BIODIVERSITY

Opportunities and risks for the financial sector

The value of biodiversity
In order to guarantee the stability of our society and economy today, but also for future generations, it is important that we conserve biodiversity.

$ 53 billion per annum
Spent globally on funding biodiversity and ecosystem services
Based on 2010 figures

$ 440 billion per annum
Needed to achieve the Aichi Targets
Source: Convention on Biological Diversity
Bor, Müller, & Duke, 2018

SUSTAINABLE DEVELOPMENT GOALS

"Biodiversity loss will also undermine 80% of the goals related to health, water, hunger, poverty, cities, land and oceans."

According to IPBES, as a result of the integrated and indivisible nature of the Sustainable Development Goals (SDG), Díaz et al., 2019.

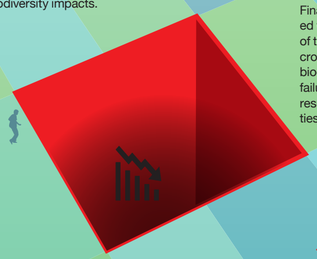
ipbes

PHYSICAL RISK

Credit and investment risk
As a result of failing ecosystem services, natural inputs can become inaccessible and therefore lead to production disruptions. This can lead to credit and investment risks for financial institutions and it can lead to business default or poor investment results.

SYSTEMATIC RISK

Legal liability
Operations resulting in biodiversity loss may lead to lawsuits by the parties that incur damages. This risk may increase as governments and financial regulators ask for more disclosure and reporting regarding biodiversity impacts.



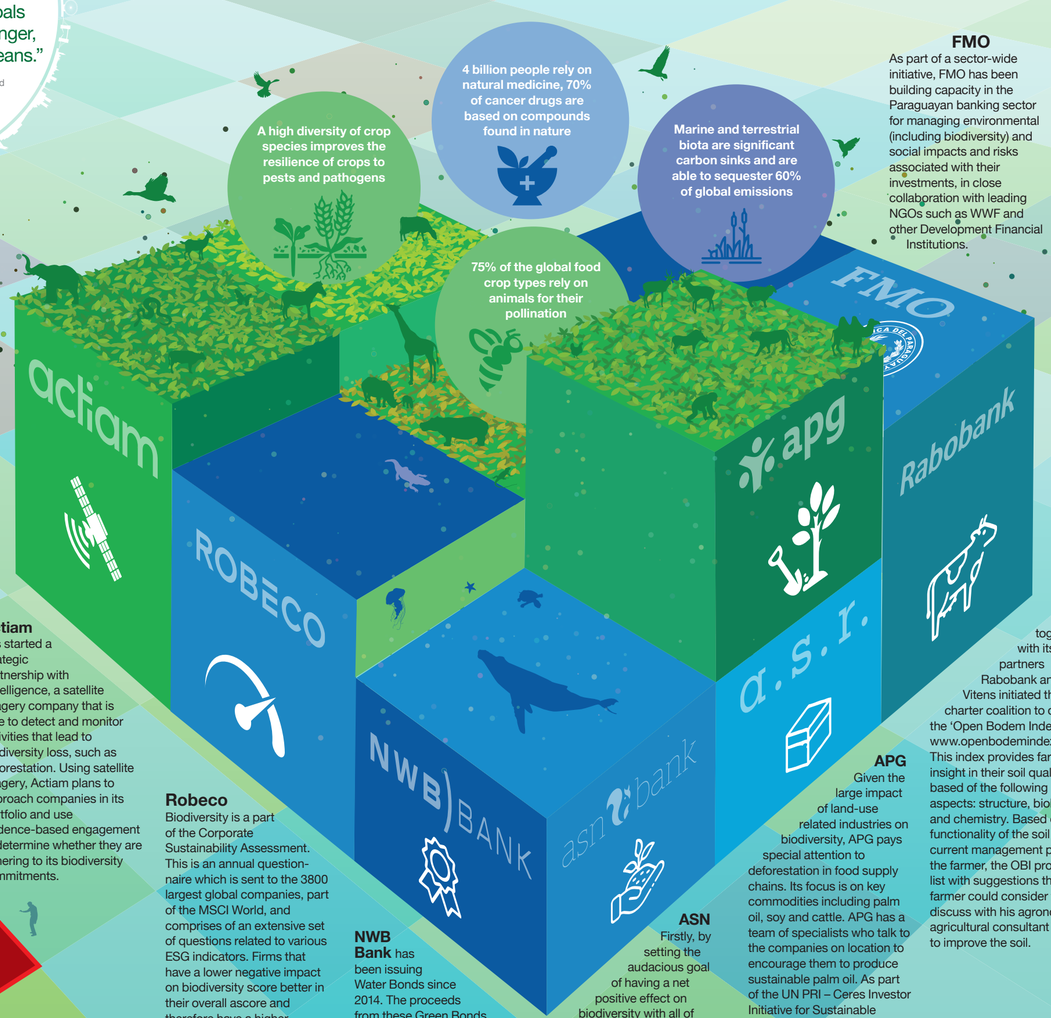
Market risk
Financial institutions can be confronted with a decline in the market value of their investment portfolios if crossing the tipping point of biodiversity leads to large-scale failure of ecosystem services and a resulting loss of production possibilities.

TRANSITION RISK

New and stricter biodiversity related regulations are expected to be introduced, possibly resulting in transition risks and stranded assets (Suttor-Sorel, 2019).

REPUTATIONAL RISK

Clients and financiers may withdraw from companies if these companies neglect the risk their environmental externalities may have for their (client's) reputation.



Actiam
has started a strategic partnership with Satelligence, a satellite imagery company that is able to detect and monitor activities that lead to biodiversity loss, such as deforestation. Using satellite imagery, Actiam plans to approach companies in its portfolio and use evidence-based engagement to determine whether they are adhering to its biodiversity commitments.

Robeco
Biodiversity is a part of the Corporate Sustainability Assessment. This is an annual questionnaire which is sent to the 3800 largest global companies, part of the MSCI World, and comprises of an extensive set of questions related to various ESG indicators. Firms that have a lower negative impact on biodiversity score better in their overall ascore and therefore have a higher chance of entering Robeco's portfolio.

NWB Bank has been issuing Water Bonds since 2014. The proceeds from these Green Bonds are used to finance water authorities' projects that contribute to climate mitigation, climate adaptation and biodiversity.

ASN
Firstly, by setting the audacious goal of having a net positive effect on biodiversity with all of their loans and investments by 2030, ASN is aligning natural capital protection and restoration with the strategy of the firm. In addition, by initiating the Partnership Biodiversity Accounting Financials (PBAF) its working towards a set of harmonized principles underlying biodiversity impact assessments and disclosure.

APG
Given the large impact of land-use related industries on biodiversity, APG pays special attention to deforestation in food supply chains. Its focus is on key commodities including palm oil, soy and cattle. APG has a team of specialists who talk to the companies on location to encourage them to produce sustainable palm oil. As part of the UN PRI – Ceres Investor Initiative for Sustainable Forests initiative APG is engaging with a number of companies across the cattle and soy value chains to require appropriate management and disclosure of deforestation risks.

ASR
together with its partners Rabobank and Vitens initiated the charter coalition to develop the 'Open Bodem Index' (OBI, www.openbodemindex.nl). This index provides farmers insight in their soil quality based of the following aspects: structure, biology and chemistry. Based on the functionality of the soil and the current management plan of the farmer, the OBI provides a list with suggestions the farmer could consider to discuss with his agronomist or agricultural consultant in order to improve the soil.

Rabobank
In the Netherlands, Rabobank runs a pilot with a planet impact loan. The loan provides farmers who score in the top 25% on the Biodiversity Monitor with an interest rate discount for a period of 5 years. Under the Delta Plan Biodiversity Recovery, Rabobank committed to scale the pilot to include all dairy and arable farmers in the Netherlands via a public-private partnership by 2020.

FMO
As part of a sector-wide initiative, FMO has been building capacity in the Paraguayan banking sector for managing environmental (including biodiversity) and social impacts and risks associated with their investments, in close collaboration with leading NGOs such as WWF and other Development Financial Institutions.

TOGETHER FOR BIODIVERSITY

Delta Plan for Biodiversity Recovery

A large number of partners has set-up the Delta Plan for Biodiversity recovery. The Delta Plan identifies **five success factors** that make it simple and attractive for land users to contribute to the restoration of biodiversity.

- Shared values
- Development of new business models
- Incentivizing and consistent laws and regulations
- Knowledge and innovation
- Collaboration with all regional land users

A call to action

Financial institutions can contribute to reducing biodiversity loss by taking steps to start monitoring the impact on biodiversity from their own activities.

Additionally, financial institutions can contribute to bringing biodiversity policies of financial institutions to the next level through
- increasing company biodiversity data transparency
- work on suitable investment instruments
- methodological consistency in measuring biodiversity impacts, and by
- working on these topics together

Moreover, financial institutions can make a conscious effort to finance pro-biodiversity projects. If we work together and learn from each other, finance can become an even larger driving force in securing a planet that can be enjoyed for generations to come.

Join us!

Sustainable Finance Platform

www.dnb.nl/en/about-dnb/co-operation/platform-voor-duurzame-financiering/biodiversiteit