ABMB Aligning Biodiversity Measures for Business

Technical Workshop on Aligning Biodiversity Measurement Approaches for Business

October 29, 30 & 31 2019 in Rio, Brazil (Lab de Cocriação at Casa Firjan)

Discussion Paper 2: Corporate biodiversity measurement approaches within the current and future global policy context

We encourage participants of Days 2 and 3 of the workshop to read this Discussion Paper before the workshop as it will form the basis for discussion throughout the two days.

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Contents

Summary

The Aligning Biodiversity Measures for Business initiative seeks to form a common view among key stakeholders on the measurement, monitoring and disclosure of corporate biodiversity impacts. Doing so will encourage the development and uptake of credible indicators and drive improved corporate performance.

This discussion paper reviews the drivers and frameworks and current practice around corporate disclosure on biodiversity and investigates the role of biodiversity measurement approaches as part of future disclosure for informing global policy targets. It is based on a limited literature review and discussions with government representatives in Brazil, China, France, the Netherlands, South Africa and the United Kingdom. The final document will be submitted as an information document into the Convention on Biological Diversity (CBD) negotiation process to brief policy makers on the current status of corporate biodiversity reporting.

Current disclosure policies and practice:

- **There is growing recognition of the need for businesses to measure and report on impacts and dependencies on biodiversity** as awareness of the material risks that biodiversity loss presents to business grows.
- **International agreements, policies and targets,** particularly the development of the Post-2020 Global Biodiversity Framework **could play a role in driving corporate disclosure of biodiversity impacts and dependencies** by providing a framework to report against. However, business responsiveness to such targets have been limited. There are now over 100 countries with policies and legislation related to No Net Loss or Net Gain[1]. Such policies require quantification of biodiversity impacts and mitigation effort.
- **Few mandatory mechanisms for corporate sustainability reporting provide explicit guidance on biodiversity.** France is one exception where biodiversity is explicitly mentioned among topics covered in mandatory non-financial reporting documents.
- **A number of voluntary disclosure mechanisms address biodiversity and have achieved widespread uptake** (e.g. the Global Reporting Initiative) and a number of initiatives are emerging to improve future corporate disclosure on biodiversity.
- **Governments can play a role in encouraging these voluntary efforts**, which achieve greater dialogue between governments and companies than mandatory mechanisms.
- **Enacting further legislation on disclosure** may meet resistance, therefore it is suggested that a clear rationale is needed for how this would encourage better performance.

Current and future practice of corporate biodiversity reporting and disclosure:

- The **quality of biodiversity information disclosed by companies is currently poor**, with a focus on management narratives and little quantitative, non-monetary information. To effectively report on biodiversity, changes in its status (extent and condition) due to corporate activities and those of others must be measured and disclosed. Current disclosures do not enable a picture of corporate risk exposure and performance to be formed.
- **Corporate environmental disclosure is limited to environmental flows** (e.g., emissions, solid waste, material inputs) and there are very low levels of company participation in biodiversity-specific disclosure mechanisms.

[1] https://portals.iucn.org/offsetpolicy/

Biodiversity measurement approaches and corporate disclosure

- Although not developed for that purpose, t**he corporate biodiversity measurement approaches analysed in this project have the potential to support improved disclosure of biodiversity** impacts and risks in different ways and hence may help companies communicate their contributions to the SDGs and the future Post-2020 Global Biodiversity Framework under the CBD. Pressure-based approaches are valuable, for example, where measured data is not available.
- **Transparency on methods and limitations will be particularly important.** Measurement approaches focus on different dimensions of biodiversity (e.g. species versus loss of habitats) and have different underlying methodologies. These variations make it particularly important that approaches are transparent in their scope, limitations and their implications for decision making.
- **A broadly agreed accounting framework can support corporate disclosure by providing an assessment of net impacts over time.** The Biological Diversity Protocol (BD Protocol) is being developed to serve this purpose. Some biodiversity measurement approaches (e.g., those relying on biodiversity pressure and economic data to model biodiversity impacts) may not be readily applied within the context of the Protocol.
- **Common ground principles can be applied to improve the extent to which measurement approaches can support the needs of corporate biodiversity disclosure**. These principles can therefore be informed by existing disclosure principles, such as those proposed by the Biological Diversity Protocol that includes relevance, completeness, consistency, transparency, equivalency, accuracy, and time period assumption.

Introduction

The Aligning Biodiversity Measures for Business initiative seeks to form a common view among key stakeholders on the measurement, accounting and disclosure of corporate biodiversity impacts. Through this we hope to encourage the measurement and disclosure of credible biodiversity impact information which in turn will drive improved corporate biodiversity performance in the context of the Sustainable Development Goals (SDGs) and the Post-2020 Global Biodiversity Framework.

Business activities, through their use of water, land and other resources and their emissions are contributing to the loss of biodiversity and degradation of ecosystem function and the services ecosystems provide to business and society as a whole. These impacts and dependencies create risks for companies such as loss of the social and legal licences to operate, disrupted production, inability to access finance (or more costly finance), timely project delivery and more. The World Economic Forum 2019 review of global risks placed accelerating biodiversity loss as among the most pressing environmental challenges facing us[2]. In line with this, there is increasing recognition in the private sector of the need to both quantify and disclose information on corporate biodiversity management to mitigate these risks.

This document seeks:

1. **To examine the current frameworks for corporate disclosure of impacts on biodiversity.** This includes the role of international frameworks, regulatory and voluntary mechanisms;
2. **To review current practice on corporate biodiversity reporting and disclosure and where the gaps are** for driving improved performance and contributions to global biodiversity and societal goals, namely the Sustainable Development Goals, as well as the Convention on Biological Diversity Aichi Targets and Post-2020 Global Biodiversity Framework;
3. **To identify future corporate biodiversity disclosures and the possible contributions of biodiversity measurement approaches** to assessing corporate progress on policy commitments, and the actions required to promote their uptake.

This paper builds on the Convention on Biological Diversity Decision XII/10,[3] which provided a background on the status of corporate reporting on biodiversity and ecosystem function. This paper is based on a desk-based review of the literature, input from policy experts within six countries – Brazil, China, France, the Netherlands, South Africa and the United Kingdom, and a webinar with policy representatives. While not a comprehensive analysis, the scope of this paper seeks to cut across a range of experience and countries and will inform discussions during the upcoming workshop in Rio de Janeiro, Brazil in October 2019.

[2] World Economic Forum. Global Risks Report 2019.
[3] https://www.cbd.int/decision/cop/default.shtml?id=13373

Current disclosure policies and practice

International frameworks

Multilateral Environmental Agreements could play a role in driving corporate disclosure of a company's environmental performance, by setting the targets for what should be considered within those disclosures. For example, there have been efforts to demonstrate how company activities are or could be contributing to the achievement of the Sustainable Development Goals (SDGs). The SDGs also include the need for corporate reporting as means to drive uptake of more sustainable practices (Target 12.6 see Box 1). In 2018, 89% of corporate sustainability reports reviewed acknowledged the SDGs in some way, and 53% mapped their sustainability strategy to relevant SDGs and provided some evidence of activities.[4] However, those SDGS specifically relating to biodiversity (SDG 15 Life on Land and SDG 14 Life below Water) have been shown in a recent study by accounting firm KPMG to be those SDGs that are least prioritised for corporate reporting[5].

Box 1: Target 12.6
Encourage(s) companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

There has been little to no corporate reporting against the current Strategic Plan of the CBD and its Aichi Targets, despite the alignment with corporate activities.[6] Discussions held with UK businesses in 2018 highlighted the challenges around business awareness of the Aichi Targets and their relevance for business reporting.[7] Many companies are unaware of the nature of the Aichi strategic goals themselves, namely:

- **Strategic Goal A:** Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society
- **Strategic Goal B:** Reduce the direct pressures on biodiversity and promote sustainable use
- **Strategic Goal C:** To improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity
- **Strategic Goal D:** Enhance the benefits to all from biodiversity and ecosystem services
- **Strategic Goal E:** Enhance implementation through participatory planning, knowledge management and capacity building

The CBD has emphasised the need to encourage improved corporate reporting on biodiversity. At the twelfth meeting of the Conference of the Parties, Decision XII/10, on business engagement, invited Parties and businesses to take steps to increase the degree of reporting by businesses and requested the Executive Secretary to establish a typology of actions (

[4] Reporting Matters (2018) World Business Council on Sustainable Development

[5] How to report on the SDGs: What looks good and why it matters (2018) KPMG. https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/02/how-to-report-on-sdgs.pdf

[6] Smith, T., Addison, P., Smith, M. & Beagley, L. (2018) Mainstreaming international biodiversity goals for the private sector: Main Report & Case Studies, JNCC Report No. 613, JNCC, Peterborough, ISSN 0963-8091.

[7] ENGAGING BUSINESS IN THE DEVELOPMENT OF A POST-2020 GLOBAL BIODIVERSITY FRAMEWORK (2018) Note by the Executive Secretary. CBD/COP/14/INF/5

Table 1).

Table 1: Revised typology of actions taken from the guidance for reporting by businesses on their actions related to biodiversity report prepared by the Executive Secretary of the CBD.

Theme	Main Topics	Aichi Targets
Commitment	• Biodiversity appears a material issue • Existence of a biodiversity policy statement • Management approach to biodiversity reported on • Reports include a CEO letter which specifically refers to biodiversity	Strategic Goals "A" and "E"
Engagement	• Action taken to address biodiversity impacts, risks and opportunities • Specific examples of engaging with stakeholders, e.g. suppliers • Partnerships with NGOs and other organizations on biodiversity related projects • Funding specific biodiversity related projects	Strategic Goals "A", "B", "C", "D" and "E"
Measuring	• Identifying risks and opportunities • Using tools and other means to measure both positive and negative impacts • Reporting on biodiversity specific indicators such as GRI • All operations with significant impact taken into account in measurements	Strategic Goals "A", "B", "C", "D" and "E"

This work highlighted the following:

- A growing number of reporting frameworks leading to inconsistent and incomplete reporting,
- A lack of information on corporate action within the CBD national reports, and
- Challenges around accessing this information due to the fragmentation of corporate reporting efforts.

The typology of actions was strongly based around the voluntary reporting standards – the Global Reporting Initiative. It was proposed as a way to both improve and harmonise reporting on biodiversity impact and recognised the need for a cooperative approach among the Parties, various international and national stakeholders, the existing global reporting schemes, and the business community to achieve this.[8]

Despite such efforts, there seems to have been little uptake at the national level, and awareness of these decisions remains limited to the environmental ministries in countries. In part this is likely to be due to policies and legislation related to business activities falling under a separate institution (e.g. The Department for Business, Energy, and Industrial Strategy in the UK). Mainstreaming of CBD decisions into the other national institutions beyond the environmental ministries is a key challenge in most countries. Some countries have mechanisms in place to overcome this division between national institutions. For example, the Biodiversity Industry Network in Brazil was a group of nearly 50 companies and institutions whose purpose is to implement the decisions under the CBD and propose policy. Now disbanded, they formerly liaised with the Brazilian government when

[8] Business Reporting on Biodiversity. Note by the Executive Secretary to the Convention on Biological Diversity (2016).

committees were in place under the former administration. Such groups can be important mechanisms for mainstreaming CBD decisions, including that related to corporate reporting, but their effectiveness relies on a strong connection with the relevant government departments.

A number of initiatives are emerging to better engage business in the development and implementation of the Post-2020 Global Biodiversity Framework. For example, the Business for Nature coalition, We Mean Business, the Consumer Goods Forum, the World Economic Forum, the Natural Capital Coalition and WWF all aim to drive business momentum for the Nature Action Agenda. In addition, the Informal Advisory Group on mainstreaming under the CBD are investigating how to integrate private sector considerations into the development of the Post-2020 Global Biodiversity Framework. Such groups are important for communicating the role of existing biodiversity measurement approaches in setting the future framework. .

At the national level, The UK's Department for Environment and Rural Affairs, along with the Joint Nature Conservation Committee, BP, and other UK partners are leading on an initiative to strengthen the voice of UK business in the development of the new framework. A workshop was held in London in October 2019 that aimed to identify how business priorities could be better reflected and promoted through the Post-2020 Global Biodiversity Framework, with principles such as No Net Loss and Net Gain of biodiversity being highlighted. In discussions with country representatives in Brazil, South Africa, the UK, China and France, it was felt there was an opportunity for greater uptake of corporate reporting in the Post-2020 Global Biodiversity Framework. However, this would be dependent on national government led guidelines and an improved structure of the National Biodiversity Strategy and Action Plans might be needed to help achieve this. In addition, the input from businesses to individual governments in the development of the Post-2020 Global Biodiversity Framework has been low and varies to a large extent by country, with little to no involvement of business in Brazil and China in its development to date.

Regulatory reporting mechanisms

Financial reporting

Financial accounting is the process of recording, summarizing and reporting the myriad of transactions resulting from business operations over a period of time and across different geographies where the business is operating. Heavily regulated (e.g., International Financial Reporting Standards), financial accounting is based on double-entry bookkeeping (DEBK), whereby every financial transaction entered into an account has an equal and opposite effect in at least one other account (e.g., Trotman & Gibbins, 2003[9]). These transactions are summarized in the preparation of financial statements, including the Statement of Financial Position (or Balance Sheet) and Statement of Financial Performance (or Profit & Loss Statement). DEBK thus allows companies to account and disclose both annual performance, through the Statement of Financial Performance, and the net (or accumulated) result of past annual performances via the Statement of Financial Position.

Biodiversity-related transactions are recorded in financial accounting. These may include assets (e.g., stocks of biological materials to be sold), sales (e.g., biodiversity-related consulting services, sale of wild fish), expenses (e.g., biodiversity-related impact mitigation activities) and liabilities (e.g., future biodiversity offset expenditures). However, due to financial materiality thresholds (i.e. separate disclosure of information only above certain amounts), biodiversity-related financial

[9] Trotman, K. and Gibbins, M. (2003). Financial Accounting: An Integrated Approach. Thomson.

information is rarely disclosed separately by companies in financial statements. Exceptions include detailed biodiversity-related expenditures related to major accidents, such as oil spills.[10]

Non-financial reporting

The EU Non-Financial Reporting Directive covers reporting on the five areas of environment, social & employee, human rights, and bribery & corruption at the EU level. Under the Directive, approximately 6,000 groups across the EU must report. These groups include banks and insurance companies with greater than 500 employees, as well as large listed companies. The Directive gives companies significant flexibility to disclose relevant information in the way they consider most useful, and companies may use international, European or national guidelines to produce their statements. The Commission's non-binding guidelines further assist companies with disclosing relevant non-financial information.[11] Since the definition of a material issue within this includes both financial materiality and impacts on the environment, biodiversity is included within this reporting requirement.

Additionally, the EU Sustainable Taxonomy Proposal was recently developed by the European Commission. The Taxonomy is a list of economic activities that are considered environmentally sustainable for investment purposes. Companies following the Taxonomy will have to comply with the following three conditions: a) Substantially contribute to at least one of six environmental objectives, ranging from climate change mitigation to protection of healthy ecosystems; b) Do no significant harm to any of the other six environmental objectives; and c) Meet minimum social safeguards. The two mandatory users of this information are a) financial market participants offering financial products; and 2) EU/EU Member States, when adopting measures or setting requirements on market actors with respect to such financial products. The Taxonomy can be used on a voluntary basis by credit institutions and other issuers.

While limited, there are few examples of legislated requirements for biodiversity disclosure. There are, however, some national level requirements related to sustainability or annual reporting. For example countries that have passed legislation on the disclosure of non-financial information include The Netherlands in 1997 and the United Kingdom in 2006 and in 2008. France, was one of the first countries to establish an obligatory, non-financial reporting system for certain companies and in 2012, France was the first country to explicitly refer to biodiversity among the subjects to be covered in non-financial reporting documents[12]. Additionally, France developed its National Plan for Biodiversity in 2018. The Plan mentions that activities will be undertaken to push companies to assess their biodiversity footprints, and there is an agenda to push the Plan at the EU level after 2020[13]. In China, an Annual CSR Report is 'required' by the State Administration of State-Owned Enterprises', a state institution to oversee and supervise the Chinese state-owned enterprises. Companies must report on biodiversity and ecosystem services impact in this report. While South Africa has a well-developed policy and legislative framework for biodiversity, mandatory disclosure requirements for public and private South African companies listed on the stock exchange, such as KING IV, do not include specific requirements around biodiversity.

Although there have been legislative advances in non-financial disclosure related to sustainability, the comprehensive inclusion of biodiversity remains limited. For the most part, countries encourage

[10] https://www.accaglobal.com/content/dam/acca/global/PDF-technical/environmental-publications/natural-capital.pdf

[11] https://ec.europa.eu/info/publications/non-financial-reporting-guidelines_en

[12] IUCN French Committee (2014) Corporate Biodiversity Reporting and Indicators: Situation Analysis & Recommendations. Paris.

[13] https://biodiversitetousvivants.fr/sites/default/files/2019-04/18xxx_Plan-biodiversite-04072018_28pages_FromPdf_date_web_PaP.pdf

rather than mandate companies to disclose biodiversity information. For example, the UK's environmental reporting guidance includes biodiversity and explains how companies can set targets or "key performance indicators". The Netherlands produced a Guide to Sustainable Reporting in 2003 that states sustainability reporting should also disclose information on the effects of business operations on biodiversity and the measures taken to limit these. It does not, however, provide guidance on how this is to be done, leading to highly variable disclosure of biodiversity impacts and mitigation. Furthermore, disclosure around biodiversity tends to be more risk-oriented than opportunity-focused and thus not amenable to all business applications.

Impact Assessment reporting

One mandatory system for monitoring in countries relates to Environmental Impact Assessment (EIA) regulations. Where biodiversity impacts have been included, this very often requires assessment of potential impacts and monitoring to ensure compliance with the Environmental Management Plan and/or Biodiversity Action Plans. This process, however, is at the project level rather than at the corporate level, and the outputs of these monitoring programmes are not necessarily included in corporate level reporting. Nor are they applicable to all sectors – the agricultural sector is not required to undertake impact assessments, for example.

The incorporation of No Net Loss (NNL) and Net Gain (NG) principles into impact assessment legislation is gaining traction. There are now over 100 countries with policies and legislation related to NNL or NG.[14] Such policies require quantification of biodiversity impacts and mitigation efforts to establish residual impacts for the design of compensation measures. These need to be monitored and reported as part of impact assessment and mitigation legislation. However, this information is not necessarily systematically collected and made available at corporate level. In the EU, NNL legislation calls for the development of a methodology to assess the impact of EU funds on biodiversity to ensure NNL of biodiversity and ecosystem services.[15] Evolving measurement approaches for corporate disclosure may therefore have more uptake if they are aligned with these existing national legislative requirements.

The future of mandatory disclosure for biodiversity

Government experts in some countries interviewed for this paper felt that there may be resistance to enacting further national legislation on disclosure of impacts, and suggested a clearer rationale was needed for how this would encourage better private sector performance. The role for government at this stage was felt to lie in building awareness among their industries of the risks associated with biodiversity loss and the key role that companies can play in mitigating impacts, addressing dependencies and driving transparency. Many of the country experts also iterated the challenge of a poorly understood business case for disclosure, which is seen as necessary to achieve widespread uptake. It was also highlighted by country experts that voluntary disclosure of impacts allows for more constructive dialogue between the company and the government. Nonetheless, the experts also highlighted that once voluntary practices and disclosure are established then making reporting mandatory will increase the reach to those companies less engaged. Disclosure around biodiversity tends to be more risk-oriented than opportunity-focused and there were mixed views of the merits of mandatory mechanisms for driving improvements in corporate disclosure.

[14] https://portals.iucn.org/offsetpolicy/

[15] https://ec.europa.edu/environment/nature/biodiversity/nnl/index_en.htm

Voluntary reporting mechanisms

Decisions under the Convention on Biological Diversity highlighted the important role of voluntary corporate disclosure of biodiversity impacts. Governments can play an important role in encouraging uptake of voluntary requirements.

The Global Reporting Initiative (GRI) Sustainability Reporting Standards are the main voluntary reporting standards used by companies around the world. These include standards and indicators related to biodiversity. Of the world's largest 250 corporations, 92% report on their sustainability performance and 74% of these use GRI's Standards to do so.' In addition, 35 countries use GRI as their sustainability reporting standard in their sustainability policies[16]. The four performance indicators that relate to biodiversity aspects in the G4 guidelines[17] are:

- Disclosure 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
- Disclosure 304-2 Significant impacts of activities, products, and services on biodiversity
- Disclosure 304-3 Habitats protected or restored
- Disclosure 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations

The inclusion of biodiversity aspects is based on an assessment of whether it is a material issue to the company and it is therefore not always included. The biodiversity indicators have been unchanged for over 10 years, although the GRI is anticipating revising the indicators in the next two years. This presents an opportunity to build on the evolving landscape of biodiversity measurement approaches.

The CDP, formerly the Carbon Disclosure Project, is an organisation which works with shareholders and corporations to disclose information on environmental impacts, focusing on climate, water and forests. CDP asks companies for data on their environmental performance and then uses the data into analysis of environmental risks, opportunities and impacts. Investors, business and policy-makers use these results in decision-making, managing risk and capitalising on opportunities. In 2019 CDP released a new questionnaire, aimed at the mining sector, which specifically asked about biodiversity among questions covering climate change, water, forests and supply chain. Over 7,000 companies responded to this questionnaire. CDP also houses the forest footprint disclosure tool, which covers carbon, water, forests, and biodiversity.

The Task Force on Climate-Related Financial Disclosures (TCFD) have developed voluntary, consistent climate-related financial risk disclosures for use by companies to provide information to investors, lenders, insurers, and other stakeholders. It considers the physical, liability and transition risks associated with climate change and effective financial disclosures across industries. The TCFD helps companies understand what financial markets want from disclosure for measuring and responding to climate change risks and has been instrumental in creating awareness on climate change disclosure. One of the key recommendations from WWF France and AXA for the members of the G7 Environment meeting in 2019[18] was to launch a Task Force on Nature Impacts Disclosures. This is seen as a way to support the transition towards protection, restoration and promotion of biodiversity. This is currently under development through UK based environmental group, the Global Canopy Programme.

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[16] https://www.globalreporting.org/information/sustainability-reporting/Pages/gri-standards.aspx
[17] https://www.globalreporting.org/standards/gri-standards-download-center/gri-304-biodiversity-2016/
[18] https://d2ouvy59p0dg6k.cloudfront.net/downloads/report_wwf_france___axa_into_the_wild_may_2019__dv_1.pdf

The World Benchmarking Alliance has been developed to support business reporting against the SDGs. There are seven benchmarks, including one on food and agriculture where biodiversity is included as one of the key environment topics. This aims to translate these globally recognised targets into meaningful and actionable targets for the private sector.

The Climate Standards Disclosure Board is an international consortium of business and environmental NGOs that aim to align the global mainstream corporate reporting model to equate natural capital with financial capital. They provide a framework for reporting environmental information. With support from the European Union's LIFE fund they are aiming to improve companies' ability to report on natural capital, including biodiversity through outreach, communication and education.

There are also voluntary standards being developed at the national level. For example, in Brazil, companies voluntarily report against the **LIFE initiative**, which grants LIFE certification to businesses that implement the LIFE Methodology. Now operational beyond Brazil, this methodology helps business identify their impacts and design a strategic plan to reduce, mitigate and compensate them[19].

There are also a growing number of initiatives that seek to provide a business voice in setting and implementing the global agendas related to biodiversity. For example, the **Act4Nature** aims to mobilise companies to protect, promote and restore biodiversity driven by commitment from CEOs. Signatories agree to putting biodiversity in their global development strategy and a set of commitments were made in 2018, which included the need to publicly report on implementation. The One Planet Business and Biodiversity coalition was launched at the UN Climate Action Summit aiming to protect and restore biodiversity within supply chains and product portfolios, and includes disclosing ambitious, time bound and measurable commitments during the CBD Conference of the Parties 15 in 2020. The Business for Nature Coalition aims to be an overarching initiative to unite the business voice in 2020 and beyond. Corporate reporting related to the implementation of commitments is therefore a growing space but there is considerable variation among initiatives in the type of disclosure required.

Country experts interviewed for this paper felt that voluntary initiatives can motivate companies to disclose their impact on biodiversity. A clearer business case for corporate disclosure that emphasises the opportunities for competitive advantage/differentiation associated with voluntary reporting and that encompasses both impacts and dependencies on biodiversity could promote better uptake.

Voluntary reporting mechanisms are seen as a way to initiate corporate disclosure of biodiversity impact by those companies that are aware of the opportunities this presents. This can then provide a basis for a step-wise move to mandatory requirements that will be needed to drive widespread uptake. It must however be noted that each of the initiatives mentioned here have very different requirements and purpose. Efforts to upscale through regulation will require a detailed understanding of what type of disclosure will drive action.

[19] Lammerant, J. (2018) Critical assessment of biodiversity accounting approaches for businesses. Discussion paper for EU B@B Platform.

Current and future practice of corporate biodiversity reporting and disclosure

Types of disclosure

There are three complementary ways for companies to report on environmental impacts and dependencies, including those related to biodiversity:

- **Narratives** about the company's management approach are used to explain how reporting organisations deal with a specific issue, which may include disclosing adherence to specific standards, frameworks, targets or charters;
- **Quantitative non-monetary information** is disclosed to express how the reporting organisation uses and/or impacts the environment (e.g. using GRI indicators);
- **Financial information** may be disclosed to explain the financial implications or consequences of a material event (e.g. biodiversity offset liability, oil spill fines);

In addition, financial disclosure can be taken a step further to address externalities. These have been disclosed by a very limited number of companies to date (e.g. Novo Nordisk - Danish Environmental Protection Agency 2014; Kering from 2014), but in some cases have been used to present the uncompensated economic impacts on society generated by the reporting organisation (e.g. economic costs of company air and water emissions).

Mainstream corporate sustainability reporting related to environmental impacts and dependencies is currently essentially limited to the first (management narratives) and second (quantitative non-monetary information) types of disclosures. Furthermore, quantitative non-monetary information is currently mostly focused on:

- Non-product outputs or emissions such as greenhouse gas (e.g. GHG Protocol scopes 1, 2 and 3 – WRI & WBCSD 2004[20], GRI 305 indicators - GRI 2016), hazardous waste and spills (e.g. GRI 306 indicators – GRI 2016);
- Amounts of material inputs such as material used (weight or volume) (e.g. GRI G4 - EN1 indicator) and water withdrawal by source (e.g. GRI G4 - EN8 indicator).

Such disclosures can be helpful to calculate biodiversity impacts and performance based on pressures, but tell us little about the state of biodiversity. Biodiversity impacts and dependencies are largely absent from corporate disclosure.

Gaps in current disclosure

Over 90% of the world's 250 largest companies now report on their sustainability practices and impacts, with most of them using the GRI Standards (KPMG, 2017[21]). The Reporting Exchange found that environmental topics have consistently been the most prevalent environmental, social and governance (ESG) reporting requirements (69% of all reporting requirements catalogued worldwide in 2017). A study by ACCA (the Association of Chartered Certified Accountants) and CDSB (the Climate Disclosure Standards Board) (2016[22]) argues that, despite progress made in sustainability reporting and its growing importance, the fragmentation of the discipline is weakening its impact. In other words, sustainability accounting and disclosure practices have yet to generate the same level of influence as financial statements. Furthermore despite the environmental focus of sustainability reporting, it does not often include biodiversity. In China it was reported by a country expert that in 2017, there were over 2,000 CSR reports in China, of which only 17% mentioned biodiversity.

[20] https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf
[21] https://home.kpmg/content/dam/kpmg/campaigns/csr/pdf/CSR_Reporting_2017.pdf
[22] http://www.accaglobal.com/uk/en/technical-activities/technical-resourcessearch/2016/may/mapping-sustainabilityreporting-landscape.html

Therefore, the impact of current practice around sustainability reporting for disclosure of biodiversity impacts remains very weak

A number of academics, practitioners and industry organisations argue that current practices fall far short of providing the detailed sustainability information needed by the institutional investment community for investment decision-making (e.g., Solomon et al., 2011; UNEP PRI/UNEP FI 2011).

As shown recently by Addison *et al*. (2018)[23] in their assessment of the top 100 of the 2016 Fortune 500 Global companies' sustainability reports, only 49 mentioned biodiversity in their reports, and 31 made clear biodiversity commitments, of which only five were specific, measurable, and time-bound (

[23] Addison, P.F.E., Bull, J.W. and Milner-Gulland, E.J. (2018a). 'Using conservation science to advance corporate biodiversity accountability'. Conservation Biology. https://doi.org/10.1111/cobi.13190.

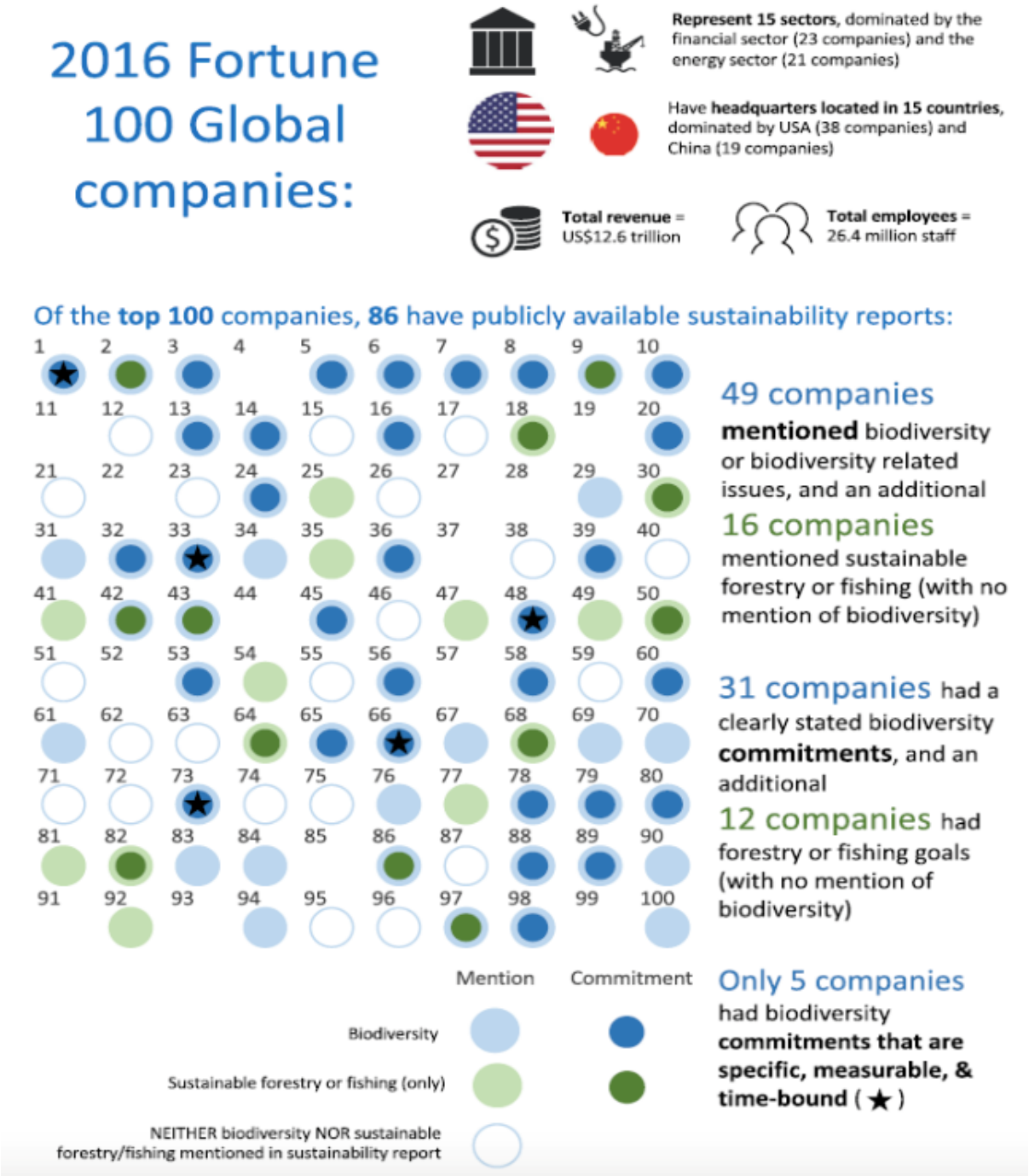
Figure 1). A variety of biodiversity-related activities were mentioned (e.g. managing impacts, restoring biodiversity, and investing in biodiversity) (i.e. narratives about the company's management approach), but only **nine companies provided quantitative indicators** to verify the magnitude of their activities (e.g. area of habitat restored).

These quantitative estimates of beneficial activities for biodiversity, however, are never compared to the quantified magnitude of negative impacts on biodiversity that these companies generate. The limited extent and poor quality of biodiversity disclosures are corroborated by other studies targeting different samples, including (but not limited to):

- A 2016 note "business reporting on biodiversity" by the Executive Secretary of the CBD for the Subsidiary Body on Implementation[24].
- An assessment of the biodiversity disclosure of Johannesburg Stock Exchange listed companies in 2018[25].

[24] https://www.cbd.int/business/sbi-01-inf-12-en.doc;
[25] https://www.ewt.org.za/wp-content/uploads/2019/02/biodiversity_report_a4_v3.pdf

Figure 1: Assessment of reporting on biodiversity amongst the Fortune 500 (Addison et al 2018)



It must be noted that, while corporate disclosure of biodiversity impacts and dependencies remains limited, there have been increasing efforts by the corporate sector to quantify their impacts and achieve targets of NNL or NG of biodiversity. This has been driven by standards set by the finance sector, including the International Finance Corporations Performance Standard[6], as well as national legislations and policies (e.g. EU NNL policy, Uganda's new National Environment Bill and the US Clean Water Act for wetlands). These require quantitative assessments and monitoring of business on some aspects of biodiversity as part of site level environmental permitting processes. This information, however, remains buried in monitoring reports that are rarely disclosed or fed into corporate level reporting.

As shown by de Silva *et al*. (2019)[26], a number of companies have adopted voluntary biodiversity commitments, including those to achieve NNL or NG on biodiversity at the corporate level. Between 2001 and 2016, 66 companies had made NNL/NG environmental commitments, with 33 making specific biodiversity commitments. However, there were only 18 companies with active NNL/NG biodiversity commitments in 2016, as some commitments were retracted, or their status became unclear. While there has been a lot of progress in the development of quantitative metrics to assess the achievement of these targets at the site or project level, corporate level reporting on these elements remains a challenge[27], in part due to a lack of agreed and standardised measurement approaches and accounting framework to consolidate this information at corporate level.

Disclosures in the context of natural capital

Of relevance to biodiversity disclosure is the growing emphasis on natural capital measurement, accounting and reporting. Natural capital refers to the stocks of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) and the associated flows of ecosystem services which benefit people and companies (Natural Capital Protocol, 2016). Biodiversity is an integral part of natural capital and interaction between its components ensure the quality, quantity and reliability of various ecosystem services. Sustainably managing and conserving renewable natural capital[28] involves complementary factors, including their ability to sustain (renew) themselves (e.g. having sufficient space and time to do so) and the implementation of cost-effective management systems.

There is a growing consensus of the need to develop natural capital measurement, valuation, accounting and disclosure system that fully embrace all these dimensions of natural capital, most notably to assess the true net impact of companies. Yet, the disclosure of environmental performance indicators is currently limited to flows of resources (including gains and losses), notably inputs and outputs of the reporting organization. This means, effectively, that the underlying changes in natural capital stocks (e.g. stocks of renewable resources, air or water quality) are not disclosed to external stakeholders. In addition, these disclosures do not explicitly refer to a baseline year and are valid only for the reporting period (e.g. amount of materials used over the reporting period). This leads to a series of annual disclosures with no information on net impacts or changes since a relevant baseline year (e.g. starting date of resource exploitation or emission generated).

To understand if a business sustainably manages a specific renewable natural capital stock (e.g. wetland or forest) and therefore effectively reports on biodiversity, it is important to understand the status (amount, condition, location) and to track any changes due to the company's activities and, potentially, those of others that rely on these stocks. The challenges in considering biodiversity within natural capital assessment are recognised and the Natural Capital Coalition is working with the Cambridge Conservation Initiative to provide supplementary guidance to the Natural Capital Protocol on biodiversity. This guidance will also address measurement.

Biodiversity measurement approaches and corporate disclosure

Although many of the measurement approaches were designed primarily to provide management information to inform internal decisions rather than for public disclosure purposes, they can nonetheless have a role in disclosure. For example, even where measured data are not available, approaches based on estimates and models can still provide insight into potential risk and calculate

[26] https://onlinelibrary.wiley.com/doi/full/10.1002/bse.2379
[27] https://portals.iucn.org/library/node/47919
[28] Non-renewable or exhaustible natural capital stocks cannot be sustainably managed in themselves: the only option is to manage the rate of exploitation or use.

potential footprints. This can help companies demonstrate that they have embarked on an effective risk mitigation approach.

How measurement approaches are reflecting corporate disclosure needs

A key challenge around effectively reporting on a company's biodiversity impact is that it requires extensive effort to monitor the state and condition of biodiversity at given locations.

The biodiversity measurement approaches analysed in this project provide ways of measuring state and/or condition, which will enable companies to assess the scale of their impacts on biodiversity. This is the critical piece of information missing from current corporate biodiversity disclosures.[29] By assessing the scale of companies' impacts, reporting organisations will be better positioned to adopt/define biodiversity policies, strategies and science-based targets, as well as to disclose the scale of their risks/exposure and opportunities.

However, biodiversity measurement approaches have some key differences:

- **Different output data or key performance indicators**; some focus on impacts on **ecosystems/habitats/land cover** (e.g. BFFI, GBS, PBF), while others focus on **species** (e.g. STAR) or monetary values (e.g. EP&L).
- Some approaches **model or extrapolate** biodiversity impacts from **indirect environmental pressure** (e.g. GHG emissions and water use) **or economic data (e.g. spending on specific commodities)** (e.g. BFFI, EP&L, GBS, PBF),
- Others use **primary and secondary biodiversity data (e.g. inventory of ecosystem extent and condition)** to measure **actual changes in biodiversity** (e.g. BIE).

In the case of approaches based on indirect non-biodiversity pressure and/or economic input data, some experts argue that they cannot be responsive to site-level management intervention, as they are not based on actual biodiversity data and/or legislative requirements (e.g. no-net-loss for a protected species). They are not designed to ascertain the effectiveness of mitigation efforts on the ground for a specific project or site (e.g. ensuring the ecological equivalency principle is respected for no-net-loss or net gain targets as part of permitting requirements). While site level data is required to accurately assess a change in biodiversity state, gathering site level data may be difficult and/or costly for some business applications (e.g. sector wide impact assessment, supply risk analysis, portfolio risk assessment). Hence, for these applications, the use of global data sets and extrapolations may be the only cost-effective means by which measurement of biodiversity impacts can be undertaken. Improving the resolution and coverage of global data would go some way to addressing these challenges. Each measurement approach is therefore likely to have a varying role in disclosure, e.g. the need to disclose identification and management of risk or the need to disclose effectiveness of impact mitigation responses.

Equally, measurement approaches vary in their suitability for reporting against global policy targets. To gain greater clarity on how they could each be used for external disclosure purposes, developers of measurement approaches were asked to indicate whether their approach was able to deliver against external disclosure and policy target requirements. The results are depicted in Table 2 below.

[29] Addison, P.F.E., Bull, J.W. and Milner-Gulland, E.J. (2018a). 'Using conservation science to advance corporate biodiversity accountability'. Conservation Biology. https://doi.org/10.1111/cobi.13190.

Table 2: The utility of biodiversity measurement approaches for external disclosure and reporting against policy targets based on information provided by developers as part of the work under the Natural Capital Accounting workstream of the EU B@B Platform.

Approach	External disclosure	Policy targets
Agrobiodiversity Index	Allows comparison of company performance, but not yet adapted or tested for companies.	Can help monitor company's contribution to the global development goals and targets related to agrobiodiversity. In particular Aichi Target 7 related to sustainable agriculture.
Biodiversity Footprint Financials	Not designed to reflect external reporting requirements. This may change if biodiversity reporting requirements for financial institutions are introduced.	Not designed to reflect or link into global targets on biodiversity. However, a financial institution can link the footprint result to references like the Aichi targets and SDGs to decide on the steps they should take based on the footprint results.
Biodiversity Impact Metric	Not designed to reflect reporting requirements, could be used for external reporting. Does not provide insight into overall performance, but can provide indication of where potential issues/risks might lie in the supply chain.	Consistent with monitoring and measuring impacts related to SDG15.
Biodiversity Indicators for Extractives	Primarily designed for internal management purposes. The possibility of adapting indicators to meet external reporting needs will be explored once piloting has been completed at the end of 2019.	Can link to corporate contributions to Sustainable Development Goal targets, for example 15.5 or Aichi Targets.
Biodiversity Performance Tool	Not designed for external disclosure at corporate level but to assess farm level performance.	Direct link to SDG 15 "protect, restore and promote biodiversity on land".
Global Biodiversity Score	Could potentially be used for external disclosure, responsive to French national government move towards requiring corporate biodiversity footprints.	Can help quantitatively track targets, including Aichi Targets 4, 5 and 7, as well as SDGs 12.4, 15.2 and 15.5.
LIFE Impact Index	Organizations using the Methodology may use detailed reports for their internal management and disclosure, particularly after third party audits. The LIFE certification is designed to allow third party assessment and disclosure of biodiversity performance. Independent certification bodies are required to publish reports of LIFE companies containing their metrics.	Designed for global targets such as: ○ Aichi Targets: see Principle 7 of LIFE Biodiversity Management Standards. ○ Global targets on biodiversity: Ecoregions classification and fragility; national biodiversity priorities; IUCN protected areas classification. ○ SDGs.
Product Biodiversity Footprint	Methodology is product level, and not appropriate for corporate disclosure unless the company produces a limited number of products and services and the impact of each is added.	Not suitable for tracking progress to high level societal targets such as Aichi targets.
Species Threat Abatement and Recovery metric	Not designed for corporate reporting, but could be adapted for this.	Exploring means by which approach can be linked into Post-2020 Global Biodiversity Framework targets.

There is the need for clear targets to encourage broader uptake of the measurement approaches. However, merely 'contributing to global targets' might not change behaviour significantly. Ultimately, there is the need to determine how the transition can be made from aiming to meet policy targets to enacting regulatory requirements to drive broad scale behavioural change.

Using an accounting framework for disclosure

Discussion Paper 1 shows that different measurement approaches have different levels of transparency. Although they aim to measure biodiversity impacts or footprint, they are not placed within the context of an accounting framework. Without such a framework there will be limited ability for such approaches to demonstrate a comprehensive picture of performance at a corporate level that is consistent with financial accounting. Clearly it is not the intention of some measurement approaches to measure corporate performance, however, for those that do, the Biological Diversity Protocol is attempting to provide this consistent, financial accounting based framework. It is therefore used here as a case study example of the principles which must be addressed by such a framework.

Case Study: The Biological Diversity Protocol

The BD Protocol is an accounting framework compatible with the measurement approaches that use primary and secondary biodiversity data, giving it direct relevance to corporate reporting. It is currently in draft and will be reworked following stakeholder feedback[30]. The BD Protocol is compatible with the Natural Capital Protocol and shares a similar intent as the GHG Protocol which was developed to drive consistency in the development of GHG inventories and disclosure. Based on the mitigation hierarchy (hence compatible with legislative requirements related to protected species and habitat, and CBD based on COP decision14/3) and core accounting and reporting principles (e.g. ecological equivalency, accuracy, transparency), it aims to provide biodiversity information users with the reasonable confidence that a company's biodiversity disclosure (e.g., impacts and performance) can be/has been verified on the ground, in line with many other environmental disclosure mechanisms (e.g. GRI and CDP).

The BD Protocol is based on the assumption that, for any impact accounting framework to present a complete and accurate representation of the net consequences of an organisation, it must be able to account for both periodic (e.g. annual) and historical (e.g. since the start of a business) performance. This is the case with financial accounting and reporting, which uses double-entry bookkeeping (DEBK) to produce Statements of Financial Position and Performance (i.e. Balance Sheet and Profit/Loss Statement).

To help provide a comprehensive audit trail of the biodiversity impacts of an organisation, the BD Protocol embraces an accounting framework that is based on a biodiversity impact inventory (similar to a GHG emissions inventory) and enables the measurement of net impacts over time. This involves the development of biodiversity accounts which record and allow the monitoring of both periodic and accumulated changes in biodiversity (for both impacts on ecosystems/habitats/land cover and species). The BD Protocol adapts DEBK to that end. Accounting for biodiversity impacts revolves around the following equations:

- **Statement of Biodiversity Position**: (A) total biodiversity impacts (i.e. biodiversity assets or stocks) = (B) accumulated positive impacts + (C) accumulated negative impacts;

[30] The draft BD Protocol (V.1.0) has just concluded its consultation period. A stakeholder feedback report in is preparation prior to the drafting of an updated version in early 2020.

- **Statement of Biodiversity Performance**: (E) net biodiversity impacts over the accounting period = (F) periodic positive impacts or gains - (G) periodic negative impacts or losses.

The BD Protocol can be used by biodiversity measurement approaches to produce Statements of Biodiversity Position and Performance. The draft BD Protocol currently requires adherence to the accounting and reporting principles listed below (section 3.7.), which includes building a biodiversity impact inventory based on primary and secondary, site-based biodiversity data. Some biodiversity measurement approaches (e.g., those relying on-biodiversity pressure and economic data to model biodiversity impacts) cannot be applied in the context of the draft BD Protocol (V. 1.0) at this stage.

Common ground principles

Provided there is either greater corporate interest in biodiversity disclosure processes and/or more incentives to disclose, future biodiversity disclosures are likely to progressively adapt. Based on the principles of sustainability disclosure developed by organisations such as GRI and CDP, the required common ground principles here are likely to include:

- Governance;
- Disclosure boundaries and exclusions, with clear impact inventory;
- Net impacts on biodiversity (i.e. changes in the state of biodiversity);
- Dependencies;
- Risks/exposure and opportunities, including financial implications for the reporting organisation and externalities (e.g. monetary valuation of biodiversity impacts such as the loss of ecosystem services)
- Business policy, strategy and science-based targets;
- Implementation, including management actions, procedures and expenditures;
- Verification/independent third party audits.

To improve the quality of biodiversity disclosures, accounting and reporting principles would need to be adopted by reporting organisations, as is done for the disclosure of GHG emissions using the GHG Protocol. Following sub-group discussions, a draft set of principles have been compiled below, based on the BD Protocol, to prompt thinking and discussion at the workshop in Brazil, in particular who these principles will be aimed at and what they will be used for:

	Description
Principle 1: Relevant	• Ensure the biodiversity impact inventory appropriately reflects the biodiversity impacts of the company and its value chain. It shall serve the decision-making needs of users, both internal and external to the company.
Principle 2: Transparent	• Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the data collection and estimation methodologies used.
Principle 3: Consistent	• Use consistent methodologies to allow for meaningful comparisons of biodiversity impacts over time. Transparently document any changes to the data, inventory boundary, methods or any other relevant factors in the time series.
Principle 4: Complete	• Account for and report on all biodiversity impacts within the chosen organisational and value chain boundaries. Disclose and justify any exclusion.
Principle 5: Equivalent	• Ensure that the notion of equity in the type of biodiversity (i.e. ecological equivalency or like-for-like principle) is integral to biodiversity impact inventory development and accounting. Undertake net impact

	accounting only for equivalent biodiversity losses (negative impacts) and gains (positive impacts).
Principle 6: Accurate	• Ensure that the measurement of biodiversity impacts is systematically accurate, as far as can be judged, notably by reducing uncertainties as far as is practicable. Achieve suitable accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information. When no direct observation is possible, estimate impacts on the basis that they are reasonably likely to occur, recording all methodological limitations.
Principle 7: Time period assumption	• Account for biodiversity impacts consistently across business reporting periods.

The common ground principles presented in Discussion Paper 1, which will also be discussed during the workshop in Brazil, could be informed by these disclosure principles. This would help measurement approaches to develop in a manner that enables them to help to meet the current gap in biodiversity disclosure and may facilitate their broader uptake.

Discussion points

1. How can the quality and uptake of corporate biodiversity disclosure be enhanced and encouraged?
2. Is there a role for mandatory reporting requirements for biodiversity?
3. What is required to facilitate the uptake of voluntary frameworks and approaches?
4. How can existing biodiversity measurement approaches and frameworks help to improve corporate disclosure and reporting against national/global policy targets?
5. Are common ground principles for biodiversity measurement helpful in driving uptake in corporate disclosure? Can these be informed by existing disclosure principles?
6. How can these principles best be presented to facilitate uptake and who are they aimed at?

Annex 1: Definitions

The following definitions were available prior to the start of the Aligning Biodiversity Measures for Business initiative:

Term	Definition	Reference
Business application for biodiversity measurement	The intended use of the results of a company's biodiversity measurement, to help inform decision making.	Natural Capital Coalition (2016)
Cumulative impact	Includes direct and indirect impacts, past, present and future, resulting from the actions of all actors, not just the target organisation or project assessed.	Biological Diversity Protocol (2019)
Direct impact	Impacts directly attributable to a defined action or project.	IAIA (2018) Biodiversity and Ecosystem Services in Impact Assessment.
Indicator	A quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect changes connected to an intervention, or to help assess the performance of a development actor.	OECD/DAC 2002 Development Results: An overview of results measurements and management.
Impact indicators	Sometimes known as 'performance' or 'outcome' indicators. These provide information on actual impacts of actions taken to address biodiversity or drivers of change.	UNEP-WCMC (2014). Incorporating Indicators into NBSAPs- Guidance for Practitioners.
Implementation indicators	Sometimes known as 'process' or 'output' indicators, these are used to monitor the completion of actions that enable conservation to be achieved.	UNEP-WCMC (2014). Incorporating Indicators into NBSAPs- Guidance for Practitioners.
Indicator	A quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect changes connected to an intervention, or to help assess the performance of a development actor.	OECD/DAC (2002) Development Results: An overview of results measurements and management.
Indirect impact	Impacts resulting from the project that may occur beyond or downstream of the boundaries of the project site and/or sometime after the project activity has ceased.	IAIA (2018) Biodiversity and Ecosystem Services in Impact Assessment.
Natural capital accounting	The process of compiling consistent, comparable and regularly produced data using an accounting approach on natural capital and the flow of services generated in physical and monetary terms.	Natural Capital Coalition (2016)
Natural capital assessment	The process of identifying, measuring and valuing relevant ("material") natural capital impacts and/ or dependencies, using appropriate methods.	Natural Capital Coalition (2016)
Net gain	A target for a development project in which the impacts on biodiversity caused by the project are outweighed by measures taken to otherwise mitigate the project's impacts.	Biodiversity and Business Offsets Programme (2018)
No net loss	A target for a development project in which the impacts on biodiversity caused by the project are balanced by measures taken to otherwise mitigate the project's impacts.	Biodiversity and Business Offsets Programme (2018)
Pressure	Driving forces lead to human activities such as transportation or food production, i.e. result in meeting a need. These human activities exert	Kristensen (2014)

	'pressures' on the environment, as a result of production or consumption processes.	

The following definitions in this second table have either been developed at the Aligning Biodiversity Measures for Business workshop in Brussels or subsequently during the sub-group discussions:

Term	Definition
Biodiversity measurement approach	A tool to assess biodiversity perfomance for different business applications.
Biodiversity target	The objectives relating to what the business wants to achieve in relation to the management of biodiversity; these objectives could be voluntary or regulatory, and qualitative or quantitative.
Corporate biodiversity disclosure	Business reporting on biodiversity impact according to international frameworks, or according voluntary or mandatory reporting requirements.
Index	A numerical scale used to compare variables with one another or with some reference number.
Measure	An assessment of the amount, extent or condition, usually expressed in physical terms. Can be either qualitative or quantitative.
Metric	A system or standard of measurement. A combination of measures or modelled elements.