



**POST**  
 BIODIVERSITY FRAMEWORK  
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# TRANSFORMATIVE ACTIONS. CONVERGENCE #38

## A NEXT STEP FOR BIODIVERSITY DISCLOSURE: BUILDING ON THE GBF AND EXISTING TOOLS AND MEASURES



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**“PANELISTS VOICED THAT THE PUBLIC AND PRIVATE SECTOR SHOULD BOTH ENDEAVOUR TO BRIDGE THE FINANCING GAP BY RE-DIRECTING FINANCIAL FLOWS TO SIMULTANEOUSLY ELIMINATE NEGATIVE SUBSIDIES, REDUCE HARMFUL IMPACTS ON BIODIVERSITY AND INCREASE RESOURCES FOR POSITIVE SOLUTIONS THAT HELP RESTORE NATURE, SUCH AS UPGRADING TAX SYSTEMS TO ALIGN WITH BIODIVERSITY GOALS.”**

- Net Zero Banking Alliance

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**Corporate biodiversity disclosure plays an instrumental role in identifying nature-related risks and opportunities and is a crucial practice for organizations to contribute to halting biodiversity degradation through transparency and good business conduct.**

The past months have been about building momentum to finalize and pass the Post-2020 Global Biodiversity Framework (GBF). Often obscured by the prominence of the climate crisis, the biodiversity crisis is steadily becoming a more salient issue. As such, the World Economic Forum ranks biodiversity loss as the 3rd most severe economic risk that humanity will face over the next decade.<sup>1</sup> If we want to tackle biodiversity loss before it is irreversible and results in devastating impacts on the world economy and humanity, reallocation of capital to less environmentally damaging economic activities is urgently needed.<sup>2</sup> To do so transparency at different levels is key. In this paper, we elaborate on how corporate disclosure regulations can achieve full transparency on biodiversity and play an important role to halt the ongoing biodiversity crisis.



Roya Ann Miller, USA. ©

# 1. WHY DO WE NEED CORPORATE DISCLOSURE REGULATIONS ON BIODIVERSITY?

While disclosure regulations on climate-related matters are relatively common, it is about time that international requirements include biodiversity aspects. Transparency through corporate and financial disclosure is needed to identify biodiversity risks,<sup>3</sup> impacts<sup>4</sup> and opportunities.<sup>5</sup> Higher transparency allows investors to have a comprehensive overview of a firm’s impacts and dependencies and to reduce their risk related to biodiversity loss when making investment decisions, thus contributing to protecting the environment.

Biodiversity poses a double-materiality concern to companies and financial institutions (FIs) as both their impact on biodiversity and their dependence on nature may sustain their activities. On one hand, economic activities of these entities have a major impact on the health of ecosystems around the globe. Four major value chains are responsible for roughly 90% of the pressure on biodiversity, namely food, infrastructure and mobility, energy, and fashion.<sup>6</sup> Thus, business activities and investments that are found to be detrimental to biodiversity can be subjected to stringent regulations, hefty fines, transition risks or changes in market behaviour. On the other hand, biodiversity risks can materialize into physical risks where businesses and FIs are disrupted due to the degradation of nature. A recent study by the Dutch Central Bank<sup>7</sup> found that the Dutch financial sector alone is exposed to around EUR 510 billion in biodiversity risks from their equities and bond investments. Meanwhile, a working paper by La Banque de France<sup>8</sup> found that 42% of securities held by French FIs are dependent on the provisioning of at least one ecosystem service.

Much needs to be done. Financial risks and impacts vis-a-vis biodiversity need to be clearly mapped, so shareholders are more likely to consider them important in their companies’ activities, shifting money towards sustainable operations. and investors to shift their investments toward more virtuous companies. This reveals the importance of capturing firms’ activity, both from the inside-out (impact) and the outside-in (dependency) perspective through disclosure measures. While research on this relationship is scarce, there are initial insight into the value of different ecosystems and measurements of the impact and dependencies of FIs on biodiversity.<sup>9</sup> As corporate disclosure increases, stronger empirical links between corporate disclosure and biodiversity protection will be identified, creating more evidence to support biodiversity disclosure.

# 2. WHAT IS THE CURRENT STATE OF INTERNATIONAL INITIATIVES REGARDING BIODIVERSITY DISCLOSURE?

## Filling the gap through the GBF

Numerous disclosure regulations that mention biodiversity-related aspects exist. Yet, these policies are divergent, country or sector-specific and/or voluntary. As such, there is a lack of data availability and comparability. The GBF recognizes that more ambitious action is vital to overcome the ongoing biodiversity crisis. By recognizing this the GBF takes one step towards a system wide overhaul in economic activities that is necessary to overcome the biodiversity crisis. Target 15 of the framework postulates that all businesses must assess and report their dependencies and impacts on biodiversity. To effectively implement it, an overview of the current efforts and a convergence between existing implementation measures are indispensable.

## Existing National and Regional Regulation

Besides international initiatives, some national and regional regulations are under development. The European Union (EU) played a pioneering role by being one of the first jurisdictions in 2014 to require large entities to disclose environmental information through the Non-Financial Reporting Directive (NFRD). However, the NFRD was found to be ineffective in generating transparency and failed to account for many biodiversity-related issues.<sup>10</sup> Only recently, biodiversity was taken into consideration in EU disclosure regulations. The Corporate Sustainability Reporting Directive (CSRD) explicitly mentions entities must report their impacts and dependencies on biodiversity.<sup>11</sup> While exact metrics are still under development, EFRAG has already mentioned a number of standards.<sup>12</sup>

Jurisdictions outside the EU are also making significant progress on biodiversity disclosure. National initiatives include, for example, the Brazilian Accounting norm for non-financial corporates and banks that require disclosure on the preservation and/or recovery of degraded environments.<sup>13</sup> Further, Indonesia has included the disclosure of biodiversity impacts and conservation activities in its reporting obligation.<sup>14</sup> Other countries also broadly mention biodiversity in their regulation, such as India within their proposed standards for Business Responsibility and Sustainability Reports.<sup>15</sup> While these developments are promising, more countries should follow the examples presented here to achieve truly global impact along the whole supply chain.

<sup>1</sup> <https://cutt.ly/sMaoocW>  
<sup>2</sup> <https://cutt.ly/aMEIguu>  
<sup>3</sup> <https://cutt.ly/eMI2E8E>  
<sup>4</sup> <https://cutt.ly/PMI9PPH>  
<sup>5</sup> <https://cutt.ly/5MI3wBs>  
<sup>6</sup> <https://cutt.ly/LIvFJ61>  
<sup>7</sup> <https://cutt.ly/cMI3E7T>  
<sup>8</sup> <https://cutt.ly/fMI3Oon>  
<sup>9</sup> <https://cutt.ly/OIvFeMc>  
<https://cutt.ly/6IvFzdr>  
<sup>10</sup> <https://cutt.ly/1MsivdW>  
<sup>11</sup> <https://cutt.ly/CMSidtz>  
<sup>12</sup> <https://cutt.ly/FIvG3pO>  
<sup>13</sup> <https://cutt.ly/9Mc3krm>  
<sup>14</sup> <https://cutt.ly/NIvGuBb>  
<sup>15</sup> <https://cutt.ly/7Msofe7>



Rain forest, close to the Research station La Gamba. Alenka Skvarc Costa Rica ©

### 3. WHERE CAN CORPORATES START IN ORDER TO IMPLEMENT BIODIVERSITY DISCLOSURE?

Even if mandatory regulations on corporate biodiversity disclosure are lacking, many voluntary industry-led initiatives have already been developed.

As a leading example, the Taskforce on Nature-related Financial Disclosures (TNFD) has conducted relevant work to address this lack by developing a voluntary framework for businesses and financial institutions to disclose nature-related risks. The TNFD intends to align its framework<sup>16</sup> with the GBF. These goals and initiatives, albeit still in a pilot phase (fully available in 2023) and voluntary, will provide initial guidance for the implementation of Target 15.

Another example is the Business for Nature coalition,<sup>17</sup> which brings together businesses and conservation organizations calling for ambitious and beyond voluntary nature-related policies at international and national levels. Moreover, they are setting ambitious goals and commitments themselves not only by reducing company's negative impacts on nature but also by investing in protecting and restoring nature.<sup>18</sup>

In 2021, to elicit the implementation of corporate biodiversity disclosure, the International Union for Conservation of Nature (IUCN) developed and tested in parallel with corporates guidelines for planning and monitoring corporate biodiversity performance.<sup>19</sup> This initiative resulted in the development of strong biodiversity guidelines and policies for companies with complex supply chain in terms of impacts on nature and people.

#### Financial Institutions coming together

Financial institutions<sup>20</sup> across the world have come together to take voluntary action on biodiversity disclosure. More than 100 institutions from 20 different countries have signed the Finance for Biodiversity Pledge,<sup>21</sup> and are calling for ambitious action on biodiversity. Additionally, the financial sector published a commitment letter on eliminating commodity-driven deforestation<sup>22</sup> at the UNFCCC COP 26 in Glasgow. Through this letter, over 30 financial institutions across the world have committed to focus their engagement on eliminating agricultural commodity-driven deforestation by 2025. and to 'publicly disclose risks and report progress'. A Roadmap<sup>23</sup> has been developed and discussed among signatories and civil society organizations involved in this initiative. It includes clear guidelines and recommendations for financial institutions to achieve these ambitious targets and many have already developed their own policies on nature, biodiversity and deforestation.

The aforementioned initiatives have shown the commitment of some companies and FIs toward biodiversity disclosure and their disposition to cooperate amongst each other. However, effort should be taken to continue this trend from COP15 onwards.

#### Data and tools

Although, measuring biodiversity impacts and dependencies is highly complex, significant progress to gather data and develop biodiversity disclosure tools have been made. While more work is undoubtedly necessary, the current gaps and limitations have already been extensively identified by the TNFD Discussion Paper on Data.<sup>24</sup>

The plethora of data providers cover different regions and have diverging biodiversity-related focuses (i.e., forests, land change, water pollution, wildlife, etc.). At a broader environmental level, Geospatial ESG,<sup>25</sup> uses geospatial data to align the assets of the financial sector with sustainable development. In the field of deforestation, various tools and initiatives have been developed.

- Forests 500 tool to assess the strength and implementation of the deforestation commitments of 350 companies<sup>26</sup> and 150 financial institutions<sup>27</sup>
- Trase,<sup>28</sup> a free online tool that maps financing and ownership of commodity trading companies at scale (see the specific tool for finance<sup>29</sup>);
- Global Forest Watch Pro<sup>30</sup> which conducts tailored deforestation risk assessments of FI's portfolio and supports the development of risk mitigation strategies;
- The Accountability Framework Initiative<sup>31</sup> which helps to develop deforestation risk assessments.

Even though there are still knowledge and technical gaps, these tools set a solid basis for companies and FIs to start establishing internal procedures to disclose biodiversity. As disclosure regulations become mandatory, tools will certainly be developed further and data availability will inevitably increase as well.

**“THERE IS AN URGENT NEED AND HUGE OPPORTUNITY TO MOBILIZE THE INNOVATIVE POWER OF FINANCE AND BUSINESS TO MOVE QUICKLY FROM DEVELOPING ONE-DIMENSIONAL SOLUTIONS TO THREE-DIMENSIONAL SOLUTIONS THAT ADDRESS CLIMATE, NATURE, AND SOCIAL DIMENSIONS AS A BUNDLE.”**

- David Craig and Elizabeth Mrema, TNFD

<sup>16</sup> <https://framework.tnfd.global/>  
<sup>17</sup> <https://www.businessfornature.org/>  
<sup>18</sup> <https://cutt.ly/gMssDqI>  
<sup>19</sup> <https://portals.iucn.org/library/node/49301>  
<sup>20</sup> <https://cutt.ly/nMOqLhI>  
<sup>21</sup> <https://www.financeforbiodiversity.org/statements/>  
<sup>22</sup> <https://cutt.ly/PMOwWEI>  
<sup>23</sup> <https://guidance.globalcanopy.org/roadmap/>  
<sup>24</sup> TNFD (2022) A Landscape Assessment of Nature-related Data and Analytics Availability  
<sup>25</sup> <https://www.f-sight.org/geospatial-esg/>  
<sup>26</sup> <https://forest500.org/rankings/companies>  
<sup>27</sup> <https://forest500.org/rankings/financial-institutions>  
<sup>28</sup> <https://www.trase.earth/>  
<sup>29</sup> <https://trase.finance/>  
<sup>30</sup> <https://pro.globalforestwatch.org/>  
<sup>31</sup> <https://accountability-framework.org/>



Pavan Prasad, India. ©

<sup>32</sup> <https://cutt.ly/6MOyLQf>

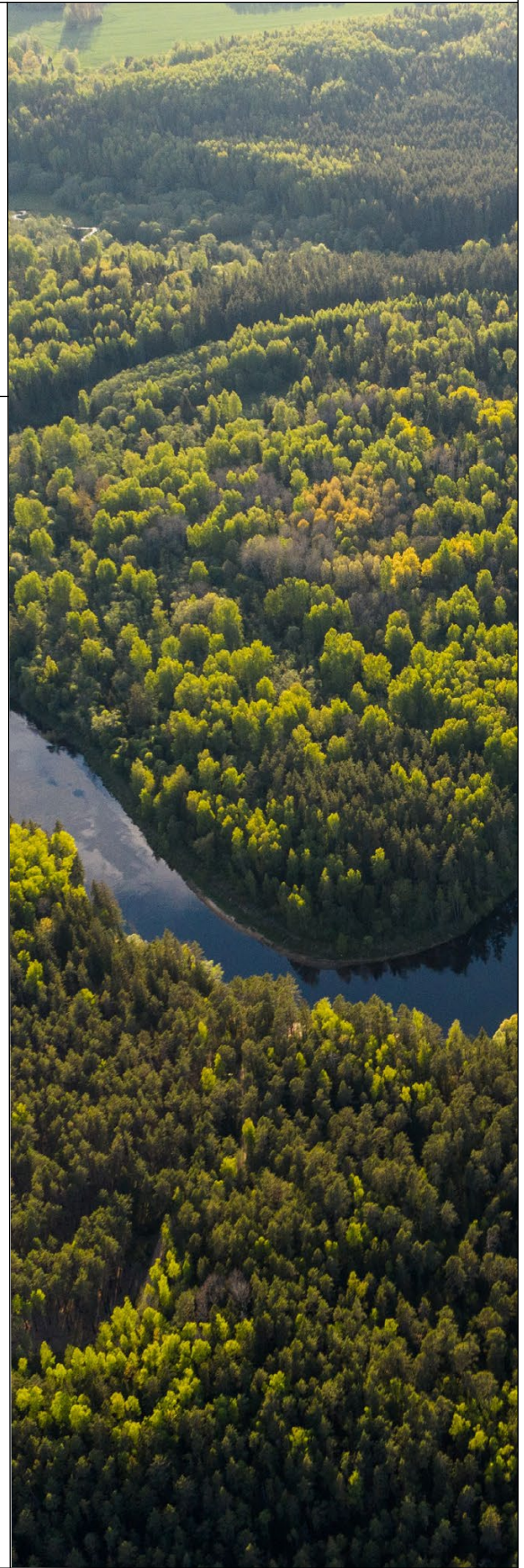
## 4. WHAT ARE THE NEXT STEPS TO DEVELOP BIODIVERSITY DISCLOSURE MEASURES GLOBALLY?

Even if the GBF will not be a mandatory framework, it has the potential to create a baseline for national regulation for corporate biodiversity disclosure mainstreaming. By proposing a Target 15, it allows all parties at the CBD to establish a common understanding of what biodiversity disclosure should mean. As such, the GBF could draw a baseline and a common terminology about corporate disclosure, upon which national and regional regulation can be based. To draft this legislation, policy makers will need to create synergies with the numerous frameworks and measures discussed in this paper, in order to create as much harmonization as possible.

Yet, the most effective way to achieve corporate biodiversity disclosure is through mandatory national or regional legislation. While voluntary disclosure frameworks can increase transparency and incentivise behavioural change within markets, imposing mandatory requirements<sup>32</sup> increases data availability and enhances reporting quality. Therefore, **jurisdictions need to implement more effective regulation and improve existing measures related to biodiversity protection.** To ensure comparability and interoperability at the international level, **the alignment of regulations is crucial.** One way to impulse it would be by developing **implementation guidelines** for parties to translate **the ambitious baseline set out in the GBF into mandatory biodiversity disclosure via regulation.** Reporting Initiative (GRI), International Finance Corporation (IFC) Sustainability Framework.

**“ONE OF THE MAIN CONCERNS EXPRESSED BY GOVERNMENTS IS ON HOW MANDATORY REQUIREMENTS TO ASSESS AND DISCLOSE IMPACTS AND DEPENDENCIES ON NATURE COULD BE IMPLEMENTED AT THE NATIONAL LEVEL.”**

- Business for Nature



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