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The Time is Now:

Three ways the financial sector can take action to address biodiversity loss today

ShareAction»

About ShareAction

ShareAction is a non-profit working to build a global investment sector which is responsible for its impacts on people and planet. We mobilise investors to take action to improve labour standards, tackle the climate crisis, and address pressing global health issues, such as childhood obesity. Over the last 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. We want a future where all finance powers social progress.

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Introduction

Introduction

The destruction of our natural world is one of the most pressing crises we face today. Climate change, pollution, the intensification of agriculture and industrial growth have all put a strain on biodiversity. Some **75 per cent** of land, and **40 per cent** of marine environments have already been severely altered by human activities[1].

The social and economic consequences of the loss of biodiversity are catastrophic[2]. Biodiversity underpins the goods and services that we fundamentally rely on to fulfil human needs, including food, clean water, climate mitigation, health and cultural connections. Biodiversity is also deeply connected to human rights, with indigenous groups and local communities regularly facing human rights violations from ecological destruction in their territories.

Reversing biodiversity loss requires urgent action by governments, companies and individuals. As owners and financers of companies, the financial sector's role in driving change can't be underestimated[3].

An estimated US$44 trillion of economic value generation– over half the world's GDP– is dependent on nature[4]. Yet, in 2020, we revealed that not one of the world's 75 largest asset managers had a dedicated policy on biodiversity[5]. Just a couple years later, the material risks of biodiversity loss are significantly better recognised, and leading financial institutions are beginning to act. But ambition and action still lags far behind what is necessary. Action to address biodiversity loss does not match the widespread and cross-sectoral efforts to address climate change.

At present, many financial institutions treat biodiversity loss and climate change as isolated issues. This risks underestimating their collective impacts and developing ineffective mitigation strategies. Financial institutions need to urgently implement ambitious and integrated strategies.

In 2020, ShareAction identified the key challenges and barriers that have deterred the finance sector from addressing biodiversity loss[6]. **These perceived barriers were operational, structural and conceptual. Together, they have prevented financial institutions from developing robust and ambitious biodiversity strategies, integrating biodiversity within financial decision-making and engaging meaningfully with companies on the topic**. This briefing points to the various ways financial institutions can overcome these challenges and take action to address biodiversity loss today.

Firstly, financial institutions can **use available biodiversity data and metrics** to begin assessing how investments impact and depend on biodiversity. Next, the strong links between climate change and biodiversity loss provide the opportunity to **address biodiversity through existing**

climate strategies. Lastly, financial institutions can demonstrate leadership and encourage an ambitious policy agenda by **preparing for emerging regulation and engaging proactively** in the policymaking process.

N.B. In this briefing we have decided not to cover biodiversity target-setting. While an important step in financial institutions taking action to address biodiversity loss, there are currently a lot of moving parts with the Convention on Biological Diversity (CBD)'s Global Biodiversity Framework due to be agreed, for example in December 2022 and the Science-Based Targets Network (SBTN)'s guidance on biodiversity target-setting for corporates due to be released in early 2023. Until then, financial institutions should join SBTN's Corporate Engagement Programme[7], adopt SBTN's No Regrets Actions, and push for the companies they loan to or invest in to do the same.

Use data and metrics that are already out there

1

1. Use data and metrics that are already out there

There are several tools and measurement approaches financial institutions can use now to assess impacts and dependencies on biodiversity. They are imperfect, but a good start - and can be improved by financial institutions contributing to their development. To support more accurate analysis financial institutions also need to start requiring companies to disclose location-level data and/or site-level biodiversity assessments.

Recommended actions

Trial existing tools and measurement approaches to build up an understanding of impacts and dependencies on biodiversity

There are a wide range of tools and measurement approaches that financial institutions can start using today to build up an understanding of their impacts and dependencies on biodiversity. These tools and approaches can contextualise investment information, such as sector, company and asset location, with biodiversity data, for example threatened plant and animal species. In doing so, this can help financial institutions start to assess the potential impacts and dependencies of their portfolio on biodiversity and develop targeted corporate engagement practices.

To begin, financial institutions can explore their direct impacts and dependencies on biodiversity and ecosystem services at a sector-level using ENCORE. ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) is a tool that guides users in understanding how businesses across all sectors of the economy potentially depend on and impact nature, and how these potential dependencies and impacts might represent a business risk[8, 9]. The new biodiversity module within ENCORE enables users to explore the potential alignment of financial activities in selected sectors with draft biodiversity goals in the post-2020 global biodiversity framework. Due to their highly destructive impacts and dependencies on biodiversity, mining and agriculture are the two initial priority sectors in the module. For these sectors, it delves into the scale and magnitude of a specific company's potential impact on biodiversity and provides engagement guidance on the minimum level of biodiversity management practices required in order to be considered aligned with global goals.

To further assess impacts at a supply-chain level, Trase enables users to understand connections between production regions, trading companies and import markets, and understand exposure to deforestation and other environmental and social risks[10]. Trase.finance builds on this to enable users to explore direct and indirect exposure of the finance sector to deforestation and other risks. Trase and Trase.finance can be used to support due diligence, portfolio monitoring (including screening and supporting stewardship and engagement activities) and product innovation (for example the development of sustainability linked loans and other green financial products). Trase.finance includes supply chain information on commodities that significantly damage biodiversity-rich areas: soy and beef in Brazil, palm oil in Indonesia, soy in Argentina and soy and beef in Paraguay.

If the financial institution has collected location-level data – such as through company disclosures or third-party data providers – the Integrated Biodiversity Assessment Tool (IBAT) can be used to screen for biodiversity-related risks[11]. IBAT is a web-based tool that provides access to three of the world's most authoritative global biodiversity datasets: The IUCN Red List of Threatened Species, the World Database on Protected Areas, and the World Database of Key Biodiversity Areas. It can be used to identify whether operations may impact areas of high biodiversity value, enabling risk managers to better understand how company activity may affect critical biodiversity and provide a trigger for enhanced due diligence. In addition to informing decision-making and engagement practices, IBAT can support compliance with disclosure and reporting frameworks, such as the International Finance Corporation's (IFC) Performance Standard 6[12]. IBAT also provides access to the **Species Threat Abatement and Restoration (STAR) metric**. STAR is primarily designed to quantify and guide actions that can reduce the risk of extinction for plant and animal species. STAR can also provide a quantification of biodiversity risk, through comparison of the relative importance of threats identified at a site as part of the STAR score with the activities of a particular business at the site.

To go one step further in understanding impacts and dependencies on biodiversity, **measurement approaches like the Global Biodiversity Score[13] and Corporate Biodiversity Footprint[14] can help financial institutions assess their biodiversity footprint and the likely impact of financial activities on biodiversity**. These methods combine a financial institution's financial and operational data, such as the amount an investor has invested in a company, with biodiversity data from public databases to calculate potential impacts. The Finance for Biodiversity Foundation has developed a Guide on Biodiversity Measurement Approaches to provide information on and help financial institutions to understand the approaches that are currently in use and underway[15]. These measurement approaches should be used with an awareness of their limitations. For example some rely on sector averages, rather than using company-specific biodiversity data.

Finally, financial institutions can also **trial new and innovative ways to measure biodiversity, such as through eDNA (environmental DNA), AI and remote sensing using satellites**. These data collection methods can in some cases more accurately assess biodiversity impacts and dependencies because they measure changes to the actual state of biodiversity in a given location, rather than relying on sector averages.

Require companies to disclose location-level data on their operations and supply chains and/or site-level biodiversity assessments to support more accurate company-level assessments

The severity and consequences of biodiversity loss are site-specific. While certain sectors and business processes may have similar impacts and dependencies on biodiversity in different locations, the size and scope of these impacts and dependencies are location-specific. To develop more accurate assessments of impacts and dependencies on biodiversity and to assess the extent to which they are financing biodiversity loss, financial institutions need to be able to access location-level data from companies. **Financial institutions should require companies to disclose location-level data that includes geographic coordinates and footprints of their main operations/concessions, and geographic coordinates of supply chains, including sourcing locations.** If this is not possible due to limited data availability and/or commercial sensitivity, then financial institutions should require the disclosure of site-level biodiversity assessments. This data can then be used in conjunction with the tools and approaches above to identify site-specific risks to biodiversity and engage companies on their efforts to reduce these risks. Disclosure can also build sector-wide transparency standards, improve access to finance, and reduce reputational and regulatory risks. It is within companies' power to disclose and investors must clearly communicate this expectation.

Acquiring location-level data is an important part of the **Taskforce on Nature-related Financial Disclosures (TNFD) LEAP Nature Risk Assessment approach**[16] which recommends that financial institutions **Locate** where their investments are encountering nature before they can **Evaluate** their dependencies and impacts, **Assess** their risks and opportunities, and **Prepare** to respond to nature-related risks and opportunities. Leading investors are also calling for engagement practices that request this data. Norges Bank Investment Management's (NBIM) biodiversity expectations, for example, include asking companies to disclose the geographic origins of their commodities and "the co-ordinates and footprint of their main operations, concessions, agricultural land banks, and oil, gas or mineral reserves, and their proximity to critical habitats and protected areas"[17].

Financial institutions may also be able to access location-level data through third party data providers. However, institutions should prioritise requesting location-level data through engagement with specific companies for the most accurate and up-to-date location information. For example, in the case of a food company, a financial institution should request that the company disclose its coordinates in Brazil where it produces beef, the production processes used and the coordinates of other key locations such as processing facilities (these downstream operations also depend on and impact biodiversity through their natural resource demands and waste products). This data – especially the precise location of operations along a company's value chain – will be particularly valuable in supporting more robust and accurate assessments of impacts and dependencies.

Use publicly available reports and sustainability information to build a more detailed understanding of a company's impacts and dependencies on biodiversity

Where company/location-specific data is not yet available, and financial institutions do not have access to third party data providers, **company reports and publicly available sustainability benchmarks can provide additional information about a company's potential impacts and dependencies on biodiversity**. This can support financial institutions in developing a more comprehensive understanding of a company's performance on biodiversity. These resources may also provide details on a company's general operating locations, perhaps at a country level, that can be helpful in the absence of accurate location-level data.

Company reports, such as annual reports, environmental impact assessments or progress reports for sustainability certifications, **often disclose information about a company's operations that can indicate nature-related risks**. These reports, such as Nestlé's report for membership in the Cocoa & Forests Initiative (CFI)[18], often detail variables such as a company's water and land use, chemical inputs, waste production or other resource-specific information along all or some value chains. These reports might also include company targets and performance around resource use or climate transition planning. Financial institutions can use the information in these reports to guide engagement with companies on specific biodiversity issues.

Some **sustainability benchmarks/rankings** assess companies on their environmental stewardship and can provide additional information on biodiversity performance. While these benchmarks can be useful in informing engagement strategies, they are currently limited to just a few sectors and issues and **are not a substitute for company data disclosures as they often lack the granular information needed to make a full assessment**. However, they are an additional source of information for financial institutions to use in developing company, sector or commodity-specific engagement strategies. Selected examples of these benchmarks/rankings are in Table 1.

Table 1: Non-exhaustive overview of sustainability benchmarks and rankings with information relevant to biodiversity[19]

	Description
SPOTT[20]	Ranks palm oil, timber and pulp and natural rubber companies based on deforestation. Also provides company-specific environmental, social and governance information.
Forest500[21]	Ranks companies and financial institutions on environmental sustainability according to high deforestation-risk sectors and commodities, including beef, soy, leather, timber and palm oil. Provides additional data on general operating locations and the sustainability governance of companies and financial institutions.
ChemScore[22]	Ranks chemical companies based on production of chemicals hazardous to the environment. Provides additional information on company-specific stewardship strategies and commitments.
World Benchmarking Alliance – Food and Agriculture Benchmark[23]	Ranks food and agriculture companies on governance and strategy, environment, nutrition and social inclusion. Provides additional company-specific information on these topics.
World Benchmarking Alliance – Seafood Stewardship Index[24]	Ranks seafood companies on social responsibility, ecosystems stewardship, traceability, and governance and strategy. Provides additional company-specific information on these topics.

Take part in initiatives looking to improve biodiversity measurement for companies and financial institutions

Importantly, the financial sector should step up to be part of the solution to biodiversity loss by actively contributing to initiatives working to improve biodiversity measurement for both companies and financial institutions. **Financial institutions can contribute to these efforts by participating in such initiatives and testing/providing feedback on different measurement approaches.** Financial sector participation is key to building better measurement approaches that institutions can use. Participation will also help financial institutions build internal capacity and demonstrate sustainability leadership.

Table 2: Initiatives aiming to improve biodiversity measurement by financial institutions and opportunities to contribute

Initiative	Description
Finance for Biodiversity Foundation and Pledge (FfB) - Impact Assessment Working Group[25]	Members share experiences with biodiversity measurement to build understanding of the strengths, limitations and assumptions of different measurement approaches.
Science Based Targets Network (SBTN) – Corporate Engagement Program[26]	Members will aid the development of science-based targets for nature (and associated metrics) through contributing to methods, tools and guidance.
Taskforce on Nature-related Financial Disclosures (TNFD) - Forum[27], National Consultation Groups[28] and Piloting programme[29]	Members and piloting organisations can contribute to measurement guidance and provide feedback that will aid the TNFD Framework's recommendations as they develop. Piloting institutions can learn from engaging with the framework, share experiences and contribute with substantive practical feedback.
Align – Community of Practice and Community of Interest[30]	Members share best practice, test draft guidance, provide feedback on biodiversity measurement, and stay updated on the latest developments on biodiversity measurement.
Partnership for Biodiversity Accounting Financials (PBAF)[31]	Partners participate in the development of biodiversity risk measurement principles (the 'PBAF Standard') and gain practical guidance on improving assessment practices.

Make the links between biodiversity and climate

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2. Make the links between biodiversity and climate

Financial institutions can take advantage of the relationship between climate change and biodiversity loss to address biodiversity through their climate strategies. Initially this can include engaging with high-emitting sectors on biodiversity, using climate-related data in biodiversity assessments and ensuring biodiversity is embedded within climate transition plans. In the longer term, standalone biodiversity strategies that address all drivers of biodiversity loss (not just climate change) are crucial for systemic risk mitigation and environmental leadership.

Recommended actions

Expand engagement with companies in high-emitting sectors to include engagement on biodiversity

Climate change is the third largest direct driver of biodiversity loss, after land and sea use change and the direct exploitation of our natural world. In turn, the loss of biodiversity and the vital services it provides also reduces our natural world's ability to help limit climate change and mitigate its negative impact. The deep linkages between climate change and biodiversity loss mean that financial institutions must address the two as connected issues. **Acknowledging their relationship will ensure financial institutions more effectively use their resources in responding to both issues in an integrated manner.**

As a priority, **financial institutions should adapt their climate change strategies to engage companies in high-emissions sectors on biodiversity.** In addition to contributing significantly to climate change – which has a direct impact on biodiversity – high-emitting sectors have substantial impacts on biodiversity and depend on the provision of ecosystem services. Figure 1 shows there are many overlaps between the most important sectors from a climate change and biodiversity perspective.

Figure 1: Sectors with high impacts on climate and biodiversity

Top 5 high emitting sectors[32]	Top 5 sectors with the most significant impacts and dependencies on biodiversity[33]
Energy	Agriculture
Industry	Energy
Agriculture	Mining
Transport	Transport
Infrastructure	Food and beverages

Image credit: various Noun Project contributors. See Credit section for details.

23%

The agriculture and forestry sector produces 23% of the world's greenhouse gas emissions while also clearing, polluting or otherwise damaging ecosystems that support biodiversity

The agriculture and forestry sector has the most significant impact on biodiversity loss[34] and is the second-largest contributor to climate change[35]. This sector, which is responsible for food production and other products like textiles, timber, paper and construction materials, produces 23% of the world's greenhouse gas emissions while also clearing, polluting or otherwise damaging ecosystems that support biodiversity[36]. Many of the emissions-intensive processes and products in this sector are also associated with biodiversity loss, such as agrochemical inputs like pesticides and fertilisers, which have high emissions upstream[37], damage biodiversity upon application and degrade and pollute ecosystems downstream[38, 39]. As a further example, the energy industry, the most significant contributor to climate change, poses risks to biodiversity[40] through activities like infrastructural expansion, water requirements, waste production and dependence on non-renewable resources or mis-use of renewable resources.

It is essential that financial institutions push companies to integrate biodiversity in their efforts to reduce carbon emissions and mitigate the impacts of climate change. **Through corporate engagement, the finance sector can encourage stronger and more effective pathways to achieving net-zero, given that biodiversity is essential for absorbing atmospheric carbon and defending against a warmer and more volatile climate**. A net-zero future cannot be achieved without halting biodiversity loss and restoring resilient ecosystems.

Crucially, **financial institutions should ensure that companies in all high-emitting sectors measure and report on their biodiversity impacts and dependencies**. This will ensure that risk assessments consider the impacts of climate change on biodiversity and identify opportunities that both mitigate climate change and protect and restore biodiversity. Financial institutions should also seek to verify that companies in high-emissions sectors are deploying Nature-based Solutions in a way that benefits both biodiversity and climate.

Integrating biodiversity in climate stewardship can help financial institutions make better use of resources, including internal skills, tools and capacity. For example, existing risk frameworks that account for climate change can be developed to incorporate biodiversity, thereby addressing biodiversity loss and climate change as interconnected issues. Similarly, existing climate tools, teams, and corporate engagement strategies can be expanded to include biodiversity. Not only will this help financial institutions address both issues in an integrated manner, but it will save significant time and resources.

A climate strategy including engagement on biodiversity can be a substantial step forward in addressing biodiversity loss, **but financial institutions must also develop a comprehensive biodiversity strategy that addresses the other direct drivers of biodiversity loss** (land and sea use change, pollution, direct exploitation and invasive species). Financial institutions should develop biodiversity strategies that address drivers beyond climate change, for example see BNP Paribas Asset Management's Biodiversity Position[41]. While this may initially require more work, a robust and comprehensive biodiversity strategy and associated action plans will provide resilience against the systemic risks generated by biodiversity loss.

Use data collected through climate-related reporting to understand biodiversity-related risks

Data collected to assess climate-related risks reported through, for example the Taskforce on Climate-related Financial Disclosures (TCFD), CDP or their own sustainability reporting, can also be repurposed to understand biodiversity-related risks. Guidance by UNEP-WCMC and NatureFinance[42] on expanding climate data to biodiversity suggests that financial institutions (and companies) may have already collected information on the following that can be applied to biodiversity-related risk assessments:

- Greenhouse gas emissions (as a pressure on nature)
- Pollutants (e.g. non-greenhouse gas air pollutants, soil pollutants, water pollutants)

- Water use requirements / water withdrawals by source (e.g. ground water, surface water, municipal)
- Broad sourcing region or specific geolocation of investments
- Management response to key ESG issues (e.g. deforestation)

This data can be used to support the assessment of impacts and dependencies on biodiversity at a company level. However, it is important to note that the scope and extent of these possible data disclosures will differ according to sector, with companies in some sectors disclosing vastly more data than others.

Other potential data sources that can be used for biodiversity-related risk assessments, which financial institutions may already be using for climate-related risk assessments, include maps of land use change, maps of soil productivity and maps of flood risk and/or drought risk. These maps can give an indication of the potential risks stemming from climate change and the loss of biodiversity.

Require companies to embed biodiversity within climate transition plans

Achieving emissions reduction targets to limit global temperature rises to 1.5°C, in line with the goal of the Paris agreement, urgently depends upon thriving and resilient ecosystems. Biodiversity can help reduce atmospheric greenhouse gases, with terrestrial and marine carbon sinks able to absorb a significant amount of carbon dioxide from the air. Forests alone absorb ~15.6 billion gigatons of CO_2 every year– three times the annual carbon emissions of the United States[43]. Biodiversity also provides important defence against climate impacts, such as protection from flooding, so strategies to protect and restore nature can also support climate adaptation targets[44].

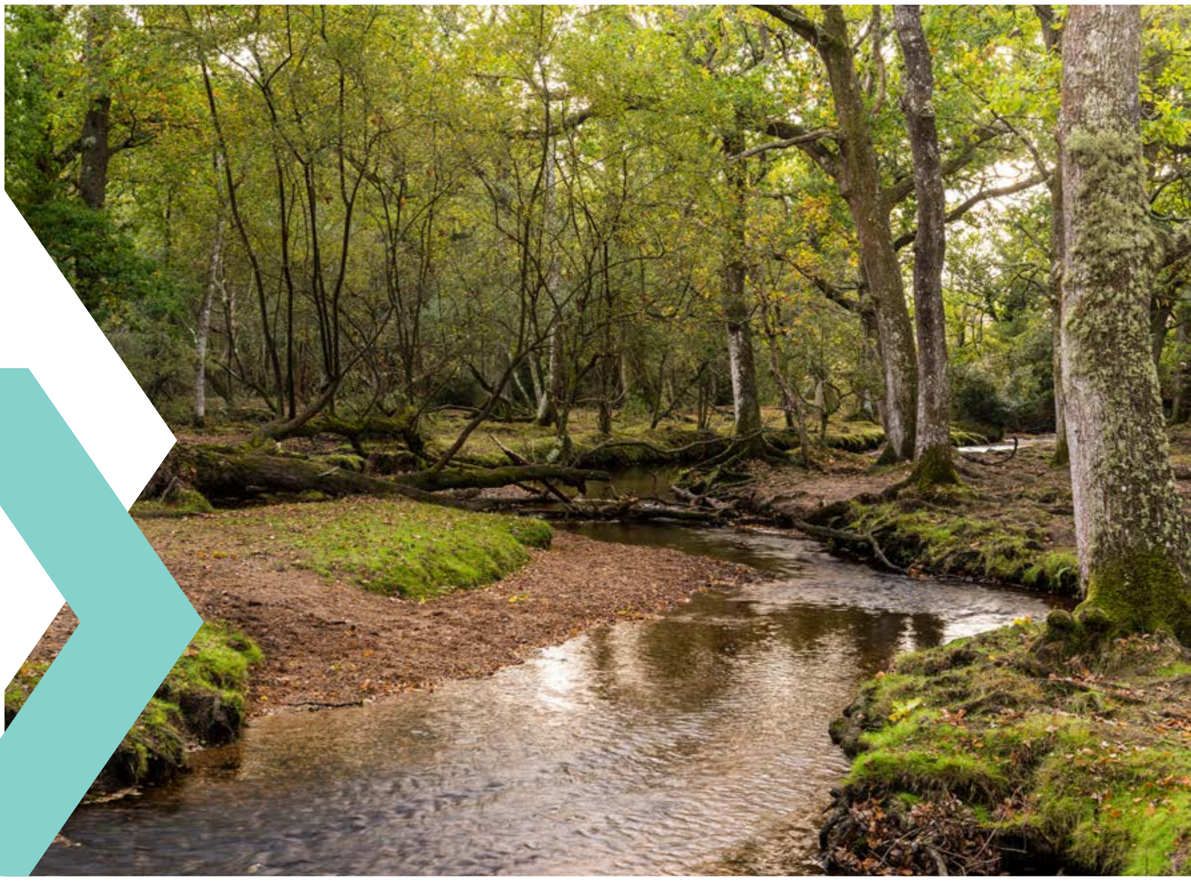
Many companies have committed to science-based targets for climate, often with net-zero by 2050 as their goal. Investors and other stakeholders are increasingly expecting companies to have credible climate transition plans that establish pathways to achieve this target, including interim targets, action plans and governance and policy changes. Given the close relationship between climate and nature, accounting for biodiversity in climate goals will result in more effective and accurate decision-making for achieving net-zero. **Financial institutions should require that companies' climate transition plans include efforts to protect and restore biodiversity**. This will support net-zero goals by reducing emissions, mitigating risks generated by impacts of climate change and establishing robust stewardship and strategic resilience.

Financial institutions should ensure that transition plans incorporate biodiversity-related ambitions and target-setting, action plans, impact measurement practices, and policy and governance frameworks to effectively work towards decarbonisation and climate change resilience. For example, in a response to the UK's Transition Plan Taskforce, WWF suggest that

> **"transition plans should assess nature-related risks and opportunities, manage supply chain impacts, and develop engagement and risk management frameworks to maximise co-benefits[45].**

These transition plans can also include Nature-based Solutions[46] that have positive impacts on biodiversity and support nature's capacity to contribute to net-zero goals. These solutions include protecting and restoring carbon sink ecosystems that provide important habitats and absorb atmospheric carbon, including peatlands, grasslands, forests, wetlands and coastal ecosystems[47].

Developing biodiversity-informed climate transition plans, while a crucial step in addressing biodiversity loss, is not sufficient in tackling the biodiversity crisis. **Financial institutions should encourage companies to formulate a biodiversity strategy that addresses all relevant direct drivers of biodiversity loss**. Responding to these drivers and restoring ecosystems will ensure nature is resilient and adaptive, which in turn can indirectly support climate transition plans.



Get ahead of the regulation

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3. Get ahead of the regulation

Financial institutions should act now to prepare for the impact of emerging regulation, which is being fast developed. They can also play their part in driving forward the development of ambitious biodiversity-related financial policy by joining collaborative investor initiatives and modelling transparent policy engagement practices.

Recommended actions

Understand and respond to established and emerging policy and regulation related to biodiversity

Regulation of the finance sector on biodiversity is evolving rapidly, with progressive policymakers calling for regulation to follow in the footsteps of climate policies as they recognise the urgent need to address the crisis[48]. Climate regulations, such as the TCFD[49], which is now mandatory in the UK, have already forced companies and financial institutions to adapt at pace. Policies and regulations on biodiversity are now beginning to emerge across jurisdictions and indicate a growing interest in holding financial institutions accountable for their contributions to biodiversity loss. **These policies will pose material risks for financial institutions that fail to adapt, from fines for non-compliance to reputational risks that jeopardise access to talent pools and finance.**

In the EU, the Biodiversity Strategy for 2030 and broader sustainable finance strategy[50] – which specifies intentions to address biodiversity loss – signal plans to transform the financial system in efforts to tackle the biodiversity crisis. In the UK, the HM Treasury-backed Dasgupta Review[51] highlighted the economics of biodiversity as an urgent issue for policymakers and all financial actors, while the Financial Conduct Authority has also noted the increased attention on biodiversity and that their work must move beyond climate change[52]. At an international level, the Convention on Biological Diversity's Conference of the Parties (CBD COP 15) is set to take place in December 2022 and will agree a post-2020 global biodiversity framework to redefine biodiversity goals for the coming decade. While still in draft form, the framework's proposed targets already recognise the role of private financial actors in meeting biodiversity goals, including the need for businesses and financial institutions to regularly monitor, assess and disclose their impacts and dependencies on biodiversity (Target 15).

These ongoing policy developments are leading to the emergence of biodiversity-related policy and regulation aimed at the finance sector. Selected examples are detailed in Table 2 with proposed actions on how to respond to these emerging and established policies and regulations.

Table 3: Selected examples of established and emerging policies and regulations related to biodiversity and how financial institutions can respond

	Jurisdiction	Status	Description	How to respond
EU Green Taxonomy Regulation[53]	EU	Established – biodiversity objectives under development	Defines what activities are considered environmentally sustainable, including a list of sustainable activities related to biodiversity and ecosystems (Article 9 of the Taxonomy).	Develop biodiversity policies and strategies that align with the taxonomy; assess existing sustainability policies and green financial products for sustainability claims (ideally through third-party verification)
Corporate Sustainability Reporting Directive (CSRD)[54]	EU	Emerging – biodiversity requirements likely to apply in 2024	Will establish reporting and disclosure requirements for companies and financial institutions on social and environmental challenges, with biodiversity disclosure requirements currently being defined.	Develop capacity to assess and disclose biodiversity impacts and dependencies in preparation for these new requirements
Sustainable Finance Disclosure Regulation (SFDR)[55]	EU	Established – specific disclosures requirements still in development	Requires financial institutions to disclose the impact of investments on environmental, social and governance factors, with 43 mandatory biodiversity-related disclosures.	Develop capacity to assess and disclose biodiversity impacts and dependencies in preparation for these new requirements

	Jurisdiction	Status	Description	How to respond
UK Green Taxonomy[56]	UK	Emerging – UK likely to adopt within 2 to 3 years	Will set out criteria that specific economic activities must meet to be considered sustainable - includes five environmental objectives, one of which is biodiversity protection and restoration.	Engage in and contribute to the development of the taxonomy, and then when established, develop biodiversity policies and strategies that are in alignment with its objectives
Sustainability Disclosure Requirements (SDR)[57]	UK	Emerging – UK likely to adopt within 2 to 3 years	Informed by the Green Taxonomy, this will establish expectations for financial actors to disclose their environmental impacts and dependencies.	Engage in and contribute to the development of the requirements, and then when established, disclose impacts and dependencies in line with expectations
Net-Zero Transition Plan Standards[58]	UK	Emerging – UK likely to adopt within 2 to 3 years	Will require companies and financial institutions to disclose transition plans to become net-zero by 2050 and will be integrated into the SDR.	Engage in and contribute to the development of the standards; support calls by NGOs (e.g. WWF, UKSIF and Global Witness) to include biodiversity in short-, medium- and long-term transition plans
Article 29[59]	France	Established	Requires companies and financial institutions to report on their biodiversity impacts and dependencies; an expansion of climate reporting regulation to include biodiversity.	Response is mandatory if you are a French organisation – organisations from other jurisdictions can see how this regulation has been responded to in preparation for similar regulation in other jurisdictions

While the above regulations are significant for financial institutions operating in Europe and the UK, **institutions should also be aware of regulations in all countries where they have investments**. For example, in Colombia, where key commodities like coffee and beef significantly impact biodiversity, the government's green finance strategy demands that financial institutions assess the impacts and dependencies of their investments, with a strong focus on biodiversity[60]. In other countries, such as Malaysia[61], similarly robust regulations are coming into force to demand that financial institutions develop strong biodiversity stewardship practices.

Financial institutions that proactively engage in the development of these policies and regulations and introduce robust policies and practices in response will be better able to mitigate potential regulatory risks and demonstrate sector leadership. They can also prepare for the impact of emerging regulation by pre-empting new requirements.

In addition, **financial institutions should be aware of potential risks that may arise from more specific biodiversity-related regulations on issues such as deforestation and pollution**, and how this may impact companies in their portfolios. Organisations will be expected to comply with a whole suite of issue-, sector- and commodity-specific environmental regulation, including the EU deforestation-free product regulation and the UK Environment Act, which will precipitate more specific environmental regulation in the coming years. Financial institutions should engage with companies on key biodiversity-related issues like deforestation and pollution to understand their preparedness for and compliance with existing and emerging regulation.

Build capacity to respond to future regulation by piloting the TNFD Framework

While each policy and regulation will have different requirements, **many will call for financial institutions to assess and disclose how their activities impact and depend on biodiversity**. It is likely that emerging regulation will further push for these disclosures. Using the TNFD framework, financial institutions can prepare for this type of regulation.

The TNFD is an evolving risk management and disclosure framework that provides organisations with the ability to assess, disclose and act on nature-related risks, opportunities, impacts and dependencies[64]. Established in 2021, the TNFD framework will provide disclosure recommendations and assessment approaches that institutions can use to measure and report on their nature-related risks and opportunities.

The TNFD recommendations emulate those of the TCFD. Formerly a voluntary reporting framework, the TCFD recently became mandatory in many jurisdictions. For example, reporting against the TCFD will be mandatory for companies and financial institutions in the UK by 2025 with numerous reporting requirements already in place by 2023[65]. The UK government openly endorsed the TCFD in 2017 just two years after its creation[66].

According to leading experts and advocates in sustainable finance regulation, **the TNFD may be able to follow a similar trajectory, which would mandate nature-related reporting for companies and financial institutions**. There has been support for mandating the TNFD, with endorsement from leaders of international institutions[68] and UK policymakers[69].

With widespread financial sector support for and adoption of the TCFD, it is likely that the TNFD will play an important role in the future of mandated sustainability reporting. Additionally, given policymaker and financial institution experience with adopting the TCFD into reporting practices, these stakeholders are likely to have much of the capacity necessary to adopt the TNFD. This could expedite the process of mandating the reporting framework.

To prepare for emerging regulation, **financial institutions should pilot the TNFD framework**. Piloting the framework involves trialling the draft guidance for assessing and disclosing nature-related risks, opportunities, impacts and dependencies and then providing feedback to the Taskforce. In this way, institutions can begin to build capacity for understanding their potential exposure to nature-related risks and opportunities, assess their potential impacts and dependencies, receive support on challenges or obstacles and work alongside other piloting organisations to collaborate on issues or practices. Through the TNFD, institutions can also join working groups and other forums[67] with experts and peers across the financial community to improve impact assessment and disclosure practices and to work towards building a shared framework for the entire financial system.

Piloting the TNFD Framework and actively engaging in the TNFD's opportunities for sector-wide collaboration will support financial institutions as they prepare for emerging regulation that is likely to mandate biodiversity-related disclosures. Institutions that do this will also be well positioned to comply with potential mandated reporting against the TNFD in the near future.

Support an ambitious policy landscape by contributing transparently and proactively to policy and regulation aimed at the finance sector

As biodiversity loss continues to impact economies and societies worldwide, it is more crucial than ever that major stakeholders collaborate in developing solutions. **For this reason, financial institutions must be active participants in the financial regulation and policy-making process**. This is necessary for policymakers to understand what ambitious sustainable finance regulation can look like and the shared sustainability agenda held by progressive financial actors. By developing responsible engagement strategies – and encouraging companies and peers to do the same – financial institutions can drive forward financial and corporate policy related to biodiversity. This is increasingly considered essential for good stewardship, with the UK's Stewardship Code encouraging signatories to engage with policymakers and regulators to promote a well-functioning financial system[70].

There are several ways financial institutions can participate in the policymaking process. As a priority, **they should commit to aligning all lobbying activities with halting and reversing biodiversity loss**. This should also ensure that any trade associations that they are members of are committed to this goal. To ensure compliance, financial institutions should publicly disclose how they are engaging with proposed legislation and with policymakers, such as their consultation responses, their membership in lobbying organisations, and their political donations. Financial institutions should hold companies to the same standards by pushing for responsible and transparent biodiversity policy engagement and lobbying practices.

Financial institutions can participate in networks, membership bodies, forums and working groups to advance the development of ambitious biodiversity policies. **These collaborations can improve the finance sector's ability to address obstacles and develop strategies for achieving a positive regulatory environment**. Financial institutions can also strengthen the finance sector's voice on combatting biodiversity loss by signing on to coalitions that encourage ambitious finance sector policy development on biodiversity.

Several organisations provide financial institutions with opportunities to discuss, collaborate on and contribute to policy development related to biodiversity. One such membership body, the UK Sustainable Investment Finance Association (UKSIF), has called for the Chancellor to support the TNFD, adopt any global goals established by the CBD, implement the recommendations of the Dasgupta Review as legislation and for the National Infrastructure Bank to create plans for biodiversity net-gain[71]. UKSIF has also more recently called on the UK government to play a prominent leadership role in COP15 and to support the development of finance sector-specific biodiversity goals and targets in the global biodiversity framework[72]. Another opportunity is joining the Finance for Biodiversity Pledge, which convenes a public policy advocacy working group, advocating for the CBD framework to include explicit reference to the alignment of private financial flows with the global biodiversity goals[73].

In addition, **financial institutions should support specific responses to proposed legislation that demand improved finance sector stewardship on biodiversity**, such as those authored by leading biodiversity and sustainable finance organisations. This might include co-signing letters to governments that represent financial sector support for improved regulation on biodiversity. Financial institutions can also author their own policy responses, drawing on biodiversity standards established by experts in the field.

Conclusions and next steps

Conclusions and next steps

Financial institutions cannot ignore the urgent threat that biodiversity loss poses to people, the planet and the financial system. The risks to people and to companies – scarcity of natural resources, species loss, food insecurity, worsening public health, human displacement and, of course, climate change – are both local and systemic. No region or economic activity will be left unaffected if biodiversity loss continues at this rate.

The implications for financial institutions are clear: biodiversity loss poses material risks and threatens the conditions that make economic output and human wellbeing possible.

But there can be no more excuses for inaction. There are practical steps that financial institutions can take today to start tackling the biodiversity crisis.

Firstly, **financial institutions can make significant progress by using the biodiversity data and metrics that are already out there**. But they must also be part of the constant evolution of these tools and approaches by testing and contributing feedback. To improve assessment of impacts and dependencies on biodiversity, financial institutions need to push for companies to disclose the location of their operating sites and their supply chains and/or site-level biodiversity assessments. In return, financial institutions will gain increasingly accurate insights on their contribution to biodiversity loss and uncover opportunities to lead on disclosure and stewardship practices.

Secondly, **financial institutions must make the link between climate and biodiversity by expanding their existing climate change strategies to also include biodiversity**. In the longer term, financial institutions should develop dedicated strategies for protecting and restoring biodiversity and push companies to do the same. This will be essential for mitigating systemic risks and raising environmental stewardship standards.

Lastly, **financial institutions should get ahead of emerging regulation.** By actively engaging in the development of biodiversity-related policy, the finance sector can help facilitate sector-wide action on biodiversity loss. This offers a significant opportunity for the finance sector to play a key role in building a more resilient state of nature.

Through this briefing we have shown three ways in which the financial sector can overcome perceived operational, structural and conceptual barriers to take action to address biodiversity loss today. From establishing key areas for company engagement to rethinking firm-wide sustainability strategies, financial institutions must adapt and lead quickly to integrate biodiversity within financial decision-making. In doing so, they can help build a financial sector that halts and reverses the biodiversity crisis.

Summary of recommended actions

Use data and metrics that are already out there	Make the links between biodiversity and climate	Get ahead of the regulation
• Trial existing tools and measurement approaches to build up an understanding of impacts and dependencies on biodiversity • Require companies to disclose location-level data on their operations and supply chains and/or site-level biodiversity assessments to support more accurate company-level assessments • Use publicly available reports and sustainability information to build a more detailed understanding of a company's biodiversity impacts and dependencies • Take part in initiatives looking to improve biodiversity measurement for companies and financial institutions	• Expand engagement with companies in high-emitting sectors to include engagement on biodiversity • Use data collected through climate-related reporting to understand biodiversity-related risks • Require companies to embed biodiversity within climate transition plans	• Understand and respond to established and emerging policy and regulation related to biodiversity • Build capacity to respond comply with future regulation by piloting the TNFD Framework • Support an ambitious policy landscape by contributing transparently and proactively to policy and regulation aimed at the finance sector

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ShareAction is a non-profit working to build a global investment sector which is responsible for its impacts on people and planet. We mobilise investors to take action to improve labour standards, tackle the climate crisis, and address pressing global health issues, such as childhood obesity. Over the last 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. We want a future where all finance powers social progress.

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