EU Community of Practice Finance@Biodiversity

Minutes of the 5th meeting: ‘Ambition & Responsibility’

21 March 2018, Brussels

Opening

The Advisory Board (AB) of the EU B@B Platform (the Platform) met on 30 January and validated the 2018 work plan and overall objectives of the Platform, stressing the need to strengthen the collaboration between the workstreams of the Platform. More details are available online.

This fifth CoP F@B meeting started with sharing an update on developments:

- DG Environment is working on the Action Plan Nature, People and the Economy for a better implementation of the Nature 2000 network. In May 2018, the EC intends to publish draft guidance on the integration of ecosystem services in decision-making.

- Green infrastructure: the EC is drafting guidance on the financing of green infrastructure focusing both on the role of public and private finance.

- EU Pollinators Initiative: As one element, the initiative aims to collect best business practice examples of actions that address the decline of pollinators. The EU Business and Biodiversity Platform welcomes best pollinator practices by businesses. Please share examples via email to Lars.Mueller@ec.europa.eu by 31 May 2018 for an initial overview of options.

Sustainable Finance – Action Plan and follow-up (European Commission)


Main objective is to reorient the financial market towards a more sustainable direction through a broad set or regulatory and non-regulatory measures in favour of enhancing more long-termism, including sustainability risks in financial risk management. By developing ecolabels for financial products, and other disclosure related action to render the sector more transparent to end-clients. A first key action will be the development of a taxonomy on sustainable finance.

- How can the CoP engage in the implementation of the Action Plan on Sustainable Finance?
  - Selection criteria for the TEG: expertise in at least one of the tasks. See criteria in the call for applicants. Commitment: up to monthly meetings and in between work (deadline application 16 April 2018).
  - Ecolabel workstreams: ecolabelling board will be open to FI – three meetings a year – continuous engagement. Technical work to be led by JRC but will reach out to stakeholders through ad-hoc working group. Will work on these criteria. Idea: the ecolabel will refer to the taxonomy. Lars as contact person.
  - Comment by CoP: good that there’s attention for long-termism; however, biodiversity is not really mentioned as part of sustainability yet. Cases and facts are necessary to feed into this agenda to create awareness and opportunities. Deforestation and agriculture could be entries to start with.
  - NCC experience: Biodiversity is an important part of the NCP, we’re moving from a linear towards a more complex system-perspective. By putting a value on natural capital, and start with dependency, more awareness could be raised.
Update on the launch of the Financial Sector Supplement (NCC/ICAEW)

Relevant developments:
- The Financial Sector Supplement will be titled: ‘Connecting Finance and natural capital, a supplement to the NCP’.
- The Supplement will be launched on 23 April in Hong Kong. It builds on a large consultation with FI and other stakeholders and its objective will be to fill in existing gaps in the NCP.
- Building on work completed by ICAEW, the Supplement will stress the need to switch the focus to: (1) dependencies rather than impact; (2) valuation rather than measurement only; and (3) system thinking rather than considering natural capital as a separated issue. Also it’s important to look at opportunities, in stead of only at risks.

‘Biodiversity Ambition and Responsibility’: Inventory of ambitions, feedback and elaboration

Actiam presented the work completed to date by the subgroup ‘Ambition & Responsibility’:
- Actiam completed and assessment of the ambitions publicly expressed by a number of FI, allowing for categorisation of ambition levels. The type of institute, pledges made, nature of ambitions (qualitative/quantitative), and general trends were examined while collating ambitions.
- The key conclusions from that exercise include:
  ○ Most financial institutions that were researched mention some type of commitment/ambition related to biodiversity, either at present or for the future (sample might be biased towards engaged FI);
  ○ Varying degrees of ambitions were observed, i.e. from qualitative, vaguer ambitions explaining institution’s general approach and policies to quantitative, explicit ambitions, with targets and timelines provided.
  ○ Various trends (terms/strategies) across various institutes were identified: ‘Natural Capital’ vs. investment into sectors, namely: Timber/Lumber and Sustainable Agriculture.
  ○ Based on that exercise Actiam tried to classify the ambitions according to: A. Different levels: 1) Lowest level/Vaguest ambitions; 2) Taking the initiative; 3) Highly accountable.
  ○ B. Drivers/criteria that can be used to help determine the level of ambition, like: Qualitative vs quantitative; Vague vs. specific/concrete; Small/unspecified scale of impact vs. large/specific scale of impact; Ambition at project and fund-level vs at portfolio level; and Environmentally-focused vs. conservation-focused.

Discussion and feedback:
- A distinction could be made between the different types of FI, e.g. asset managers, banks, fund, etc. as they face different challenges. It could also consider the level of impact of different ambition levels, e.g. small portfolio share of a large bank might have a big impact.
- The analysis should highlight the share of the portfolio targeted by the ambition.
- A link could be made between the ambition level and IFC performance standards multilateral banks are applying, e.g. standard 6 on biodiversity and ecosystem services.
- It should also be recognised that FI do not always pro-actively communicate targets as they fear to being held accountable. This is especially difficult in new areas such as biodiversity (risk of over-committing).
- External enabling factors to move to a higher level of ambition are: forms of obligation; improved business cases; creating lower risks; biodiversity stress-tests (following a climate stress test) and a common goal with societal attention as with Paris 2015 for climate.
- Internal FI enabling factors are: case studies to learn from and create awareness with colleagues; developing different financial vehicles; and collaborating on new tools.
CoP: Scoping 2018 deliverables per subgroup

The tables below summarise the discussions of each sub-group focusing on the action points.

### ‘Ambition & Responsibility’

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<th>Objectives</th>
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<td>To develop a roadmap, with small, attractive and feasible/dynamic-steps to move forward to a dot on the horizon, like ‘being no net loss or restorative as an FI in 2030’. Enhancing transparency on what works, what doesn’t and what was learned. To make better decisions, get more aligned (finance and business). Fundament for a platform to solve the gaps, by finding partners and collaboration ‘everyone owns a part of the solution’.</td>
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<th>Deliverable and elements</th>
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<td>Finance and Biodiversity roadmap with steps to take towards a dot on the horizon, and plotting best practices from CoP members and other FI</td>
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<td>1) Start to develop with frontrunners, engage business leaders</td>
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<td>2) Include ‘spot on horizon’, an ambition framed like a vision aiming for positive biodiversity impact, like being restorative (beyond No Net Loss)</td>
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<td>3) Include business case compared with ‘not doing anything strategy’</td>
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<td>4) Distinguish type of finance/investment/asset class (equity, fund, sovereign bond, port folio, project finance, loan, etc)</td>
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<td>5) Start with dependency, map dependencies and increase resilience</td>
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<td>6) Include biodiversity related issues and sectors like deforestation, resource depletion/materials, water, land-use, land restoration, oceans &amp; lakes; and agriculture, food, forestry and tourism</td>
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<td>7) Include quantitative targets and accounting measures</td>
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<td>8) Include positive biodiversity strategies and funds</td>
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<td>9) Pay attention to underlying drivers/criteria as mentioned in ambition investigation</td>
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### ‘Positive Biodiversity Impact’

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<td>Four key questions have to be addressed in the field of ‘Positive Biodiversity Impact’:</td>
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<td>1. How to define Positive Biodiversity Impact projects or investments?</td>
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<td>2. How to make innovative Positive Biodiversity Impact projects bankable?</td>
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<td>3. How can FI identify bankable Positive Biodiversity Impact projects?</td>
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<td>4. What role should public authorities play in supporting the development of bankable innovative Positive Biodiversity Impact projects and linking them with FI?</td>
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In 2018 the CoP focuses on question number 1 to 3

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<td>How to define Positive Biodiversity Impact projects or investments?</td>
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<td>In 2018, the main objective will be to liaise with UNEP FI to understand how much work they already completed in this area and see how the CoP could inform that work.</td>
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**How to make innovative Positive Biodiversity Impact projects bankable?**

Scoping of guidance on how to make innovative Positive Biodiversity Impact projects bankable in close cooperation with the Innovation workstream of the Platform (workshop June 2018).

Results: short report with trends and scoping the guidance. Aim to include examples of Positive Biodiversity Impact projects with a bankable business model and secured financing.

The work will build on existing initiatives and liaise with them in order to not duplicate content, like: WWF initiative on conservation models with FI; IUCN’s Incubator for Nature Conservation; UNEP FI work on Positive Impact Finance; EIB’s experience with NCFF; H2020 project Naturvation; and Coalition for Private Investment in Conservation (CPIC) with the conservation investment blueprint.

**How can FI identify bankable Positive Biodiversity Impact projects?**

Set-up a list of key information FI require when assessing investment opportunities and Positive Biodiversity Impact projects in particular. Focus on the hurdles faced by FI when assessing such projects. The CoP will collect information based on a template.
Objectives
The objective was to discuss the assessment approach for the initiatives on biodiversity metrics. A template is being used, which needs to be completed by the developers of these metrics. The template format and next steps were discussed.

Deliverables
Overall, there were hardly any comments on the template, apart from the following:
- Add a criterion on user friendliness (i.e. easiness to use by non experts; required time efforts; requires similar approach as other environmental issues or is it very specific?)
- As some metrics are heavily informed by model generated outcomes, it is very useful to ask if real data (on pressures, on state of biodiversity) can be plugged in, in order to refine these outcomes; the assessment should take this into account
- There is a need to describe the specific types of applications by FIs, such as:
  - portfolio level assessments
  - company level assessments
  - project level assessments
  - internal purposes vs reporting purposes

Furthermore the following comments were made:
- Metrics should not only be developed/applied for new developments, but also for existing activities; this is very relevant for FIs as they often apply ‘best in class’ approaches for benchmark purposes
- Identified needs are:
  - reference benchmarks
  - KPIs on biodiversity impacts/performance by sector
- Investigate to what extent different metrics initiatives can be combined

Milestones:
CoP F@B to prepare a list of typical applications used by FIs

Next steps
- **June 2018**: CoP meeting with B@B Platform workstream Innovation on positive impact
- **September 2018**: CoP meeting with B@B Platform workstream NCA on biodiversity metrics
- **November 2018**: Annual conference of the EU B@B Platform (likely 29 November in Paris)