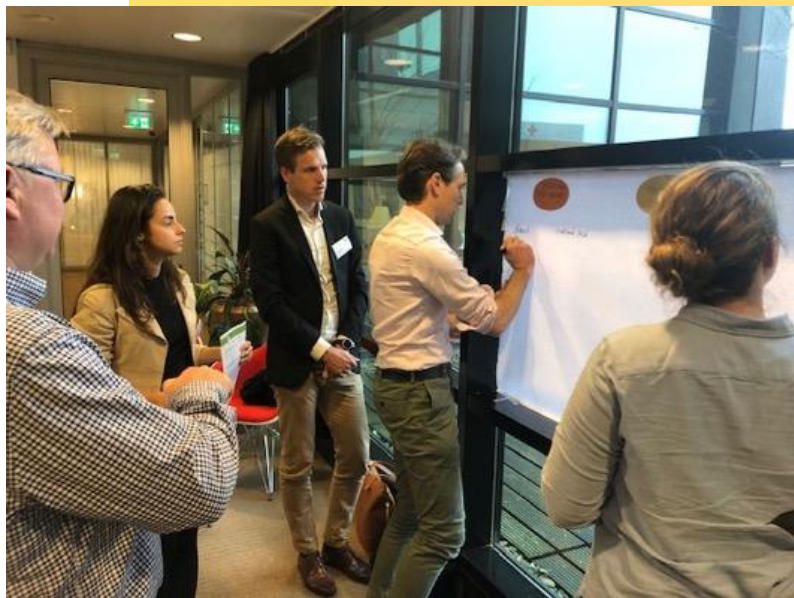
Introduction to the initiative of the Guide

Anne-Marie Bor, Lead F@B Community and Coordinator
Finance for Biodiversity Foundation

Finance@Biodiversity Community

Part of EU Business@Biodiversity Platform

- Finance@Biodiversity Community with 30 financial institutions exchanging knowledge on biodiversity since 2017
- Initiator of Finance for Biodiversity Pledge
- Measuring biodiversity high on the agenda
- Collaborating with B@B WS Methods



Finance for Biodiversity Pledge Commitments

37 signatories call to action and collaborate on reversing nature loss

Assessing impact as one of the commitments

We, 26 financial institutions, representing over EURO 3 trillion in assets, call on global leaders during the 15th meeting of the Conference of the Parties (COP 15) to the Convention on Biological Diversity (CBD) to agree on effective measures to reverse nature loss in this decade to ensure ecosystem resilience.

As financial institutions we know that healthy societies, resilient economies and thriving businesses rely on nature. Together let's protect, restore and sustainably manage our natural resources. We will make every effort to take our share of responsibility and contribute to the protection and restoration of biodiversity and ecosystems through our financing activities and investments.

We therefore commit to do the following by 2024 at the latest:

1

Collaboration and knowledge sharing

We will collaborate and share knowledge on assessment methodologies, biodiversity-related metrics, targets and financing approaches for positive impact.

2

Engaging with companies

We will incorporate criteria for biodiversity in our ESG policies, while engaging with companies to reduce their negative and increase positive impacts on biodiversity.

3

Assessing impact

We will assess our financing activities and investments for significant positive and negative impacts on biodiversity and identify drivers of its loss.

4

Setting targets

We will set and disclose targets based on the best available science to increase significant positive and reduce significant negative impacts on biodiversity.

5

Reporting publicly

We will report annually and be transparent about the significant positive and negative contribution to global biodiversity goals linked to our financing activities and investments in our portfolios.

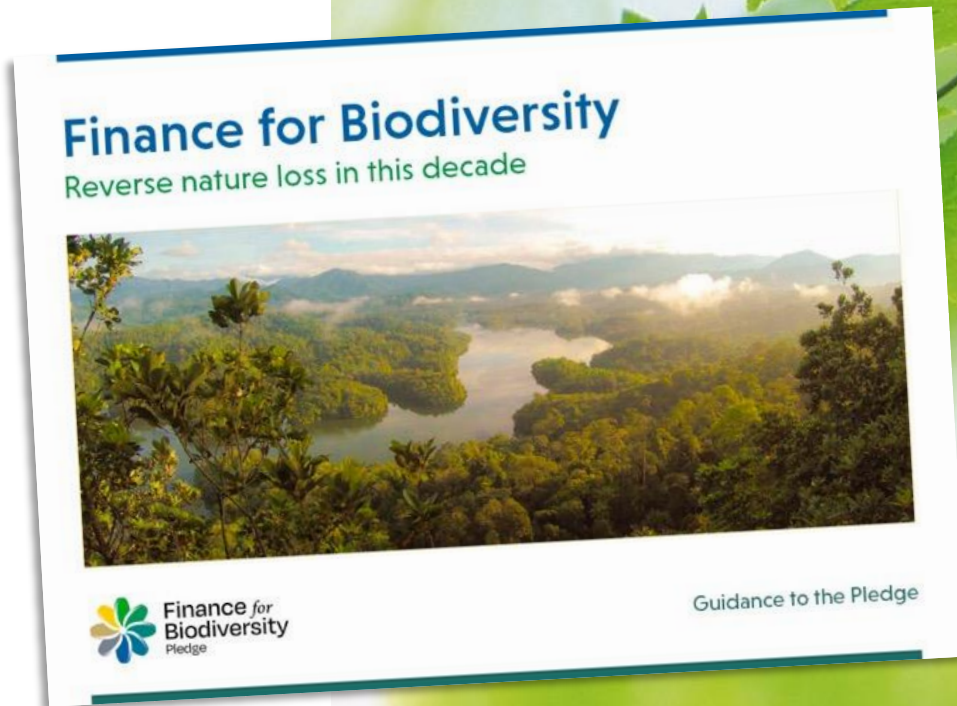
Guidance on the Finance for Biodiversity Pledge

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This guidance document:

- Clarifies the 5 commitments
- Provides sources from several initiatives, experts and organizations
- Includes existing examples from the financial institutions themselves

> Guide on measurement approaches is



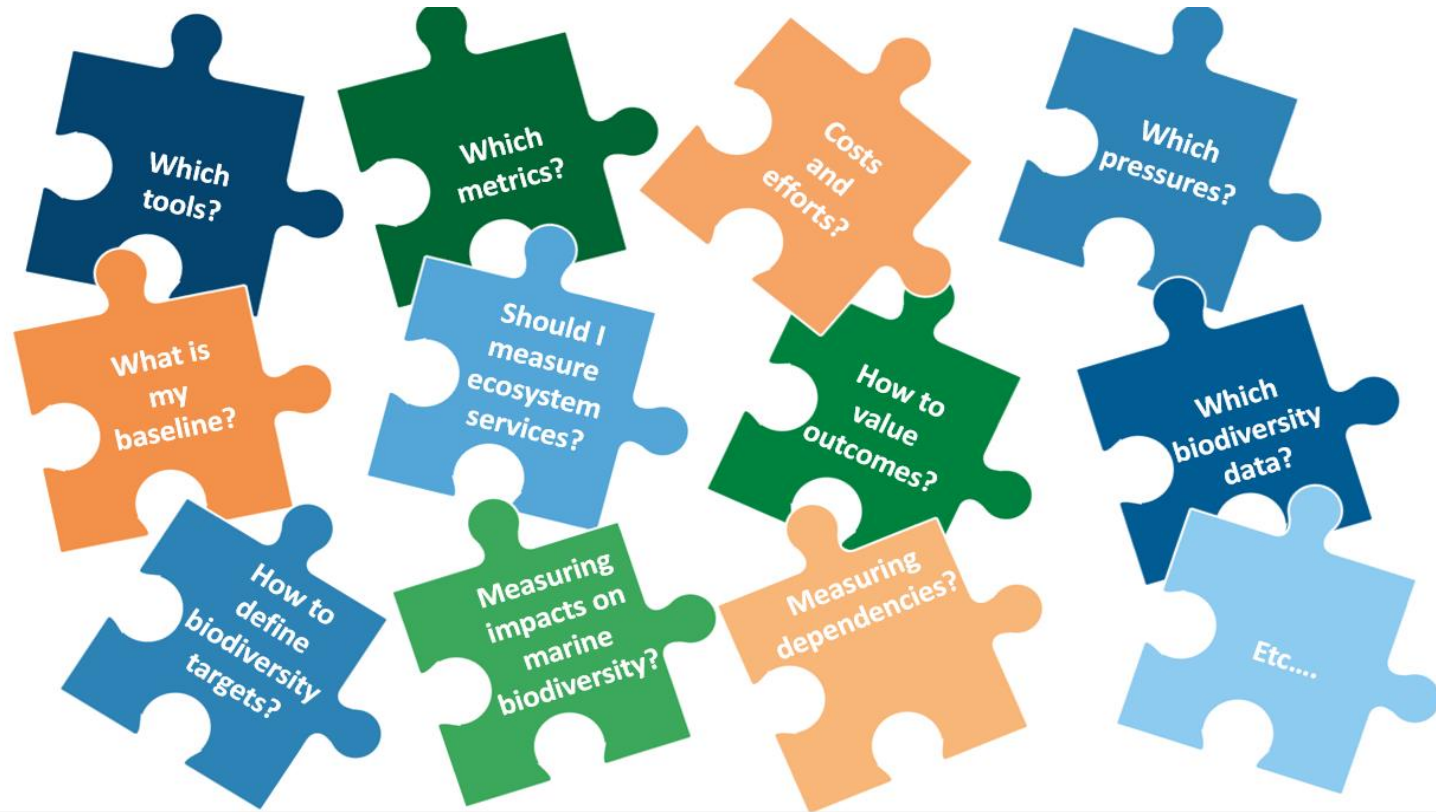


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Introduction to the Guide

Anita de Horde, Advisor F@B Community
Coordinator Finance for Biodiversity Foundation

A need for biodiversity measurement approaches, but many questions....



Guide with an overview on biodiversity measurement tools

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Finance for Biodiversity

Guide on biodiversity measurement approaches



Annex on Assessing Impact to Pledge Guidance

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Sources we used for the Guide

EU Business & Biodiversity Platform Update Reports 1, 2 and 3



Tool developers



Contributors to the Guide

F@B Community & Finance for Biodiversity Pledge signatories

Brainstorm and conference calls between Nov 2020 - Jan 2021 with the following financial institutions:



Selected measurement approaches

Tools

1. **CBF** – *Corporate Biodiversity Footprint*

2. **BFFI** – *Biodiversity Footprint Financial Institutions*

3. **STAR** – *Species Threat Abatement and Restoration*

4. **GBSFI** – *Global Biodiversity Score for Financial Institutions*

5. **BIA** – *Biodiversity Impact Analytics*

1. **ENCORE** – *Exploring Natural Capital Opportunities, Risks and Exposure*

Developers

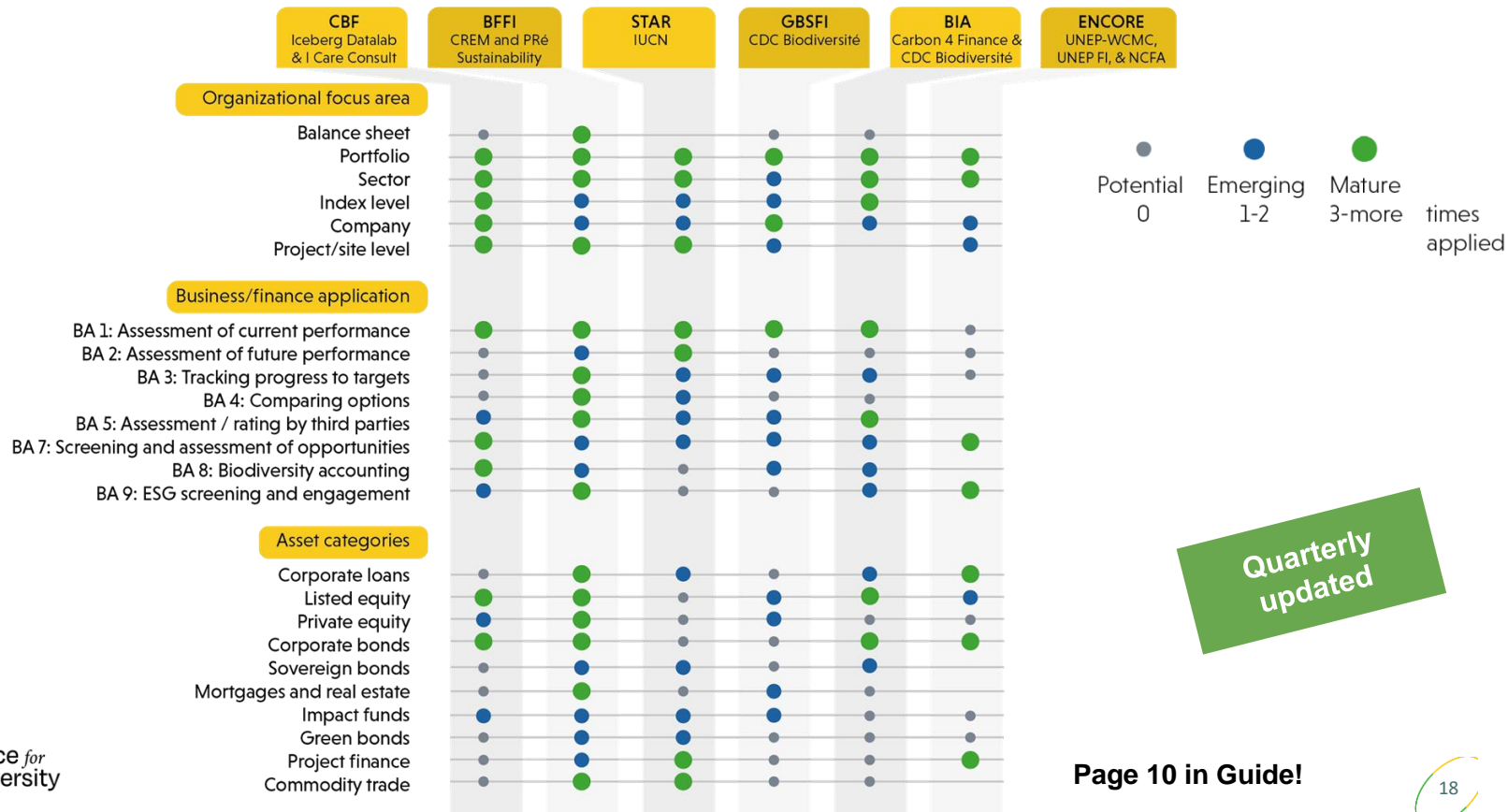


Selection criteria

- ✓ Are relevant to, and are currently explored or used by, the financial sector
- ✓ Include all main drivers of biodiversity loss
- ✓ Are scientifically robust

Yearly updated

Overview on measurement approaches





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Clarification on overview

Johan Lammerant, Methods workstream leader
EU B@B Platform and Arcadis

Overview on measurement approaches

	CBF Iceberg Datalab & I Care Consult	BFFI CREM and PRé Sustainability	STAR IUCN	GBSFI CDC Biodiversité	BIA Carbon 4 Finance & CDC Biodiversité	ENCORE UNEP-WCMC, UNEP FI, & NCFA
Pressures						
Land/sea use change						
Direct exploitation				Partial	Partial	
Climate Change						
Pollution						
Invasive Species		Qualitative				
Coverage						
Impacts (on species and habitats)						
Dependencies (ecosystem services)	To be added in 2021	To be added in 2021		To be added in 2021	To be added in 2021	
Scope						
Scope 1						
Scope 2						
Scope 3 (upstream and/or downstream)				Upstream	Upstream	
Metric						
MSA (Mean Species Abundance)		To be added in 2021				
PDF (Potentially Disappeared Fraction)	Option					
STAR (Risk of extinction)						
Aggregate index						
Monetization	To be added in 2021					
Data type						
State data	E		E	E		E / M
Pressures, resources and emissions data	U / E / M	U / E	E	U / E / M	U / E / M	
Economic quantification of activities data	U / E / M	U / E	U	U / E	U / E	
Efforts						
Accessibility (Open-source vs Commercial)	Commercial	OS with support	OS with support	Commercial	Commercial	OS with support
Required expertise	EXT - T	EXT - T	EXT	EXT - T	EXT - T	EXT - T
Costs for hiring	L	H - M	H - L	H	L	L
Other costs	H	L	L	M	H	L
Time investment	L	M - L	L	H	L	L

U: User-derived
E: Externally collected
M: Modelled

EXT: External expertise required;
T: Training offered
L: Low ; M: Moderate ; H: High

6 case studies

.....

1. CBF Mining Company
2. CBF Portfolio agri-food companies
3. BFFI ASN Bank
4. STAR Bukit Tigapuluh rubber project
5. GBS BIA application with C4F
6. ENCORE Dutch Central Bank

“Evaluating the biodiversity impact of a corporate through the lens of a single metric, regardless of its merits, is a limited approach of the reality.

It should be complemented with engagement with the company and qualitative evaluations of its actions and mitigation initiatives.”

Trends in the evolving landscape of biodiversity measurement approaches

1. Moving towards more scientifically robust approaches
2. Being aligned with global biodiversity indicators
3. Recognition that the one and only biodiversity indicator doesn't exist; tendency towards dashboard approach
4. Moving towards smart combination of tools
5. Measurement is one thing, but data collection and stakeholder involvement are essential too
6. Linking risks related to ecosystem degradation with financial risk
7. Increased interest in natural capital accounting approaches

Questions?





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Practitioner perspective on measurement

Radoslav Georgiev (ESG Disclosure Lead),
ING Bank



Biodiversity-focused tools and methods

Radoslav Georgiev
Global Sustainability
April 2021

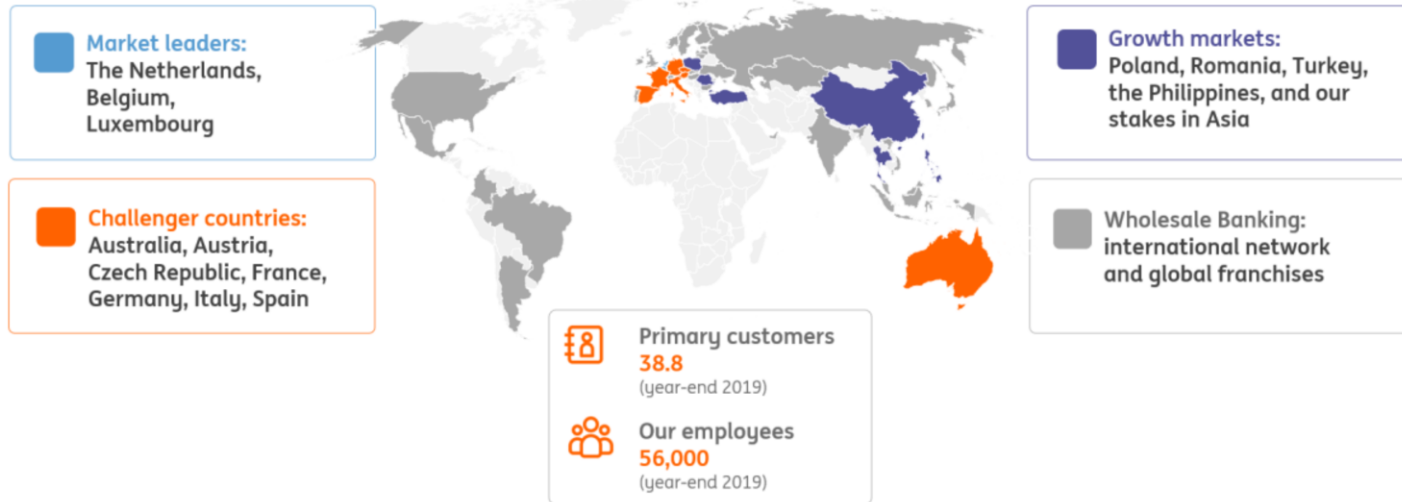


do your thing

ING at a glance

ING is active in

More than 40 countries





Why biodiversity

Our stakeholder landscape is changing

Regulators	<ul style="list-style-type: none"> ▪ The ECB issued a supervisory guide in May 2020 setting out its expectations for embedding environmental risk into developing and implementing strategy and risk management processes. The Guide covers biodiversity risk. ▪ DNB, the Dutch central bank, released a study of the banking sector's exposure to physical and transition risk of biodiversity loss. Other central banks may be considering similar initiatives. ▪ Insurance supervisors are conducting an analysis of the financial risks of biodiversity loss, to help inform their response. ▪ A Taskforce on Nature-related Financial Disclosures (TNFD), mirroring the objectives of the TCFD, will launch in January 2021. The governments of the Netherlands, Switzerland, UK and France are among the public supporters, in addition to dozens of financial institutions. The TCFD was housed under the FSB, but it is unclear where the TNFD will sit.
EU	<ul style="list-style-type: none"> ▪ In June 2020, the EC adopted a new Biodiversity Strategy for 2030 and an associated Action Plan which set legally binding targets for restoration of carbon-rich habitats which will be among the top five key fiscal recovery policies. ▪ The EU will start developing a Biodiversity and Ecosystems taxonomy– one of its 6 environmental objectives. Already in place is a “Do No Significant Harm” biodiversity screening criterion for the existing climate taxonomy. There may be Capital Requirements Regulation provisions for financing activities aligned with the taxonomies. ▪ The EU will mobilise €20 billion a year for biodiversity (until 2030) through EU funds, including a natural-capital and circular economy fund under Invest EU. A significant part of the 25% of the EU budget for climate action will go to biodiversity-positive activities. ▪ EU's Farm to Fork strategy, Sustainable Use of Pesticides Directive (Chemicals, Food&Agri sectors) are to be revised with biodiversity objectives.
International developments	<ul style="list-style-type: none"> ▪ The Convention on Biological Diversity (CBD) Conference of the Parties (COP 15) in Q4 2021 will set a post-2020 Global Biodiversity Framework of goals, outlining actions for countries. ▪ Much like the Paris Agreement, CBD COP 15 is expected to trigger corporate commitments for alignment. Initiatives committing banks and asset managers (FFB, B4N) are already starting to appear and alignment tools (ENCORE) are starting to emerge.
Links with climate	<ul style="list-style-type: none"> ▪ Being a climate action leader provides a good base to act on biodiversity risks and opportunities, and vice versa. There are opportunities for climate mitigation and adaptation in nature-based solutions. ▪ Inaction may expose banks to reputation risk and risk of NGO activism or discredit banks' climate leadership.
Peers	<ul style="list-style-type: none"> ▪ Banks have started to commit to biodiversity action and new announcements in support of the CBD global goals are expected in 2021 and 2022. There will be peer pressure to act.



What do we do

to protect biodiversity

Our approach to sectors with biodiversity impacts



A mix of carrots and sticks...

Exclusions

- Sectors (e.g. coal mining);
- Activities (e.g. Arctic O&G, mountain top removal, commercial whaling)
- Areas (IUCN, Ramsar wetlands, UNESCO World Heritage sites)

Acceptance thresholds

- Products/activities with negative impacts (e.g. pesticides - REACH SVHC)

Targets and action plans

- Thematic engagements (e.g. soft commodities)
- Improvement targets (e.g. 100% RSPO certification)

Finance for positive impact

- Green loans and bonds (LMA GLP, ICMA GBP, CBI);
- Green innovations (Circular Economy, Green scale-up investments)

Sustainability-linked finance

- Linked loans (LMA Sustainability-linked Loan Principles)
- Linked bonds (ICMA Sustainability-Linked Bond Principles)
- Rating and/or KPI-based

...Transition finance...



Tools

and methodologies

Our needs

Portfolio-level

- Segment a portfolio into high/low risk/opportunity
- Identify “sweet spots” - metric capturing positive environmental and economic impact (e.g. raw material use)
- Benchmarking options – best practice, bottom/top quartile, etc
- Alignment options (e.g. 2050 CBD goals)

Thematic

- Identify key solutions themes (e.g. regenerative farming) and map value chain exposure (e.g. equipment producers, farmers, retailers, etc)

Company-level

- Identify key engagement topics
- Clarify link between the environmental impact and the company's performance
- Identify unsustainable activities/products

Tools we're using or testing

BFFI	<p>The Biodiversity Footprint for Financial Institutions (BFFI) methodology was co-created by Dutch bank ASN and a local consultancy.</p> <p>ING is looking into this approach. In a pilot, ING applied BFFI to assess a renewable energy project and to create a retail investment benchmark.</p>
IBAT	<p>IBAT integrates three key spatial data sets (the World Database of Key Biodiversity Areas, the World Database on Protected Areas and the IUCN Red List of Threatened Species) to generate location-specific biodiversity data.</p> <p>ING uses IBAT to assess the impacts of financed projects.</p>
ENCORE	<p>ENCORE enables users to visualise how the economy depends on nature and how environmental change creates risks for businesses. Starting from a business sector, ecosystem service, or natural capital asset, ENCORE can be used to start exploring natural capital risks.</p> <p>ING has joined a pilot to test ENCORE for portfolio-level analysis.</p>
SCRIPT	<p>SCRIPT contains two tools, one allowing financial institutions to benchmark their policies on deforestation against their peers, and one allowing them to assess how they may be exposed to deforestation risk in their investment portfolios.</p> <p>ING is testing comparable tools (e.g. IFC's GMAP tool).</p>
Trase.Finance	<p>Trase.Finance builds on Trase's supply chain mapping capabilities, linking the trade of commodities that drive deforestation to financial markets worldwide.</p> <p>ING uses Trase.Finance to assess the environmental risks of soft commodity traders.</p>

Thank you!



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Practitioner perspective on measurement

Jean-Guillaume Peladan (Head of Environmental Strategy),
Sycomore Asset Management

Sycomore AM's practitioner experience in integrating biodiversity into Asset Management: NEC and CBF case studies

April 1st, 2021

Webinar on biodiversity measurement approaches for the financial sector

Jean-Guillaume Péladan

Head of Environmental Strategy, Sycomore AM

Board Member of the French Sustainable Investment Forum

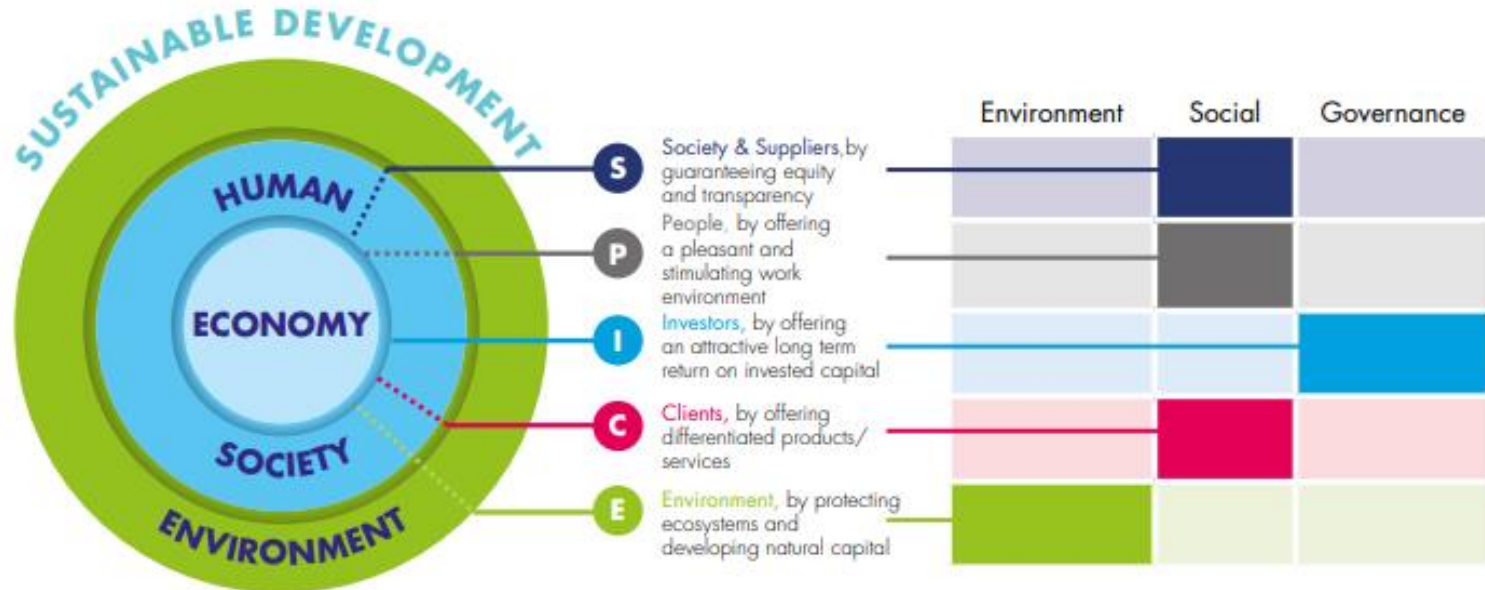
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Our investment philosophy






A **global and integrated** approach, covering all the challenges of **sustainability**

- Since 2015, a more structured **stakeholder** approach, via the **ESG model SPICE**
- In 2015, starting to implement a **Natural Capital Strategy** and to invest in R&D on the **Net Environmental Contribution, NEC**, with 2 expert consultancies
- Since 2020, joint work on a **quantitative biodiversity metric** with AXA IM, BNP Paribas AM and Mirova and selection of the **Corporate Biodiversity Footprint, CBF**



First trap: overestimating carbon footprint, as use in finance

A question of **greenhouse gas scope** and **denominator**

					
	INFORMATION TECHNOLOGY	ONLINE CLOTHES RETAIL	SPORTS CARS	TRAINS, SUBWAYS, RAILWAYS SYSTEMS	WATER, WASTE AND ENERGY
CARBON FOOTPRINT Tons eq.CO ₂ /year/M€ EV ▶	1 2	24	3 8	114	1316
CARBON INTENSITY Tons eq.CO ₂ /M€ revenues ▶	80	77	28 7	159	1124

Source: greenhouse gas (Kyoto Protocol referenced GHG) emissions of **scope 1 + scope 2 + scope 3 upstream** in tons CO₂ eq. per year and per M€ of Enterprise Value (EV) and M€ of annual revenues, data as of January 29th, 2021, from Trucost and Factset; example also presented in the Green Finance Handbook of the French SIF in 2018, see https://www.frenchsif.org/isr-esg/wp-content/uploads/UK_Executive_Summary_13nov2018.pdf

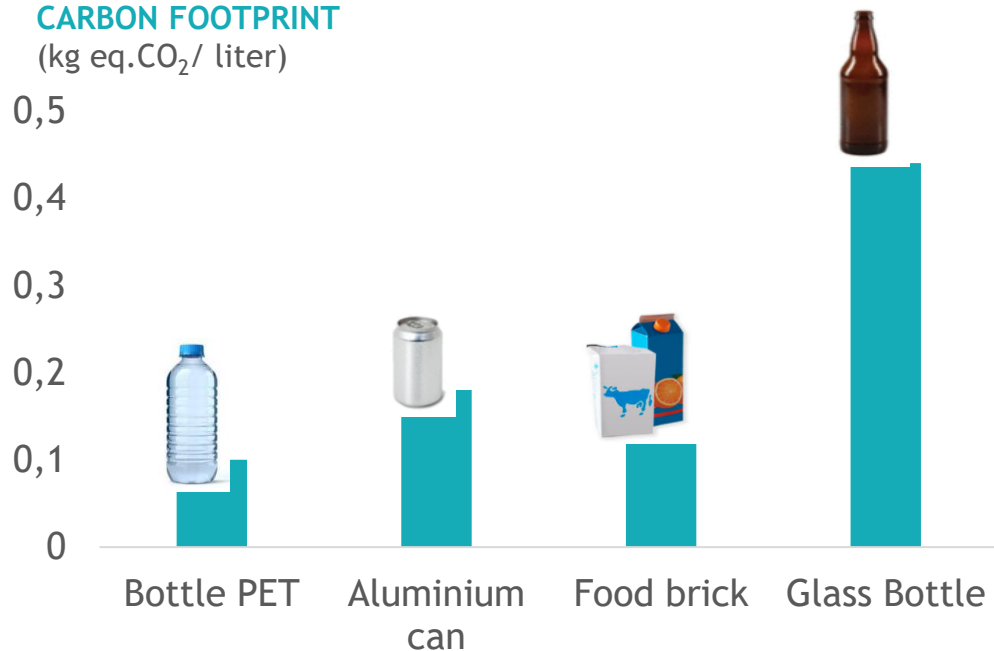
Second trap: carbon only approach

What does a science-based carbon footprint tell us?

A question of **environmental scope**

CARBON FOOTPRINT

(kg eq.CO₂/ liter)



*Existing indicators, such as the carbon footprint or E ratings, **do not reflect** on the **transition risk**, nor on climate risk or on issues **beyond carbon**, such as damages related to waste, air quality, water or biodiversity*

Source: carbon footprint of packaging according to the Ecoinvent greenhouse gas emissions factor and the ADEME FOODGES database, Quantis calculations, 2018.

The need for holistic integration beyond carbon and including biodiversity

The question is no longer if **environmental challenges and planetary boundaries** matter to investors, but **how quickly and reliably** the finance industry can **integrate** them !



« Earth **Overshoot Day** has moved from late September in 2000 to **August 22nd** in 2020 »⁽²⁾



23% of global mortality is due to **environmental damage**, 12.6 million persons annually or 34,500 per day ⁽¹⁾










« The **6th** mass extinction of animal **species** is underestimated »⁽³⁾



(1) Whole Health Organization, March 2016, 2012 figures: http://apps.who.int/iris/bitstream/10665/204585/1/9789241565196_eng.pdf

(2) Global Footprint Network: <https://www.overshootday.org/>

(3) IPBES, March 2018: <https://www.futura-sciences.com/planete/actualites/zoologie-sixieme-extinction-masse-animaux-sous-estimee-58704/>.

[Integrating key environmental issues

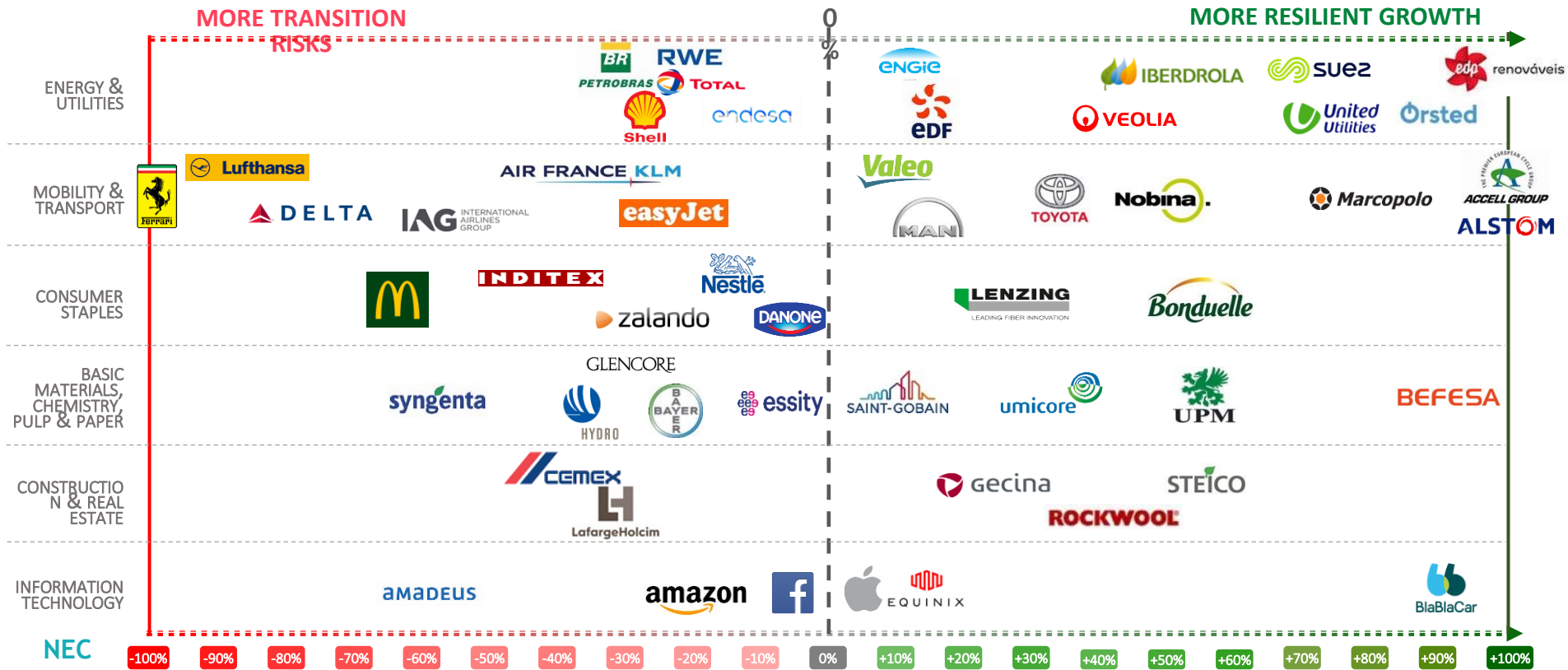
	CLIMATE	RESOURCE WASTE	BIODIVERSITY	WATER	AIR QUALITY	EXAMPLES OF SPECIFIC KPIS & CERTIFICATIONS
ECOSYSTEMS	✓		✓	✓		<ul style="list-style-type: none"> - Type of agriculture, fishery and farming (intensive vs organic, ...) - GHG content and water footprint per kg of nutrient - Palm Oil usage (RSPO certification level) - Forestry and wood certifications (PEFC, FSC, SFI) - APUR, Ecolabel, Blue Angel...
ENERGY	✓	✓	✓		✓	<ul style="list-style-type: none"> - Species depletion (Nb/kWh) - Type of extraction of fossil fuels and over 2°C carbon budget for fossil fuels from Mcglade, C., & Ekins, P., 2015, Nature, 517, p187-190 - gCO₂e/kWh...
MOBILITY	✓				✓	<ul style="list-style-type: none"> - Passenger mobility: CO₂e, NO_x and fine particles per passenger.km - Freight: CO₂e, NO_x and fine particles per ton.km
CONSTRUCTION	✓	✓			✓	<ul style="list-style-type: none"> - Energy Intensity - Carbon content of materials and constructive solutions - Construction and operation certifications, such a BREEAM, LEED, BBCA, HQE, Passiv Haus, etc....
PRODUCTION	✓	✓	✓	✓		<ul style="list-style-type: none"> - ReCiPe method with ecosystem quality endpoint from Ecoinvent - Share of fertilizers and pesticides in chemicals production - Product reliability and lifespan - Higg MSI impact score for textile from Sustainable Apparel Coalition - % of input with recycled materials...

 Key issues for the impact domain
  Important issue, but hard to quantify (lack of reliable data)

- ▶ A multi-dimensional approach for an holistic view of the net environmental impact

Source: NEC 1.0, Sycomore AM, Quantis and I Care&Consult, October 2019.

[Delivering manageable results



A **joint initiative** of **4 Asset Managers** sharing a common tendering process on **7 requirements**:

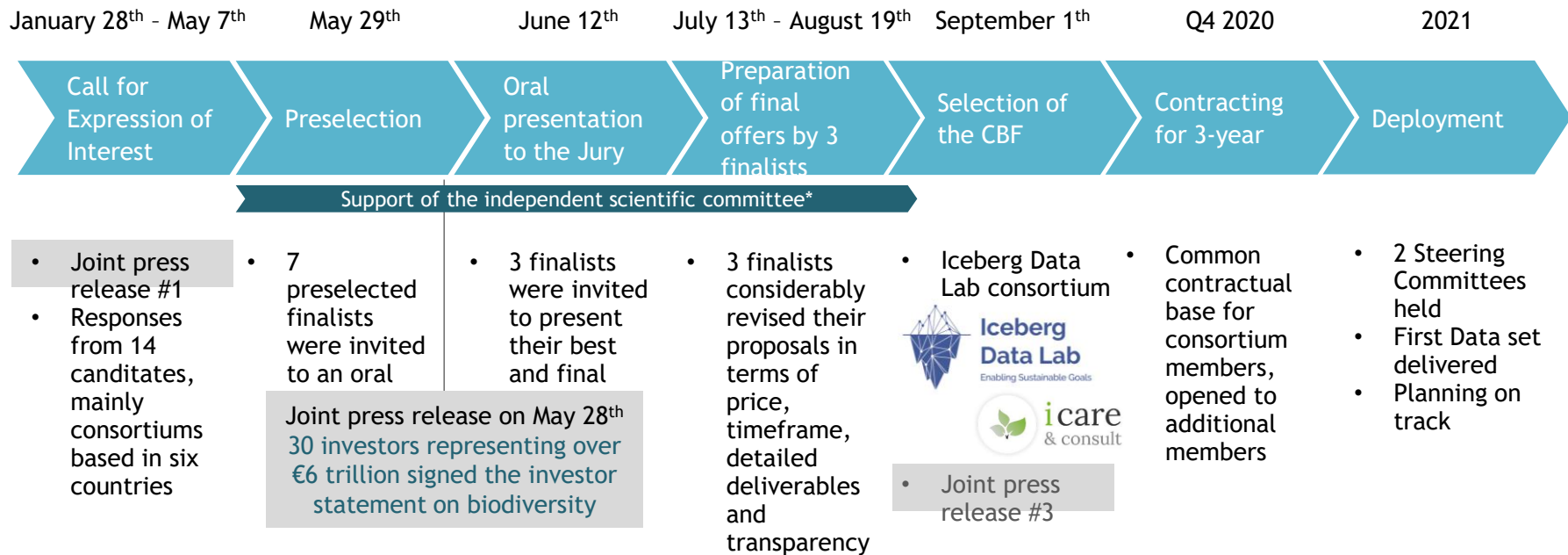
- **Impact measurement**: the methodology must provide a “physical” indicator (e.g.: km2 mean species abundance, potentially disappeared fraction of species, etc.) - “Lifecycle” approach: the methodology must factor in the entire supply chain from product use to end-of-life.
- **Sector estimates**: sector assessment grids should make estimates tailored to the specificities of each sector possible.
- **Ease of use**, for a variety of purposes: communicating about impact on biodiversity, providing more extensive reporting, etc.
- **Flexibility and transparency**: the methodology must be compatible with the public taxonomies and internal environmental assessment systems already in use, regardless of whether they’re proprietary or open source.
- **Aggregation and communication**: the data provided must simplify portfolio performance assessment in relation to an index.
- **With large application scope**: the approach must be applicable to companies active in the main market indices (listed equities and fixed income funds). Ideally the method should be compatible with other asset classes (listed and unlisted equities, fixed income funds, infrastructure, real estate, etc.).
- **And financial materiality**: companies’ levels of exposure to the challenges presented by biodiversity must be assessed in addition to physical impact.

... and **3 key principles** adopted by **30 investors** worldwide for methodological approach:

- Based on life cycle assessment and capturing negative physical impacts on biodiversity as well as positive impacts,
- That can be aggregated at company, portfolio and index level across a wide range of assets,
- Transparent and based on the large body of existing open source data and publications by issuers of financial securities.

Leading to the selection of the Corporate Biodiversity Footprint, CBF

A collaborative and productive journey



* Scientific committee composed of 4 independent experts, Julie Raynaud (independent consultant), Katie Leach (UNEP-WCMC), Hugo Bluet (WWF France) and Guillaume Sainteny (French Foundation for Biodiversity Research)

Questions?





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Finance sector

Jessica Smith, Ecosystem Lead, UNEP FI



Next steps

- **Quarterly update** of maturity levels
 - F@B Community and FfB Pledge active signatories will continue to **share practices** and consolidate lessons learned
 - **Yearly update** of complete Guide
 - Seeking **effective collaboration** on measurement and data with other initiatives, to be launched soon with the PRI and UNEP FI:
- Overview of Finance and Biodiversity initiatives**



Thanks!

You can find us at:

info@financeforbiodiversity.org
johan.lammerant@arcadis.com

