Consultation
Practical Guide for Financial Institutions on Biodiversity Data, Tools and Approaches
16 November 2021

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Summary

Why we are consulting

- Financial institutions are increasingly seeking to integrate biodiversity in financial decision making, but they need adequate methods and tools to do so. While we are seeing a rapid evolution of financial biodiversity methodologies, financial institutions need to get a better understanding of how to apply these. The Finance for Biodiversity Foundation (FfB Foundation) works to provide practical insights to financial market participants and fill this gap.
- This consultation paper serves two goals: It is a consultation based on which we will develop a practical guide for financial institutions on biodiversity data, tools and approaches; and it is also a working document of the FfB Foundation to get an overview of innovative and best practice approaches among financial institutions to biodiversity.
- The planned guide is likely to evolve in line with the advancement of knowledge, market practices and methodologies on biodiversity and its scope may be further refined. It builds on the expertise of the FfB Foundation's members, the Guidance to the Pledge document, the Guide on biodiversity measurement approaches as well as other relevant sources from partner organisations, such as the UNEP FI's Guidance on Biodiversity Target-setting. The guide will also support the Financial Institution Statement, which was coordinated by the FfB Foundation together with Ceres.

We invite you to respond to this consultation to increase the capacity of financial institutions to develop biodiversity approaches and allow them to fully and collectively integrate biodiversity into business and financial decision making. Please note that your feedback to the consultation will be collected anonymously and in line with EU General Data Protection Regulation (GDPR).

Who this consultation applies to

- This consultation is open for financial institutions, corporates, accountants, NGOs, governments, and regulators, as well as other relevant stakeholders. We welcome the response of any person.
- Various financial institutions and financial market participants, such as asset managers and asset owners, banks, insurance companies, will be able to use the guide for most of their financial activities and asset classes.
- The target audience of the guide may be further specified going forward.

What we want to achieve

- With the planned guide, we aim to provide a better understanding of biodiversity issues and available approaches in order to allow financial institutions to integrate the knowledge in their financial decisions and tackle the biodiversity crisis effectively.

Outcomes we are seeking

- This consultation will inform us about the content for the planned guide by identifying key challenges that need to be solved.
- Although it is not a prerequisite to have comprehensive data to be able to act on biodiversity, more data helps to improve decision making. Hence, we want to explore various biodiversity data solutions, starting from most basic to most advanced ones, which can be used for different asset classes. We also want to clarify how they align with science-based evidence and the global imperative to act to mitigate biodiversity loss in line with the goals to be set in the post-2020 framework Global Biodiversity Framework (GBF) of the UN Convention on Biological Diversity's (CBD)[1].
- We will also examine the biodiversity approaches financial institutions are adopting in the context of (new) regulation, international policy objectives, scientific needs to tackle the biodiversity crisis, as well as the technical constraints they face today.

Content of the consultation

Next steps

- We invite interested stakeholders to provide feedback by **21 December 2021**. Please use the online response form (https://www.enquetesmaken.com/s/FfB_consultation_2021).
  Also, note that each question below indicates whether it is targeted at financial institutions [FIs] only or at all stakeholders [All].
- We will consider the feedback received and engage directly with stakeholders on these matters. Subject to feedback, we aim to publish a draft guide by March 2022.

[1] See also Financial Sector Guide for the Convention on Biological Diversity. Key actions for Nature. CBD Secretariat, Business for Nature, Finance for Biodiversity Foundation, PRI and UNEP-FI, 2021

Consultation questions

Personal information and input for the planned guide

This first part of the consultation will inform us about the organisation you are belonging to. Please add your email address to the below questions, so that we can keep you informed about the guide. Your feedback to the consultation will be collected anonymously and in line with EU General Data Protection Regulation (GDPR).

1. [All] Fill out the below information:
   Your name:
   E-mail (if you want us to update you):
   Name of your organisation:
2. [All] Indicate the type of organisation you represent: [one option]
   a. Financial institution
   b. Corporate/private sector
   c. NGO
   d. Government or regulator
   e. Other: …
3. [All] In what region is your organisation headquartered? [one option]
   a. Africa and Middle East
   b. Asia
   c. Europe
   d. Latin America and Caribbean
   e. North America
   f. Oceania

This consultation was developed by four members of the FfB Foundation who will also create the Practical Guide for Financial Institutions on Biodiversity Data, Tools and Approaches: Liudmila Strakodonskaya (AXA IM), Alexis Gouin (Federal Finance Gestion), Hadrien Gaudin (Mirova) and Petra Mannessen (Rabobank).

Knowing who you are and what organisation you represent helps us to contextualize your answers and allows us to contact you for any questions we may have. But we need your permission in order to be able to share your answers with the four authors of the guide. In case you do NOT want to give your permission, the FfB secretariat will anonymise your input before sharing it with the authors

4. [All] I approve to the sharing of my personal information with the four consultation authors.
   a. Yes
   b. No, I prefer to share my personal information with the FfB Foundation team only
5. [FI] Please indicate the type of financial institution you represent: [one option]
   a. Private bank
   b. Development bank
   c. Public financial institution
   d. Insurance company
   e. Pension fund
   f. Asset manager
   g. (Impact) fund
   h. Other: …
6. [FI] Please indicate the type of asset classes your organisation owns or manages: [multiple options]
   a. Corporate loans
   b. Listed equity
   c. Private equity
   d. Corporate bonds
   e. Sovereign bonds
   f. Mortgages and real estate
   g. Impact funds
   h. Sustainable bonds
   i. Project finance (e.g. infrastructure, industrial projects, public services)
   j. Commodity trade
   k. Natural capital
   l. Other: …
7. [All] What topics should this practical guide on biodiversity cover to be useful for financial institutions? [multiple options]
   a. Guidance on developing a biodiversity policy for investment/financing
   b. Current state of biodiversity market data (data availability and quality)
   c. Overview of biodiversity-specific measurement tools developed today and their usability (financial institutions-friendly)
   d. Convergence trends between developed tools, new innovative solutions as well as the capacities of those to align with scientific evidence on biodiversity
   e. Alignment of activities of financial institutions with the Global Biodiversity Framework and scientific evidence
   f. Target setting, the complexity of the biodiversity challenge and the definition of a global biodiversity goal
   g. Regulatory trends and their impact on biodiversity approaches adopted by financial institutions
   h. Other: …

Chapter 1. Importance of biodiversity for financial institutions

Boundaries of Earth systems

The Holocene period, which started 11,700 years ago, is the only state of the Earth system in which human societies can thrive. However, human activities impact the functioning of the Earth system to a degree that threatens its resilience. Out of nine critical processes that regulate the current state of the Earth system, climate regulation and biosphere integrity – which includes genetic diversity – are the two most influential and essential. They provide overarching stability to the planet[2]. Biosphere or biodiversity is defined as the variety among living organisms from all sources, including terrestrial marine and aquatic ecosystems and the ecological complexes of which they are part.

Diversity increases resilience

The planetary boundaries of biosphere integrity, climate regulation and other critical processes have been crossed due to human activities. This hugely reduces the resilience of the Earth system and could cause it to shift out of the Holocene state, which has so far provided a conducive environment for humans.

Genetic diversity can be understood as an 'information bank', which provides the long-term capacity of living organisms to adapt to changes in their abiotic environment in resilient and innovative ways. The reduction of the genetic diversity of crops and the lack of effective protection of crops' wild relatives already induce a reduction of agriculture's resilience against perturbations, pests, diseases, extreme weather events and climate change. Hence, biodiversity loss is threatening food security and human societies directly[3].

Nature is more than capital

Nature, or natural capital, is an asset 'just' like manufactured capital (roads, buildings) and human capital (health, knowledge). It is productive, resilient and adaptable because of biodiversity. Yet, Nature is more than a purely economic asset. Life could not persist without Nature: we are 'embedded in Nature'[4]. The total value of natural ecosystem services is estimated at $125tn commensurate to 1.5x global GDP[5]. Economic sectors such as agriculture, forestry and textile are particularly reliant on Nature, as 71 of the 100 most used crops providing 90% of our food depend on pollination[6]. Yet, societies' current demand on Nature by far exceeds its resources: about 1.6 Earths are currently required[3]. Government subsidies for agriculture alone amount to $540bn each year, two-thirds of which are detrimental to the environment[7]. This is jeopardizing the capacity of Nature to provide ecosystem services over the long term. The stock of natural capital per person already declined by 40% over the last thirty years[3] and a collapse of key ecosystem services would result in $2.7tn of economic losses by 2030[8].

[2] Planetary boundaries: Guiding human development on a changing planet, Steffen et al, 2015
[3] Global assessment report on biodiversity and ecosystem services, IPBES, 2019
[4] The Economics of Biodiversity: The Dasgupta Review, HM Treasury, 2021
[5] Changes in the global value of ecosystem services, Costanza et al, 2014
[6] European Business and Biodiversity Campaign, IUCN, 2019
[7] A multi-billion-dollar opportunity: Repurposing agricultural support to transform food systems, FAO, UNDP, UNEP, 2021
[8] The Economic Case for Nature: A new global Earth-economy model, World Bank, 2021

Nature dependencies of economies

Mapping linkages between ecosystem services and the economy is key to evaluating the risks of cascading effects and assessing resilience and interdependencies[9]. Modelling biodiversity scenarios similar to climate scenarios would help in this regard. Recent models, for example the Bounded Global Economy[4], show the interdependence between the regulation and maintenance of ecosystem services. Furthermore, the Global Earth-Economy Model demonstrates the devastating and cascading effects when ecosystem services collapse. Non-extractive sectors, for example, can contract by 8% in economic business activity[9]. However, even such models do not provide complete solutions, accounting for all methodological challenges related to the biodiversity topic, including:

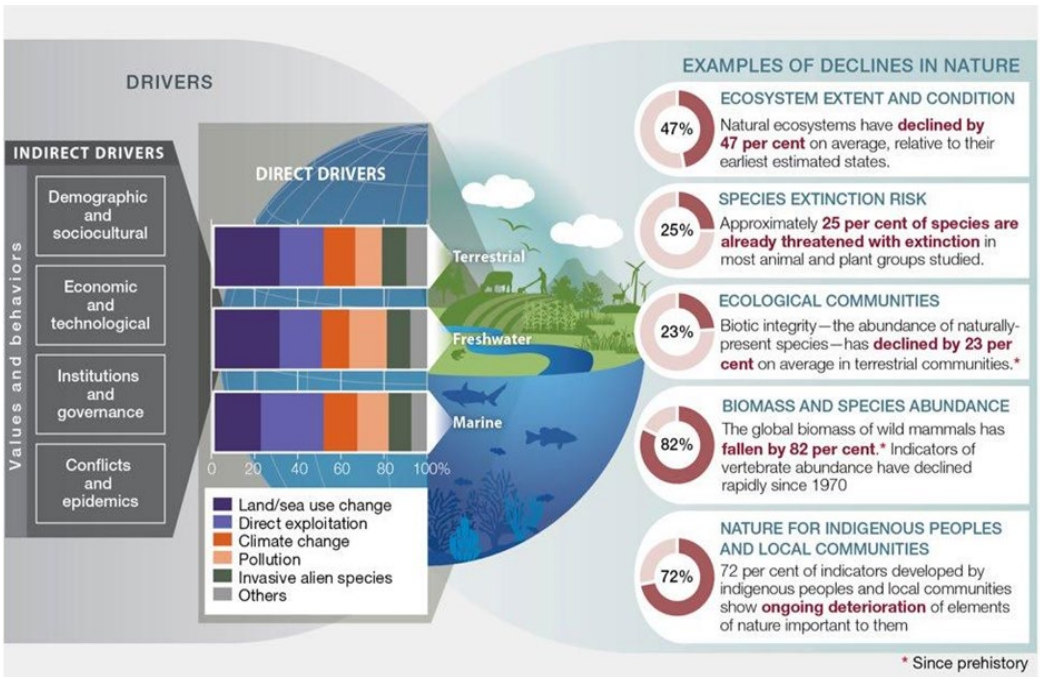
i. non-linear dynamics and possible tipping point behaviour caused by crossing the planetary boundaries of the biosphere system;
ii. non-substitutability of natural capital by human capital, as illustrated by a collapse of food supply; and
iii. an absence of universal metrics to measure nature loss in contrast to climate change.

Urgency to act

The existing technical constraints should not be an excuse for not acting. Instead, financial market participants should start acting now given our dependencies on Nature, as well as the physical and transition risks arising from the above-mentioned linkages. Financial institutions can, for example, develop biodiversity strategies and reduce pressures on Nature by redirecting financial flows from nature-negative to nature-positive activities.

To be able to better integrate biodiversity risk and opportunities into financial decision making, we need to reconnect biodiversity data and tools with scientific imperatives on how to deal with biodiversity loss. This is especially relevant in the context of new regulation, which incentivises companies and financial institutions to act on biodiversity.

Figure: Drivers of biodiversity loss and examples of declines in nature



Source: IPBES Global assessment report on biodiversity and ecosystem services, 2019

[9] Biodiversity and financial stability: building the case for action, NGFS, 2021

Consultation questions

Current biodiversity practices and policies

1. [FI] Please indicate how long your organisation has been working on biodiversity: [For each item: Not yet / less than two years ago / three to five years ago / more than five years ago]
    a. We started to investigate biodiversity as a topic
    b. We developed a biodiversity policy or strategy
    c. We fully integrated biodiversity into our investment and financial decision making
    d. We fully integrated biodiversity into our operations, all our staff is trained and applies our biodiversity policy or strategy
2. [FI] What motivates your organisation to work with biodiversity? [For each item: 1 (not applicable) – 6 (our core motivation)]
    a. A severe systemic risk that needs to be addressed
    b. Opportunities for more robust investments and financing
    c. To meet (upcoming) regulation
    d. To meet a growing demand from clients
    e. For reputational reasons
    f. We do not work with biodiversity
    g. Other: …
3. [FI] What place does biodiversity currently occupy in your organisation's overall sustainability policy? [one option]
    a. Biodiversity is a separate topic
    b. Biodiversity is mixed with other aspects of environmental (e.g. climate change) or wider sustainability (e.g. social) topics
    c. Biodiversity is included in sector specific policies/approaches
    d. A mix of the above
    e. Biodiversity is not explicitly mentioned in our overall sustainability policy
    f. Other: …
4. [All] In your opinion, how should biodiversity ideally be integrated into a financial institution's overall sustainability policy? [one option]
    a. Biodiversity should be included as a separate topic
    b. Biodiversity should be mixed with other aspects of environmental (e.g. climate change) or wider sustainability (e.g. social) topics
    c. Biodiversity should be included in sector specific policies/approaches
    d. A mix of the above
    e. Biodiversity should not be mentioned explicitly in a sustainability policy
    f. Other: ..
5. [All] Please explain the answer you have given above.
6. [FI] To what extent is biodiversity integrated into the working themes of your organisation? [multiple options]
    a. We have internal staff (≥1 full-time equivalent) specifically dedicated to working on biodiversity
    b. We plan to recruit internal staff (≥1 full-time equivalent) specifically dedicated to working on biodiversity within the coming year
    c. We have policies to raise awareness of our operational teams on biodiversity issues
    d. We work with a data service provider or consultant who supports us with developing a biodiversity approach
    e. None of the above
    f. Other: …
7. [FI] To what extent have you integrated or are you planning to integrate biodiversity into: [For each item: We have integrated it / We are planning to integrate it / We are not planning to integrate it / Not applicable]
    a. Engagement dialogues with companies
    b. Shareholder votings
    c. Other: …
8. [All] In your opinion, is it important to include information in the guide on how biodiversity loss relates to social issues and climate change? Or is it better to focus only on issues that are directly linked to biodiversity loss? [multiple options]
    a. Financial institutions have to look at the interlinkages of biodiversity loss to **social issues**
    b. Financial institutions have to look at the interlinkages of biodiversity loss to **climate change**
    c. We consider it helpful to include the relation between biodiversity loss and **social issues** in the guide
    d. We consider it helpful to include the relation between biodiversity loss and **climate change** in the guide
    e. Financial institutions should focus on biodiversity only
    f. Other: …

Chapter 2. Scientific foundation of biodiversity investment practices

One of the key challenges financial institutions are facing today is the question of how to approach biodiversity investing given the large variety of terms and concepts used in this field. Biodiversity loss is a scientific fact. Scientific studies have declared a biodiversity crisis and prove that a complex net of interdependencies between nature and global economic systems exists. But defining the concrete actions that financial institutions and corporates should take to mitigate the crisis can be difficult. Various initiatives are therefore trying to 'translate' the scientific evidence to an 'operational language' that the private sector can use and understand.

These 'translations' of scientific biodiversity concepts by industry-led initiatives seek to clarify terms and increase the understanding of biodiversity issues to support the private sector with developing relevant solutions. While that is positive, the translations might also have an unintended side effect: they could complicate the biodiversity topic by introducing a multitude of different but interrelated terms and concepts into the language the private sector uses.

In our opinion, financial institutions should always ensure that the link to science remains, irrespective of which 'language' or approach they adopt. Global biodiversity imperatives (by IPBES and the upcoming Global Biodiversity Framework) demand that we act in line with scientifically proven needs of biodiversity protection. Regardless of our operational processes and choice of approaches, we should concentrate on tackling concrete biodiversity issues.

Consultation questions

Current biodiversity approaches

1. [All] How is your biodiversity approach linked to or based on science? [one option]
   a. Our approach refers to scientific work
   b. We rely on operational approaches using our internal expertise or providers and external consultants
   c. A mix of both
   d. Other: …
2. [FI] What biodiversity policy and/or measurement approach have you adopted? [On a scale from 1 to 6, with 1=not adopted and 6=fully adopted]
   a. Biodiversity-related financial risk assessments
   b. Biodiversity risk mitigation
   c. Biodiversity dependencies
   d. Biodiversity opportunities/positive solutions
   e. Biodiversity impact measurements at portfolio level
   f. Biodiversity impact measurements at client level
   g. Other: …
3. [FI] Please, describe your approach briefly and include a weblink to your method, if available.
4. [FI] Which asset classes does your biodiversity policy and/or measurement approach cover? [For each item: covered / not covered, but we do own/manage this asset class / not applicable to our organization]
   a. Corporate loans
   b. Listed equity
   c. Private equity
   d. Corporate bonds
   e. Sovereign bonds
   f. Mortgages and real estate
   g. Impact funds
   h. Green bonds
   i. Project finance (e.g. infrastructure, industrial projects, public services)
   j. Commodity trade
   k. Natural capital
   l. Other: …
5. [FI] Does your biodiversity policy and/or measurement approach differ between asset classes, and if yes, how?

6. [FI] Does your biodiversity policy and/or measurement approach include sector-specific guidance, metrics, etc.? [one option]
   a. Yes
   b. Partially
   c. No
7. [FI] If you replied yes or partially, which sectors do you target? [multiple options]
   a. Agriculture, forestry and fishing
   b. Mining and quarrying
   c. Manufacturing
   d. Electricity, gas, steam and air conditioning supply
   e. Water supply, sewerage, waste management and remediation activities
   f. Construction
   g. Wholesale and retail trade
   h. Transportation and storage
   i. Accommodation and food services
   j. Information and communication
   k. Financial and insurance services
   l. Real estate
   m. Professional, scientific, and technical services
   n. Administrative and support services
   o. Public administration and defence, compulsory social security services
   p. Education
   q. Human health and social work services
   r. Arts, entertainment and recreation
8. [All] In your opinion, what would be the key elements in biodiversity measurement for financial institutions?

Chapter 3. Biodiversity metrics and measurement tools

For financial institutions, it is challenging and time consuming to navigate through currently available or emerging biodiversity tools and data. The Finance for Biodiversity Guide on biodiversity measurement approaches maps the six most used measurement approaches: CBF, BFFI, STAR, GBSFI, BIA-GBS and ENCORE.

We have created an additional inventory of data, tools and solutions developed for financial institutions and/or issuers. In this inventory, we classify tools for financial institutions into four categories: biodiversity solutions by global ESG providers, dedicated biodiversity tools, early-stage innovative players and so-called 'other solutions'. Additionally, some financial institutions are supporting their clients or investee companies to develop and apply tools that assess their impact.

According to our observations, dedicated biodiversity tools can be split into two main approaches: those based on life cycle assessments (LCA) and those relying on geolocation specific data and information. They are complementary. The LCA approach can better answer the question, "Which value chain activities put the most pressure on biodiversity at a given point in time?", whereas the geolocation approach provides additional insights on where it is preferable to act on location-based recovery.

Our inventory results have shown that, as of today, specialised tool developers work mostly on negative impacts. Only a few of them cover dependencies, meaning that not all aspects of scientific biodiversity frameworks are integrated into todays' tools. Moreover, IPBES' drivers of biodiversity loss and IPBES nature contributions (ecosystem services) are not fully covered by any of the referenced data and metrics solutions. This is due to limitations in data and models/methodologies. Most difficult to address seem to be the drivers of invasive species, direct exploitation of resources and impacts on marine biodiversity. Going forward, biodiversity tools will have to align better with science.

We also noticed that global ESG providers have developed biodiversity solutions with various maturities and that these, to some extent, differ between geographical regions (of the client portfolio). The providers tend to focus on developing biodiversity metrics and tools which satisfy the majority of their clients and respond to local or regional regulatory requirements. While their solutions are a first step to tackle biodiversity issues -- for example by providing financial institutions with positive and negative screening solutions -- few of them are working on tools dedicated to biodiversity impact assessments or other biodiversity-related assessments.

As explained above, financial institutions face difficulties when they are trying to design a completely science based, fully informed (with all relevant data) and optimal (using efficient tools) biodiversity approach. Despite this, we believe that financial institutions can actively contribute to the global goal of mitigating biodiversity loss already today, given the rising ambition and the high pace at which biodiversity solutions are being developed.

Consultation questions

Biodiversity metrics and usage of tools

1. [FI] How are you planning to use/using biodiversity measurement tools? [one option]
   a. We (are planning to) work with one tool to measure biodiversity impact and/or dependencies
   b. We (are planning to) work with several tools to measure biodiversity impact and/or dependencies (dashboard approach)
   c. We are not yet (planning to) using tools to measure biodiversity impact and/or dependencies
2. [FI] What are your expectations and preferences towards data providers and tool developers? [one option]
   a. We prefer to work with a global ESG provider who can provide us with basic information on biodiversity
   b. We prefer to work with a global ESG provider even if biodiversity data is not yet covered well
   c. We prefer to work with a specialist tool developer
   d. Namely / other: …
3. [FI] Please clarify your answer to the question above, and elaborate on why you involve specialists.

[FI's answering a or b to question 1] We will now ask you some questions about the biodiversity tool(s) that you are currently using or planning to use in the near future. If you are using (or planning to use) multiple tools (dashboard approach), please answer the questions below for all the tools you are using.

Biodiversity measurement at portfolio level

4. What biodiversity measurement approach or tool(s) do you use or plan to use at portfolio level?
5. What type of biodiversity metric do you use or plan to use at the aggregated portfolio level?
6. Looking at the biodiversity footprint as a potential measurement approach, do you consider it to be useful for your portfolio/investments/business? [one option]
   a. Yes
   b. No
   c. Maybe
   d. Other: …

Coverage of biodiversity measurement methodologies

7. What pressures/drivers of biodiversity loss are used in your methodology? [multiple options]
   a. Land use change (e.g. deforestation, infrastructure)
   b. Sea use change
   c. Direct exploitation of species
   d. Climate change
   e. Pollution
   f. Invasive species
   g. I do not know
   h. Other: …
8. What is the scope of the methodology you use? [one option]
   a. Only direct impacts (scope 1 and 2)
   b. Direct impacts and upstream impacts (scope 1, 2 and 3)
   c. All direct and indirect upstream and downstream impacts (scope 1, 2 and 3)
   d. Other: …
9. Does your methodology cover: [For each item: yes / no / partially]
   a. Terrestrial biodiversity
   b. Aquatic (freshwater) biodiversity
   c. Marine biodiversity
   d. Other: …
10. Are your tools sufficient in providing the biodiversity measures or metrics you want to apply at portfolio level? [one option]
    a. Yes
    b. Partially
    c. No
11. Please explain the answer you have given above.

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12. [All] In your opinion, what aspects of biodiversity should be measured and valued to show the changes in the state of biodiversity? [multiple options]
    a. Ecosystem integrity
    b. Ecosystem functioning
    c. Species richness
    d. Genetic diversity
    e. Habitats
    f. I do not know
    g. Other: …
13. [All] In your opinion, what drivers of biodiversity loss should be covered most urgently? [For each item: 1 (not urgent) – 6 (highly urgent) / I don't know]
    a. Land use change (e.g. deforestation, infrastructure)
    b. Sea use change
    c. Direct exploitation of species
    d. Climate change
    e. Pollution
    f. Invasive species
    g. Other: …
14. [All] In your opinion, should the above-mentioned aspects of biodiversity and drivers of biodiversity loss covered by the measurement approach vary in regard to the purpose/business application for which you are measuring? [one option]
    a. Yes
    b. No
    c. I do not know
15. [All] Please explain the answer you have given above. Why or why not do you believe so?

16. [All] This question is about the criteria you use when selecting an approach for measuring negative impacts on biodiversity. To what extent are the following criteria important to you when selecting a tool? [For each item: 1 (not important) - 6 (highly important)]
    a. The tool should be LCA based.
    b. The tool should be geolocation specific.
    c. The tool should combine geolocation-specific and LCA-based approaches.
    d. The tool should express negative impacts on biodiversity in one single metric (e.g. mean species abundance (MSA), potentially disappeared fraction (PDF) or other)
    e. The tool should express negative impacts on biodiversity in multiple metrics (e.g. separate metrics for different realms, drivers of loss, etc.)
    f. The tool (and the data it uses) should be well aligned with science.
    g. The tool should be commonly accepted by market practitioners.
    h. The tool should use innovative biodiversity-specific data (satellite imagery, Environmental DNA (eDNA), etc.)
    i. Other: …
17. [All] Please clarify your answers to the question above.
18. [All] To what extent do you see added value for integrating dependencies/ecosystem services as a metric in financial decision making? [one option]
    a. Yes, we are using/planning to use data on dependencies
    b. Yes, we are using/planning to use true pricing, taking ecosystem services into account
    c. It might perhaps be meaningful, but we do not know enough yet to make a decision
    d. No, we don't see added value for integrating dependencies/ecosystem services in financial decision making
    e. We would like to include ecosystem services as a metric, but experience the following constraints: …
19. [All] There are discussions ongoing about how biodiversity measurement methodologies and metrics will evolve and whether they will converge towards generally accepted methods, indicators and criteria. In your opinion, which biodiversity methodologies and metrics are already commonly accepted by the market?
20. [All] To what extent do you find it useful to define one aggregated biodiversity indicator to assess the impact of financial institutions on biodiversity? Or do you consider it more efficient to use multiple metrics for different purposes, issues and applications when it comes to biodiversity?

Chapter 4. Biodiversity data, targets and evolving regulatory landscape

Although biodiversity data and tools are still under development, we see a global movement calling on stakeholders to act now on biodiversity loss. This movement is supported by an increasing number of local and global regulators. We expect that the availability and quality of biodiversity data will gradually improve with increasing regulation (e.g. EU Corporate Sustainability Reporting Directive (CSRD)) and the work of industry-led initiatives (e.g. SBTN, FfB Pledge and Foundation, Taskforce on Nature-related Financial Disclosures, Partnership for Biodiversity Accounting Financials).

We expect that regulation on disclosure will help to increase the share of reported data versus modelled data, often provided via biodiversity tools today. However, multiple regulatory initiatives could also generate confusion if they offer financial institutions and corporates diverse incentives and require from them different disclosures and approaches. Alongside our inventory of data and tools, we investigated several legal standards which require corporates and financial institutions to consider biodiversity and noticed a strong need for alignment.

Specifically, it seems that biodiversity approaches promoted through various regulations vary under different legal standards (for instance, the EU Sustainable Finance Disclosure Regulation (SFDR) refers specifically to 'impacts on nature', whereas the EU CSRD seems to also cover 'nature dependencies'). Moreover, some regulations, like the EU SFDR, explicitly propose to financial institutions biodiversity metrics they should apply. Yet, the link between the proposed metrics and the scientific imperatives is often not explicitly established, and currently available data and tools do not specifically address the metric required. Additionally, the interpretation of the double materiality principle regarding biodiversity may vary under different legal rules (EFRAG defines that sustainability matters are both financially material and material as regards to their environmental and social impacts[10]).

This can make it difficult for financial institutions and corporates to set common global targets and goals and to work against biodiversity loss. What can financial institutions expect and ask from issuers/clients today and to what extent can they consider issuers/clients to be accountable for biodiversity issues? What data can financial institutions disclose themselves? How can a financial institution set up a nature-positive ambition or other biodiversity-related global goals and develop an effective approach to achieve these? These are the questions we still need to find answers to.

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Consultation questions

Biodiversity metrics, reporting, regulation and targets

1. [All] What aspects of biodiversity data seem most well developed to you today? Please rank the aspects in sequence with the most well-developed aspect at the top. [For ranking the items: 1 (best developed) – 6 (less developed)]
    a. Biodiversity-related risks
    b. Dependencies
    c. Ecosystem services
    d. Negative impacts on biodiversity
    e. Planetary boundaries
    f. Positive solutions
2. [All] The accuracy with which financial institutions can monitor the biodiversity impact of their portfolios depends on the degree to which companies report on their biodiversity impact. In the absence of reported data from companies, financial institutions could use modelled/estimated data to monitor impact.

    Please insert a percentage number in the blank in the following sentence (Note: Fill in 0% if you believe that financial institutions should start monitoring impact by using modelled data already today):
    a. Financial institutions should start monitoring the biodiversity impact of their portfolios once reported data for at least XX% of their corporate clients is available.
3. [All] I expect reported data to be available [now / in one year / in two-five years / in five-to 10 years / in more than 10 years]
4. [All] Financial institutions are already able to start monitoring impact by using modelled data [yes, partially, no]

[10] Proposals for a relevant and dynamic EU sustainability reporting standard setting, EFRAG, 2021 (p 8)

5. [All] What minimum information would you expect that clients/investees will disclose on biodiversity in the coming year? [For each item: Qualitative / Quantitative / No data / Both]
   a. Data on the negative impacts their direct operations have on biodiversity.
   b. Data on the negative biodiversity impacts upstream in their supply chains.
   c. Data on the negative biodiversity impacts downstream in their value chains.
   d. Data on biodiversity-related risks potentially threatening their direct operations and supply.
   e. Regional/local biodiversity data of a company's operations and production sites.
   f. Measurement of ecosystem services and dependencies
   g. Data on the positive impacts on biodiversity conservation.
   h. Other: …
6. [All] What are your views on how to capture that unstructured data that may already exist and could already be reported? [multiple options]
   a. I believe **engagement dialogues** with companies are a useful way to help structure the currently unreported biodiversity data companies might have.
   b. I believe **regulation** could incentivise companies to report on data.
   c. I believe innovative and **interlinked data systems** will provide financial institutions with the needed data.
   d. I believe the currently unreported biodiversity data companies might have, is of **little added value**.
   e. Other: …
7. [FI] In your opinion, do the current regulations provide sufficient incentives and guidance for you to act on biodiversity? [For each item: scale 1=yes; 2=not; add 'I do not know']
   a. It provides sufficient incentives
   b. It provides sufficient guidance
8. [FI] On what aspects of biodiversity would you like to get more guidance or incentives?
9. [FI] Should legal rules for financial institutions specify concrete metrics for usage? [one option]
   a. Yes, legal rules should require concrete metrics.
   b. Yes, but as a suggestion rather than a requirement.
   c. No, legal rules should neither require nor suggest concrete metrics for usage.
   d. Other: …
10. [FI's] If you have answered 'yes' to the questions above, can you provide examples for the potential metrics that should be specified?
11. [All] In your opinion, which regulation and/or industry developed standard has the strongest influence on financial institutions' practices in the field of biodiversity? [For each item: strong influence / some influence / little or no influence / I don't know]
   a. Global Biodiversity Framework of the Convention on Biological Diversity
   b. EU SFDR
   c. EU CSRD
   d. National regulation
   e. Other: …
12. [All] How do you interpret the double materiality principle when it is applied to biodiversity? Which aspects of biodiversity topics would be included?
13. [All] In your opinion, what is the role of industry initiatives, such as the FfB Pledge, TNFD, PBAF or others, in the definition and uptake of biodiversity action? How do they complement regulation?
14. [All] Do you consider stronger regulatory efforts targeting financial institutions in the field of biodiversity as an additional constraint/risk or as a necessary incentive/opportunity? [One option]
   a. Additional constraint/risk
   b. Necessary incentive/opportunity
   c. Both
   d. Other: …
15. [All] In what field of biodiversity do you expect new regulatory initiatives?
16. [All] What is your view of emerging global biodiversity targets, like nature positive? [one option]
   a. To me, the emergence of global biodiversity targets is a positive trend.
   b. To me, the emergence of global biodiversity targets is a negative trend.
   c. I do not know
   d. Other: …
17. [All] Please elaborate. What benefits or risks do you see?
18. [All] Assuming the relevant data/tools are available, which steps do financial institutions need to implement to become nature positive in terms of their investment and financing practices? What financing activities do you consider to be nature positive? Please specify these broken down in their most essential steps.
19. [All] What would a robust nature-positive commitment from a financial institution look like (viewed from a process, data and content perspective)? Please formulate key characteristics.
20. [All] In your opinion, which alternative global targets could be formulated?

Colophon

Authors

This consultation note is developed by the FfB Foundation members Liudmila Strakodonskaya, AXA IM; Alexis Gouin, Federal Finance Gestion; Hadrien Gaudin, Mirova; and Petra Mannessen, Rabobank. They collaborated on the note as members of the Impact Assessment working group.

Finance for Biodiversity Pledge and Foundation

The Finance for Biodiversity Foundation is a non-profit organization aiming to support a call to action and collaboration between financial institutions worldwide on biodiversity. Our community has grown from 26 financial institutions launching the Finance for Biodiversity Pledge last year to 75 signatory financial institutions from 17 countries this year.

The foundation is hosting 3 active working groups for around members on engagement with companies, impact assessment and public policy advocacy in which members exchange knowledge, share best practices and collaborate on actions.

Invitation to join

Financial institutions from all continents are warmly encouraged to join the Finance for Biodiversity Pledge and Foundation and to communicate their commitment at the next launching events. Up-to-date information on the upcoming rounds and deadlines can be found on our website. Financial institutions are invited to take part in this collaboration and to help shape the next steps towards reversing nature loss in this decade.

This consultation is open for financial institutions, corporates, accountants, NGOs, governments, and regulators, as well as other relevant stakeholders. We welcome the response of any person.

Contact

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