

AN FTI CONSULTING REPORT

Biodiversity: ESG's new frontier

Corporations need to view their biodiversity and climate strategies in tandem to meet increasing stakeholder expectations

Introduction

Over recent years, as scientific evidence of the decline in biodiversity and natural capital has grown, so too has the realisation of its importance as fundamental to all life on earth. Diverse ecosystems support a healthy, stable environment on which humans have depended for thousands of years, but it is now clear that the biological diversity which supports a healthy planet is under threat from human activity and the impacts of the climate crisis.

Ground-breaking work has sought to attach an economic value to the ecosystem services provided by nature. Biodiversity is the support system of the global economy, with [half of world GDP dependent on nature](#). The UN Environment Programme found that every dollar invested in the restoration of nature creates up to [\\$30 in economic benefits](#). This economic reliance on functioning, diverse ecosystems highlights the potential costs of a lack of action to prevent further decline, alongside the case for the restoration of nature.

The World Bank estimates that the collapse of ecosystem services could result in a [decline in global GDP of \\$2.7 trillion annually by 2030](#). The rate of biodiversity decline is inextricably linked to the acceleration of the climate crisis, as highlighted by the [IPCC's sixth assessment report](#). As such, it is imperative that corporate environmental strategies acknowledge the interdependencies between biodiversity and climate and begin to create holistic Net Zero transition pathways that incorporate the restoration of natural ecosystems.

In line with the growing recognition of the importance of protecting biodiversity, focus on this area has intensified over the past year, with the terms biodiversity, natural capital, and ecosystems weaving their way into the corporate lexicon. [Capital markets partners such as Aviva](#) have set clear biodiversity expectations for their investee companies to protect and restore biodiversity, identify

impacts and collaborate with others to accelerate action. As the UN Convention on Biological Diversity (COP15) approaches and biodiversity reporting frameworks establish, [expectations](#) are growing for companies to act on biodiversity with the same urgency as climate change.

A new [global](#) goal for the world to become nature positive by 2030 and fully restore nature by 2050, sets the tone for corporates who will need to act swiftly on this topic to meet stakeholder expectations. With concurrent environmental challenges of biodiversity loss, climate change, and natural resource depletion, not to mention the multiple other planetary environmental boundaries which are threatened, expectations of companies are evolving and soon Net Zero emissions alone will not be enough – companies will also need to target Nature Positivity.

This short paper sets out in further detail the economic value and implications of biodiversity for businesses, covers the platforms that have been developed for businesses to engage on the issue with partners and wider stakeholder groups and how efforts to better measure impacts are developing and informing best practice in corporate strategy development. While biodiversity is the key focus, it must not be treated in a silo, instead an effective biodiversity strategy must consider the links between biodiversity decline, climate change, and overconsumption of resources.

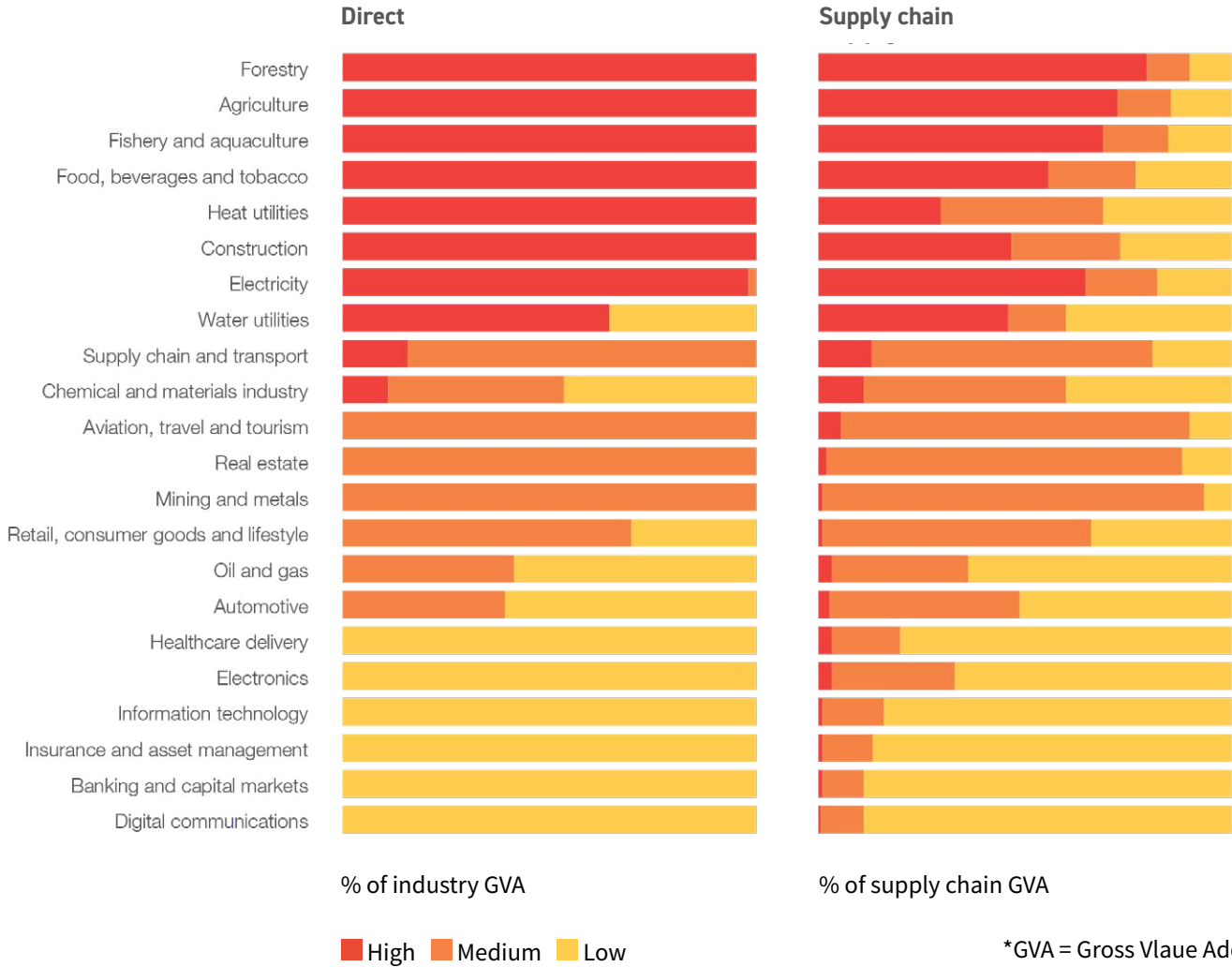
What does biodiversity mean to business?

Over the past few years, the Intergovernmental Panel on Climate Change (IPCC) has made the impacts of the climate crisis on the economy very clear. Their reports have outlined the cost of inaction, while the work of the Taskforce on Climate-related Financial Disclosure (TCFD) has helped capital markets understand the risks and opportunities related to climate change. This work has helped to accelerate the urgency of climate transition plans.

The same is becoming true for biodiversity and natural capital. Although not as publicised as the IPCC’s reports,

the [Dasgupta report](#) highlights how our economies are embedded in nature, not separate from it. According to the Taskforce on Nature-related Financial Disclosure (TNFD), more than half of the world’s economic output – [US\\$44tn of economic value generation](#) – is moderately or highly dependent on nature. Few corporations are currently disclosing the financial risks associated with biodiversity decline, but these figures demonstrate the reliance of economies and businesses on nature and underpin how biodiversity risk equates directly to financial risk.

Percentage of direct and supply chain GVA* with high, medium and low nature dependency, by industry



*GVA = Gross Value Add
 Source: WEF New Nature economy Report, 2020, page 14 https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf

Clearly there is an economic reliance on biodiversity and natural capital to provide the ecosystem services which underpin our prosperity. Stakeholder expectations are beginning to reflect the growing awareness of the financial

impacts of delayed action on biodiversity. Investors are beginning to see the link between biodiversity action and financial risk and are updating their guidelines for investee companies accordingly.



Investment managers, Martin Currie, have begun pushing investee companies to [set biodiversity targets](#) and are increasing accountability for outcomes. They are also taking a research-led approach to incorporating biodiversity in the investment process.



Blackrock has released a formal [approach to engagement on natural capital](#), stating *“we view the careful management of natural capital as a core component of a resilient long-term corporate strategy for companies that rely on the benefits that nature provides”*.



Aviva Investors has set out biodiversity [principles](#) for investee companies, mandating the protection and restoration of nature, encouraging collaboration and necessitating alignment with best practice as it emerges.



Federated Hermes launched a [Biodiversity Equity Fund](#) focusing on supporting corporates to achieve “zero” negative impact on biodiversity by 2030. The fund focuses on the drivers on biodiversity loss, with the strategy covering land pollution, marine pollution and exploration, sustainable living, climate change, farming and deforestation. Federated Hermes see the opportunity in this space as “huge”.

From a supervisory perspective, the Central Banks and Supervisors’ Network for Greening the Financial System (NGFS) [advised](#) that central banks must consider nature-related financial risks to fulfil their mandates, as failure to account for these risks could threaten financial stability.

Awareness from investors and wider stakeholder groups is clearly growing, however pressure from NGOs has persisted for several years. NGOs have been vocal about the shortcomings of some companies with regards to biodiversity which has driven change in practice as a result of wider stakeholder focus. Pressure from all stakeholder groups highlights the potential risks of inaction, as well as the potential benefits of demonstrating leadership.

As the markets respond to the growing threat of biodiversity decline, so too does regulation. From 1st January 2023, the [EU Taxonomy](#) will expand to include activities which demonstrate a positive contribution to the protection and restoration of biodiversity and ecosystems. In the UK, Biodiversity Net Gain legislation went through a [consultation](#) process and is due to be launched 2023. The regulation will mandate that any new building developments from 2023 onwards will need to demonstrate that they have increased net biodiversity. The regulation also provides a framework for the quantification of biodiversity which has remained a challenge for all actors when developing a strategy.



Biodiversity and the Built Environment

Biodiversity and natural capital had perhaps been overlooked in favour of greenhouse gas emission reductions by real estate companies, international frameworks, and regulators, however this is beginning to change. Biodiversity provides a host of [benefits](#) to the real estate sector from quality of life and property valuation benefits to ecosystem services that can improve surface permeability, reduce heat islands and decrease the likelihood of flooding.

Biodiversity and natural capital considerations are beginning to be integrated into widely used real estate reporting frameworks and certification schemes including [GRESB](#) and BREEAM in Use. GRESB has [outlined](#) what the built environment sector should do to accelerate action for biodiversity including considering biodiversity impacts during development, preventing pollution, and harnessing natural ecosystems as infrastructure. GRESB also point out that the built environment sector has not been doing enough for biodiversity because the “*indirect benefits of biodiversity are often not captured by the sector’s financial accounting*”. Biodiversity was [identified](#) as an ESG

issue that requires further development in the GRESB Standards and we can expect this topic to feature more prominently as the standards evolve.

As the real estate industry becomes collectively aware of its responsibility to act on biodiversity loss, regulation is beginning to catch up. [Biodiversity Net Gain \(BNG\)](#) is expected to become a mandatory requirement for all development in England in 2023. The proposed rule will mandate that any development must result in a net increase in biodiversity of a minimum of 10%. The regulation proposed will allow for off-site habitat enhancement to contribute to the net gain, which is essentially a form of nature offsetting. In the EU, the [EU Taxonomy](#) will define technical screening criteria, outlining what sustainable looks like from a biodiversity perspective for the building industry, and from 2023, companies will need to disclose the percentage of their activities that align to the EU Taxonomy’s requirements. While biodiversity may have historically been relatively low down the list of priorities for the built environment industry, regulation, industry frameworks and stakeholder expectations are converging towards increased accountability for biodiversity impact.



Biodiversity, Food and Agriculture

The food industry is fundamentally reliant on biodiversity for crop and livestock production. Ecosystem services are essential to produce food and other agricultural products, including those used in textiles and pharmaceuticals. This fundamental reliance on biodiversity for the production of agricultural products means that the food industry is particularly exposed to risks associated with the loss of natural capital. Not only are the food and agriculture industries highly reliant on natural capital but they can also deplete or fundamentally alter natural resources. The World Economic Forum [estimates](#) that agriculture and industrial expansion has led to the loss of over 85% of wetlands, altered 75% of land surface, and impacted 66% of ocean area.

Regulation is responding to these nature related impacts and risks in the food and agriculture industries. At farm level, the EU reformed the [Common Agricultural Policy \(CAP\)](#) to shift subsidies towards activities that support the transition towards sustainable agriculture and forestry. Post-Brexit, the UK is transitioning away

from CAP and has created the [Environmental Land Management Scheme \(ELMS\)](#) which incentivises sustainable farming through payments for ecosystem services such as promoting biodiversity, using water efficiently, enhancing hedgerows, restoring habitats, or for creating large-scale tree planting or peatland restoration projects.

Directing government subsidies towards environmentally friendly production practices is one means of achieving change through regulation, however regulators in the EU are going one step further by placing responsibility on companies for deforestation in their global supply chains. The [regulation on deforestation-free products](#) places a requirement on companies operating in the EU to ensure they are not importing products associated with global deforestation. The proposed regulation applies to the highest deforestation risk commodities such as soy, beef, cocoa and coffee and will require companies to collect the geographic coordinates of commodity production.

Platforms and Reporting Frameworks

Biodiversity may have inadvertently been put on the backburner as climate became the environmental priority for companies, but that is changing as there is a growing recognition that the two are interlinked and represent comparable levels of risk. The factors are quickly converging to demonstrate the need for companies to act with urgency. The economic impact, the inherent link between biodiversity and financial risk, the increasing expectations of stakeholders, the shifting priorities of investors, and the regulatory changes are all clear – biodiversity and natural capital can no longer be ignored as they are fundamental to prosperity.

A commonly touted reason for inaction on biodiversity is a lack of reporting standards which when coupled with unclear measurement techniques and a lack of existing expertise within companies, lead to delayed strategy creation and excuses for inaction. Despite this, there are a number of platforms, reporting frameworks and measurement tools that are emerging to support companies on their biodiversity journey. What we have observed in other areas of sustainability – that the prominence and sophistication of reporting frameworks has pressurised companies into action – is likely to be replicated in the biodiversity sphere.

COP for Biodiversity

The Convention on Biological Diversity holds a Conference of Parties (COP) every two years. This COP for biological diversity is essentially the biodiversity version of the more commonly known UN Climate Change Conference. COP15 will take place in late 2022 with the objective of agreeing the much delayed Post-2020 Global Biodiversity Framework. This framework will outline guidance for governments and businesses on how the global decline in biodiversity should be tackled. It is hoped that the COP15 summit will set global targets to protect habitats and ecosystems. If targets can be agreed, it is hoped that the meeting in Kunming in China will achieve for biodiversity what the Paris agreement achieved for climate change – a globally agreed framework providing pathways to avert the worst impacts of a biodiversity crisis.

Taskforce on Nature-related Financial Disclosure (TNFD)

The [TNFD](#) will be a close relative of the TCFD and will likely focus on nature-related risks and opportunities. TNFD's core principles are to have market usability, be science-based and focus on nature-related risks.

The TNFD has released [draft recommendations](#). The latest draft framework was released in June 2022 and is the second of four iterative drafts ahead of the final version due to be published in September 2023. The TNFD framework aims to define nature-related risks and opportunities and encourage the incorporation of these considerations into financial decision-making.

The initial recommendations cover three topics:

1. Key concepts and definitions

Including definitions of nature, dependencies, risks and opportunities, as well as an overview of how nature affects financial risk and investor performance

2. Disclosure recommendations

The TNFD disclosure recommendations exactly mirror those of the TCFD, covering governance, strategy, risk management, and metrics and targets.

3. Guidance on nature-related risk and opportunity assessment

The TNFD has responded to feedback from market participants that practical guidance would be helpful to enable organisations to incorporate nature considerations into enterprise risk management processes. In response to this feedback, the TNFD has developed the [LEAP approach](#).

LEAP approach

LEAP stands for Locate, Evaluate, Assess and Prepare. The approach outlines how a nature-related risk and opportunity assessment should be undertaken in line with the proposed TNFD framework



Locate

This phase involves understanding the interface between the business and nature. Beginning by understanding the footprint allows the business to understand its interfaces with nature, both through direct operations and within the value chain



Evaluate

Identifying dependencies and impacts. Once the business has understood its interface with nature, it can analyse how dependent business activities and processes are on environmental assets and ecosystem services. During this phase, the company can identify the size and scale of its dependencies and impacts on nature across its locations.



Assess

Understanding material risks and opportunities. This phase involves translating interfaces, dependencies and impacts into their associated risks and opportunities.



Prepare

Responding and reporting. Responding involves creating a strategy as a result of the analysis and allocating resources accordingly. Reporting is the final step, which involves disclosing in line with the TNFD recommendations.

Due to the close relationship between the TNFD and TCFD, we will likely see this framework continue to draw out the close link between nature and climate related risks. While its comparator TCFD may have taken time to become embedded in public company reporting, it has now become a guiding light for investors, regulators and companies in a host of markets – either being used directly or inspiring similar frameworks. If that experience is anything to go by, the TNFD could be a power tool in driving a change in approach to biodiversity. As such, remaining apprised regarding the development of this reporting framework should remain a key priority for all companies.

SBT for Nature

The Science-Based Targets (SBT) Network is developing a Science-Based Target for Nature. The targets will align to the Convention on Biological Diversity's Post-

2020 Framework and will be designed to support the Sustainable Development Goals (SDGs). The SBT Network has released [initial guidance](#) for businesses which is open for consultation. The SBT Network wants businesses to join their [Corporate Engagement Programme](#) to help build the guidance, tools and methods used to set a Science-Based Target for Nature.

International Union for the Conservation of Nature (IUCN)

The IUCN is an international organisation aiming to conserve nature and promote the sustainable use of natural resources. The IUCN published [Guidelines for Planning and Monitoring Corporate Biodiversity Performance](#) in 2021. As of yet, there are no specific metrics or KPIs that are recommended, instead the IUCN recommends a four-step approach for corporates looking to improve oversight of their biodiversity performance.

The four steps are:

1. Understanding the company's impact on biodiversity and identifying priority species, habitats and ecosystems
2. Developing corporate biodiversity vision, goals and objectives and identifying key strategies to deliver them
3. Developing a framework of linked core indicators that allows data aggregation at corporate level
4. Collecting, sharing and analysing data. Learning lessons and adapting

The framework also provides supporting enabling factors and is a very practical guide on getting started with a corporate biodiversity plan.

Natural Capital Protocol

Launched in 2016, the [Natural Capital Protocol](#) aims to provide a similar decision making framework for natural capital to the guidance provided by the Greenhouse Gas (GHG) Protocol for GHG emissions. The Protocol aims to provide guidance to enable companies to identify, measure and value their direct and indirect impacts and dependencies on natural capital. The Protocol outlines a nine step process to determine the scope of the strategy, determine impacts and dependencies, measure impact drivers and changes, and take action on natural capital.

Nature Action 100 – Proposed

There are proposals to create a [Nature Action 100](#) which replicates the success of the [Climate Action 100+](#) initiative launched in 2017. The proposals would involve the creation of an investor-led initiative that would encourage action on biodiversity from the biggest corporate contributors to biodiversity decline. If established, Nature Action 100 is likely to become a platform through which investors can articulate clear expectations for corporate action on biodiversity, supporting corporate goal setting.

UN Sustainable Development Goals (SDGs)

The UN SDGs outline the action required to achieve global sustainable development. UN SDGs 14 and 15 directly outline the action that must be taken to support life on land and below water.



UN SDG 14 – Life Below Water

SDG 14 aims for the conservation and sustainable use of the oceans, sea and marine resources for sustainable development. This includes global targets to prevent marine pollution, protect marine ecosystems, address ocean acidification, and preventing overfishing.



UN SDG 15 – Life on Land

SDG 15 aims to protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss. Targets include conserving and restoring terrestrial ecosystems while minimising future degradation.



Tools for biodiversity measurement

Biodiversity impact measurement is challenging. It is true that when compared to climate change, where impact can be measured in CO₂e, companies face challenges identifying a single metric that expresses and measures their impact on biodiversity. Tools are emerging to help bridge this gap, however, much like nascent phases of other areas of sustainability, there remains a lack of consistency

ENCORE

[ENCORE](#) was developed by the [Natural Capital Finance Alliance](#) in partnership with [UNEP-WCMC](#). The ENCORE platform provides spatial data relating to dependencies, impacts and hotspots of biodiversity and natural capital. The platform allows the user to zoom in to areas of operation and sourcing areas and assess whether natural capital stocks in that location have been depleted. The ENCORE tool can be used as a reference for baseline natural capital stock data which can be used to form the foundation of a natural capital strategy. The tool can also be used from a risk assessment perspective, allowing the user to understand whether operational or sourcing areas are particularly rich in natural capital, and therefore these operations pose a risk of natural capital depletion.

TRASE Tool

Since much of a company's biodiversity impact is created in the supply chain, [TRASE](#) is one of many tools which provides insights on the biodiversity impacts of commodity sourcing based on sourcing location. Beyond the supply chain angle, TRASE allows the finance sector to explore their direct and indirect exposure to deforestation and other biodiversity risks. By bringing together supply chain mapping with data on commodity ownership, lending and company legal structures, TRASE is able to provide intelligence to the finance sector on potential deforestation exposure through investment in commodities. TRASE Finance currently only covers Brazilian beef, soy and Indonesian palm oil, however, the platform allows the finance sector to understand and manage its deforestation risk.

and consensus on a common metric which should be reported. Much like the valuation of a companies' financial performance, despite a strong will from the corporate world to find a single, 'silver-bullet' metric, there will likely never be just one universal natural capital KPI. The tools listed here provide some guidance to companies to support their measurement of biodiversity and natural capital impacts.

International Biodiversity Assessment Tool (IBAT)

The [IBAT tool](#) is a collaboration between UN WCMC, the IUCN, Conservation International and Bird Life International. The tool is similar to the ENCORE tool, however, IBAT allows the user to view geographical locations which are critical for the conservation and restoration of nature. Companies are using the tool to screen for biodiversity risks in the supply chain and to identify biodiversity information for potential investments or funding opportunities. The Cambridge Institute on Sustainability Leadership [described](#) the tool as providing an ideal entry-level metric that *"allows a company to undertake a rapid risk-screening of its sourcing in order to identify where the greatest impacts are likely to occur, thereby helping to prioritise further investigations and interventions and reduce company exposure to biodiversity impacts."* The tool is also being used by investment funds to calculate the risk of serious biodiversity loss associated with investments.

Others

There are many other biodiversity impact measurement tools. Many tools are industry specific, such as [Global Forest Watch](#) which monitors global deforestation levels and can be used to track issues for high deforestation risk industries such as food production. [Global Fishing Watch](#) is a similar marine based platform which supports the monitoring of overfishing and is useful for the food industry to ensure their suppliers are only sourcing from sustainable fisheries.

These biodiversity measurement tools are helpful when forming an approach, providing incredible levels of detail on geographical biodiversity stocks and supporting the identification of high-risk locations. Biodiversity measurement is a challenge while reporting frameworks are still in development, which could leave many corporates questioning how to set and implement an effective biodiversity strategy. It would be easy to sit and wait until the frameworks, measurement techniques and regulation becomes clearer, but clearly stakeholder expectations are shifting in this space. With investors and other stakeholders increasingly expecting companies to operate in an environmentally sympathetic manner, sitting and waiting is beginning to pose a reputational risk.

How to create a biodiversity strategy

A biodiversity strategy should be credible, ambitious, and simultaneously grounded in data. Initiating the creation of a biodiversity strategy may seem challenging, however for companies that have created a climate strategy, the process is similar. Assessing baseline performance, identifying high impact areas, aligning with frameworks, and ultimately acting to reduce negative impacts whilst increasing positive impacts are common principles across both climate and nature-related strategies. These similarities are no coincidence since biodiversity and climate are essentially two sides of the same coin and those with existing climate strategies are at an advantage when tackling these interlinked issues.

Companies who have not yet started integrating biodiversity into their sustainability strategies can start by looking at what data is available to them, investigating the tools that can support the identification of impacts on biodiversity and reliance on natural capital. Following [the first step of the LEAP approach](#) outlined in the draft TNFD framework would allow a company to identify nature-related risks, dependencies, and impacts, and represents a good starting point for companies in the early phases of biodiversity strategy development.

1. Understand the baseline

- While difficulties in measurement and data gathering for biodiversity persists, tools and ecologists can provide support and guidance to measure baseline biodiversity data include operational and value chain impacts
- Beginning with the first step of TNFD's LEAP approach will help companies to identify baseline risk, dependencies and impacts



2. Identify hotspots

- Understanding the baseline data is important, but this should be built on by understanding where the true impact lies through a hotspot analysis
- Be strategic – identifying where risks occur and where the greatest impact can be created
- Hotspot analysis allows any company to understand where to focus efforts to reduce negative impacts. It could be in supply chains, operational sites or within specific investment sectors or geographies



3. Align with frameworks and set targets

- Align with existing and draft frameworks such as TNFD, IUCN, and the Natural Capital Protocol. These frameworks provide guidance on what should be measured and reported, including determining nature related financial risk
- Engage with the SBTi for Nature and set targets to align with global goals to be nature positive by 2030
- Where possible, integrate biodiversity and climate strategies. Identify areas where both topics can be considered

4. Reduce negative impacts

- Work on impacts identified in the hotspot analysis. This may involve working with suppliers or investees
- Minimising negative impacts may necessitate the implementation of new approaches including supporting suppliers to produce commodities through new, biodiversity friendly methods
- Often there are simple changes that can be made to improve biodiversity, particularly in company facilities
- Don't underestimate the synergies between biodiversity action and the implementation of other facets of the ESG strategy, including health and wellbeing, emissions reduction, and reducing water usage

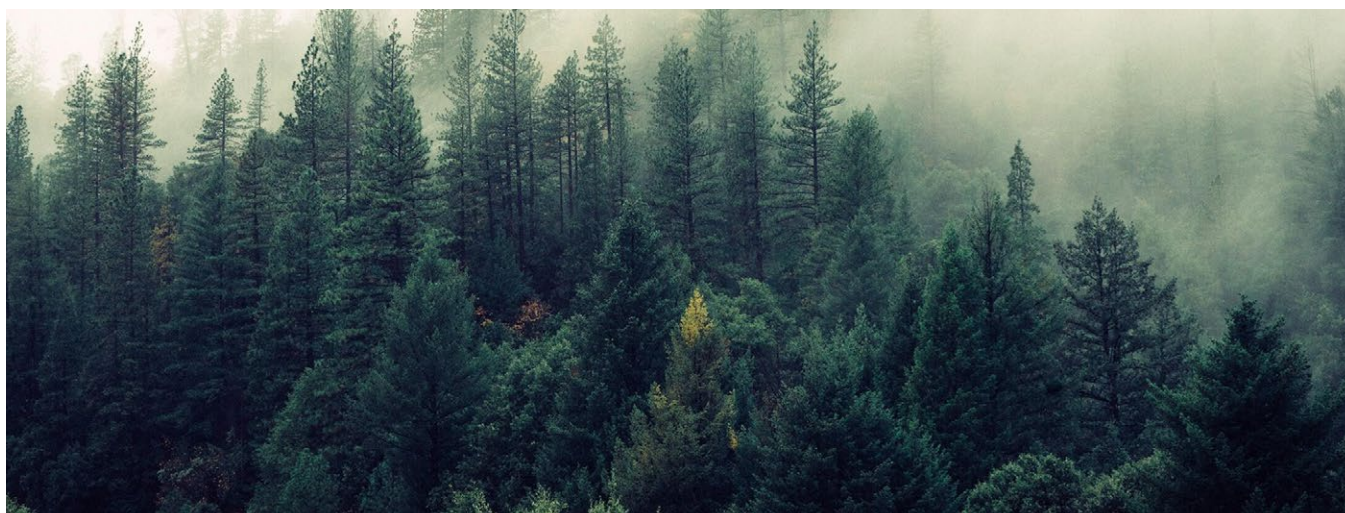


5. Restore and enhance nature

- Go beyond minimising negative impacts by developing programmes to restore nature around areas of operation
- Restoration approaches can focus on specific geographical areas, product types or even particular species under threat
- Always work with local communities to understand potential wider impacts and create and measure social and economic co-benefits
- Work with qualified ecologists to develop nature restoration plans that are appropriate for the native ecosystem
- Engage the entire workforce on the journey and ask them to get involved by taking their own nature-positive actions

Following the five step approach outlined here may seem like an extensive process, but it is important to understand impacts and risks upfront and ensure efforts to remediate these are focussed where they can be most effective. Companies do not need to wait until step five to report on biodiversity, instead companies should be transparent

about where they are on their journey towards integrating biodiversity into sustainability strategy. By outlining the process undertaken in steps one to three, companies can generate credibility for creating a strategy that is thoughtful and measured. Many companies have already begun on this journey.



Companies proactively engaging on biodiversity

Zurich Insurance Group – Zurich Forest project

In 2020, Zurich joined forces with Instituto Terra, a non-profit founded by Lélia and Sebastião Salgado in 1998 in Brazil, helping restore a unique ecosystem once destroyed by cattle farming. Instituto Terra aims to regrow part of the great Atlantic Forest formerly dominating Brazil's eastern coast. Restoring natural ecosystems has multiple benefits including supporting people in the area through restoring water supplies and the regeneration of indigenous plants and animals. Since starting in 1999, Instituto Terra has planted 2.3 million native seedlings. Zurich established a grant that will enable a further one million seedlings to be planted over eight years in a project known as the [Zurich Forest project](#). The restored forest will be fully self-sustaining and biodiverse. Over and above the restoration, Instituto Terra is also educating the local communities on the importance of conservation and the environment, while sharing techniques it has learnt to regenerate the natural habitats. An important employer in Aimorés, it has significant co-benefits for the local economy and communities. The Zurich Forest project provides a model case study of how a company can restore and enhance nature while maximising impact by considering social and economic co-benefits.

Unilever – regenerative agriculture

Unilever understood the potential impacts and risks agricultural supply chains could pose on the loss of biodiversity and natural capital and responded to these risks by pioneering an [ambitious approach](#) to restore the health of the planet both in its supply chain and beyond. Requiring around 4 million hectares of land to grow the raw materials for its products, Unilever understood that the current levels of nature loss poses a significant risk to the business. With this in mind, it set out to protect the planet and regenerate the natural world by growing food in a more nature-friendly way, implementing a new approach. At a farm level, this meant Unilever had to adapt standard practices towards more regenerative agricultural techniques. In doing so, Unilever created a set of principles called the [Regenerative Agricultural Principles](#).

Regenerative Agriculture Principles

The principles support the implementation of agricultural practices that:

1. Have positive effects on soil health, water and air quality, carbon capture and biodiversity
2. Enable local communities to protect and improve their wellbeing and environment
3. Produce crops with sufficient yield and nutritional quality to meet existing and future needs, while keeping resource inputs as low as possible
4. Optimise the use of renewable resources while minimising the use of non-renewable resources

In practice Unilever set up what it calls a number of Lighthouse Programmes to test the implementation of the Regenerative Agricultural Principles. The programmes help it understand the kind of support suppliers and farmers will need to start implementing the principles. It has also created a network of soil and farming experts to support suppliers and farmers identify which practices will deliver the most positive impact, while also supporting the development of tracking and measurement systems.

While working to minimise its negative impacts, Unilever also looks beyond its own impacts to consider the wider impact of agricultural and industrial practices. Where there is an opportunity, it will work with suppliers and farmers to restore natural ecosystems. It has a partnership with WWF Malaysia to support the RSPO-certification of 60 000 hectares of oil palm plantations in Sabah, East Malaysia. The project focuses on restoring wildlife forest habitats and improving connectivity between fragmented forest blocks, allowing wildlife movement.

Accelerating a biodiversity strategy

When faced with a growing list of ESG topics which need to be tackled at a corporate level, it can be difficult to understand what to prioritise. Biodiversity may have been in the shadow of climate change for many years, however, the link between the two allows for the implementation of holistic strategies which consider biodiversity and climate impacts in tandem. The decade to 2030 is the UN Decade of Ecosystem Restoration, providing an ideal backdrop for corporate biodiversity action. To develop an impactful biodiversity strategy at the pace required to achieve global goals will require a concerted effort from companies and investors. Once a biodiversity strategy has been set and adopted, it can be important to accelerate action and ensure buy in across the business. To promote action and ensure the successful implementation of a biodiversity strategy, companies can adopt biodiversity metrics in executive remuneration, join industry partnerships or engage in corporate advocacy.

Biodiversity in Remuneration

Including ESG metrics in remuneration policy is a [growing trend](#) to gain executive buy in for the sustainability strategy of the business. It is hoped that by linking short- or long-term incentive plans to ESG goals, these goals will receive executive support and in turn will be achieved at an accelerated pace. The same can be done for a biodiversity strategy. Linking the delivery of biodiversity goals to executive remuneration creates top-down momentum to achieve these goals and signals to the market that biodiversity and natural capital are priorities for the business. While biodiversity is a non-financial consideration, there are significant nature-related financial risks as highlighted by the TNFD framework. This link between financial and non-financial considerations provides further incentive to incorporate biodiversity in incentivisation at the highest possible level of the business.

Industry Partnerships

As outlined, there are several limitations of corporate action on biodiversity – lack of consistent approach, reporting frameworks at various stages of maturity, and complex, disparate data. It would be overwhelming for any company to tackle these challenges alone. Pre-competitive industry partnerships are a useful method of simplifying these complex tasks and clearing the murky waters of biodiversity strategy through a sector specific lens. [Proteus](#) was set up by companies in the extractives industry to develop measurement methods for the sector's impact on biodiversity. The companies aim to share data through the partnership to enable improved decision making to protect biodiversity and minimise negative impacts. This partnership has led to the standardisation of global data on biodiversity, improvements to biodiversity tools, and the creation of frameworks to support mitigation action.

Corporate Advocacy

Policy is building around biodiversity, but it still lags far behind climate. Companies can use their corporate voice to urge policymakers to implement regulation around biodiversity to create the standardisation and frameworks required to provide meaningful goalposts on biodiversity action. For example, the [Finance for Biodiversity Foundation](#) has suggested changes to the Post-2020 framework ahead of COP15. The Foundation has requested specific policy for capital markets to ensure negative impacts on biodiversity are reduced and positive impacts are incentivised, as well as requesting that financial flows are expanded to include private capital as well as public spending. Employing corporate advocacy and lobbying to introduce biodiversity related legislation on companies allows businesses to influence the nature of the regulation as well as demonstrating the will of the private sector to act on biodiversity.



Conclusion

Biodiversity and natural capital are the support system of our economy. Biodiversity collapse and its far-reaching implications are almost too severe to comprehend. There is an ever-narrowing window of time to act both on climate and natural capital to avoid the worst impacts of environmental collapse. Not only are the warnings severe, so too are the financial risks of inaction. Priorities are changing, with regulation, investor and stakeholder expectations all converging to encourage corporate action on biodiversity and natural capital. Biodiversity has often seemed like the more complex relative of climate change, however emerging regulation, measurement tools and reporting frameworks simplify the task for businesses who need to develop biodiversity strategies and implement action with urgency.

Biodiversity and natural capital cannot be viewed in a silo, instead they must be considered in tandem with the wider environmental strategy. Climate transition pathways

should consider how synergies can be achieved between biodiversity and climate action. Biodiversity should also not be siloed from corporate strategy. The link between climate and biodiversity means that inaction on one topic ultimately limits achievements on the other, creating potential negative feedback loops that rapidly turn into irreversible tipping points. However, this link between climate and nature need not be all doom and gloom, instead it can be seen as an opportunity to restore nature and in turn create positive feedback loops that mitigate climate change.

We have explored how biodiversity underpins the economy, providing essential ecosystem services that create prosperity, however its exploitation no longer makes business sense. Companies will need to transition their thinking from being separate to nature towards being fundamentally integrated in natural ecosystems.



HOLLY PETTINGALE

Director, ESG & Sustainability, Ireland
holly.pettingale@fticonsulting.com

MARTIN PORTER

Senior Adviser, Strategic Communications Belgium
martin.porter@fticonsulting.com

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