Enabling actions to scale up business innovation: ‘Information and reporting systems innovations for disclosure by businesses of their impacts on nature’

EU B@B Platform Workstream 2: Innovation – Working Group 1

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1 Introduction

‘Information and reporting systems for disclosure by businesses of impacts and dependencies on nature’ were previously identified (in 2015) as a ‘promising innovation’ through analysis carried out under the Innovation Workstream (WS2) of the EU Business @ Biodiversity Platform. Indeed, it was one of five innovations identified as ‘most promising’ from among 23 business innovations submitted to WS2 by Platform members in 2014 and 2015 (see Background, Annex 1).

This paper seeks to identify enabling actions (policy, regulatory or supportive measures) for the scaling up of business innovation related to such information and reporting systems. It should be read in conjunction with the previous detailed analysis of the opportunity, CDP EUROPE: an environmental reporting system for the food, beverage and agricultural value chain.

While the CDP reporting system addresses the food, beverage and agriculture value chain, the WG considered systems designed for other value chains having significant impact on nature, primarily those based on renewable primary products, for example related to textiles and pulp and paper industries. The focus is on systems that enable disclosure of impacts on biodiversity and ecosystem services (e.g. through deforestation) but also extends to disclosure of information on greenhouse gas emissions, water use and waste in so far as these provide measures of pressures on biodiversity and ecosystem services.

The paper considers EU level enabling measures, both those already in place and any further measures that may be taken to support this pro-biodiversity business innovation.

Consideration is also given to what may be done at Member State level and by companies themselves, within the existing policy and regulatory framework, and making use of existing EU-level enabling measures.

While this paper builds on the 2015 analysis of innovation by a particular organisation (CDP Europe), it reviews related innovations and identifies enabling actions that should benefit a wide range of companies across Europe linked to innovation in this area.

By articulating more clearly potential enabling actions to be taken, WS2 aims to help move forward this promising area of innovation, for the benefit of both business and biodiversity, and thereby make a tangible contribution to the EU Biodiversity 2020 Strategy and broader EU sustainability, growth and jobs objectives.

The WG hopes that this paper will be of use to companies interested in information and reporting systems for disclosure of impacts and dependencies on nature. It will also be of interest to governmental and non-governmental organisations interested in such systems.

Background on WS2 is provided at Annex 1 and an overview of the Working Group’s approach and method for the preparation of this paper is provided at Annex 2.

ADDITIONAL DISCLAIMER: This paper has been prepared by a Working Group (WG1) made up of Platform members (see Approach and Method, Annex 2). This paper collates opinion from WG1 members and is not endorsed by the Commission.
2 Description of the innovation

2.1 Description of the innovation

This paper addresses innovation relating to environmental information and reporting systems for disclosure by businesses of their impacts and dependencies on nature. The focus is on innovations in such systems as they relate to the food and beverage sector, but extends also to other sectors primarily based on renewable primary products, for example the textiles and pulp and paper industries. Beyond this sector focus, the focus is moreover on systems that enable disclosure of impacts and dependencies on biodiversity and ecosystem services (e.g. through deforestation) but extends also to disclosure of information on greenhouse gas emissions, water use and waste in so far as these provide measures of pressures and dependencies on biodiversity and ecosystem services. Geographically, the paper focuses on EU-based innovations and global innovations having strong engagement from within the EU.

There is a continuum of elements that are useful for different reporting applications, from raw data sets, through key performance indicators to valuation techniques and guidelines. While this paper focuses on information and reporting systems therefore, attention is also given to these other elements.

It is also important at the outset to recognise that there are different reporting applications, including financial reporting, extra-financial reporting, externality disclosures, etc. These varying applications have different principles, rules and requirements, which will influence the type of reporting possible.¹

Reporting, disclosure and transparency on corporate impacts and dependencies on nature are central to enhancing corporate environmental responsibility. Obliging, coaxing or encouraging companies to report on environmental impacts is a key means of leveraging the reduction of environmental impacts.²

For some companies, increasing risks related to environmental change (climate change, loss of natural capital) means that impacts and dependencies on nature are increasingly regarded as strategic risks. This creates a strong imperative for assessment, reporting and disclosure of these impacts and dependencies, and greater action to reduce risks related to impacts and dependencies.

Innovations in information and reporting systems offer considerable opportunity to enhance reporting, disclosure and transparency, delivering benefits both for the companies that apply these innovations and for the environment in general and for biodiversity and ecosystem services in particular. Public policy, including EU policy, can play an important role in stimulating such reporting and realising such benefits.

There is considerable on-going innovation in environmental reporting systems that encourage disclosure by businesses of impacts on nature. The WS2 paper CDP Europe: an environmental reporting system for the food, beverage and agricultural value chain – analysis of the opportunity (October 2015) provides a description and analysis of one such innovation in relation to this specific value chain.

There are many other relevant initiatives seeking to strengthen consideration of biodiversity and ecosystem services in business management systems, accounting, disclosure and reporting, though not all address the full value chain in the manner that CDP Europe does. The EU Eco-management and Audit Scheme (EMAS) provides a voluntary instrument for companies and other organisations to evaluate, report and improve their environmental performance, though it as yet has limited relevance for biodiversity (see below). The recently

² Van Wensen et al. (2011) The state of play in sustainability reporting in the European Union. EU.
Enabling actions to scale up business innovation: ‘Information and reporting systems innovations for disclosure by businesses of their impacts on nature’

revised ISO 14001, the international standard for environmental management systems, makes various references to biodiversity and ecosystem services. ISO 26000 on social responsibility covers environmental impact and makes good provision for biodiversity issues. The Natural Capital Finance Alliance works with the finance community on accounting, disclosure and reporting frameworks. The Climate Disclosure Standards Board (CDSB) Framework aids reporting of environmental impacts and natural capital in mainstream reports. The Global Reporting Initiative (GRI) addresses reporting of a broad range of sustainability issues (including environmental sustainability). The International Integrated Reporting Council (IIRC)’s International <IR> Framework also addresses a wide range of issues including reporting on biodiversity, ecosystem services and natural capital. RobecoSAM addresses corporate sustainability assessment and sustainability indices. Trucost offers impact measurement services. Accounting for Sustainability works towards more sustainable accounting across the finance and accounting world. Other reporting frameworks have been proposed, such as a framework based on the impact mitigation hierarchy (see http://naturalcapitalcoalition.org/wp-content/uploads/2016/07/Synergiz_Net-impact-accounting.pdf). Each of the above initiatives answers to a specific need and none are comprehensive.

There is substantial collaboration and complementarity among these initiatives, for example CDP focuses on corporate disclosure while Trucost offers data expertise and analysis, and CDP works with GRI to harmonise environmental reporting.

Environmental reporting and disclosure helps companies address risks in relation to climate change and resource degradation, increasingly stringent regulation in relation to greenhouse gas emissions, water use and deforestation, and reputational risk. It also helps companies understand and manage these risks and reduce their impacts on revenues, capital expenditure and assets.

Meanwhile, green bonds and the Climate Bonds Initiative are making progresses and, with strengthening rules around use of proceeds and quantifying the “greenness” of a bond, there could be important links through to information systems for reporting and disclosure of impacts on nature.

While environmental information and reporting systems innovations tend to focus on information on greenhouse gas emissions, water use and waste production, changes in company practices to address these issues are likely to have concomitant direct and indirect benefits for biodiversity and ecosystem services. Increasingly, direct impacts on ecosystems, such as rates of deforestation, are being captured by environmental information and reporting systems. Deforestation, climate change driven by anthropogenic greenhouse gas emissions, and water consumption, are key drivers of biodiversity loss worldwide. Given the scale of investments and operations of the companies involved, mitigation of these drivers, in part motivated by environmental reporting systems, can deliver very substantial benefits to biodiversity and ecosystem services.
3 The EU policy and regulatory framework

A wide range of EU policies and regulations are of relevance to innovation and uptake of information and reporting systems for disclosure of impacts and dependencies on nature. Overarching EU policy provides a general direction of travel towards environmental sustainability and resource efficiency. Biodiversity policy aims to halt loss of biodiversity and ecosystem services. Policy and law on the circular economy, and on environmental accounting, assessment, monitoring and reporting generally encourages accounting, disclosure and reporting of impacts and dependencies on nature. Disclosure of impacts and dependencies on nature is also generally consistent with a range of sector policies, including agricultural and regional policy. Some of the most pertinent policy and its relevance to this area of innovation is briefly reviewed below.

3.1 Overarching EU policy

- The Roadmap to a Resource Efficient Europe (COM(2011)571), a key element of the Europe 2020 Strategy, provides a direction of travel that is supportive of greater attention by companies and shareholders to company dependencies and impacts on nature. It notes increasing pressures on biodiversity and the degradation and unsustainable use of ecosystems, and promotes the more efficient use of natural resources. It notes that many companies are failing to economise on longer-term resource use (and thus failing to reduce impacts on nature) ‘because of a short-term horizon encouraged by existing reporting practices.’ It advances the use of indicators of resource efficiency and promotes the provision of the right information to fill gaps in knowledge. It calls specifically for Member States to ‘work with key stakeholders to encourage businesses to assess their dependency on ecosystem services building on the EU Business and Biodiversity Platform.’ And it further notes that the value of biodiversity needs to be taken account of by businesses at the operational level and that this needs to become common practice. The Roadmap also suggests that actual costs related to consumption of raw materials (including costs of impacts on biodiversity) should be paid by market participants. Information and reporting systems for disclosure of impacts and dependencies on nature can contribute to appropriate assessment, reporting and pricing in this context.

- The General Union Environmental Action Programme to 2020 – Living well, within the limits of our planet (Decision 1386/2013/EU) also highlights pressures on biodiversity and ecosystem services, calls on the Union to continue to promote sustainable business practices, and calls for ‘simplifying, streamlining and modernising environmental and climate change data and information collection, management, sharing and re-use…’ Information and reporting systems such as those of CDP Europe can contribute in this regard.

- Innovating for sustainable growth: a bioeconomy for Europe (COM(2012)60) highlights the need for Europe to change is approach to the production, consumption, processing, storage, recycling and disposal of biological resources, in response to increasing global population, rapid depletion of many resources, increasing environmental pressures and climate change. Improving the environmental sustainability of primary production is central to this strategy. It seeks to ‘improve the knowledge base and foster innovation to achieve productivity increases while ensuring sustainable resource use and alleviating stress on the environment’ and supports the ‘supports the development of production systems with reduced greenhouse gases (GHG) emissions.’ In particular, in relation to the pulp and paper, chemical and food industries, the strategy promotes ‘the substitution of carbon, energy and water intensive production processes by more resource efficient and environmentally friendly ones wherever possible.’ The strategy also supports ‘knowledge brokers’ to bridge the information and knowledge gap between
Enabling actions to scale up business innovation:
‘Information and reporting systems innovations for disclosure by businesses of their impacts on nature’

researchers and end-users (including businesses), and supports ‘advisory services for the whole supply chain.’ This includes support through European Innovation Partnerships (EIPs) such as that on Agricultural Productivity and Sustainability, and for the development of ‘standardised sustainability assessment methodologies for bio-based products and food production systems and supporting scale-up activities.’ Thus, the Bioeconomy Strategy is generally supportive of innovation and uptake of information and reporting systems to enhance development of the bioeconomy.

3.2 Biodiversity policy

- The EU Biodiversity Strategy to 2020 (COM(2011)244) highlights the value of nature including to businesses, and notes that the private sector is increasingly aware of the risks related to biodiversity loss and that many businesses are assessing their dependency on biodiversity. However, while the Strategy implies that such assessment is welcome, it does not explicitly call for better and more widespread disclosure of companies’ impacts on nature.

3.3 Law and policy on circular economy, environmental accounting, monitoring, assessment and reporting

- The Commission’s proposals for an EU Action Plan for the Circular Economy (COM(2015)614) encourages businesses to pay attention to the environmental impacts of production, in particular in relation to primary raw materials, both in EU and non-EU countries. It notes that ‘industry has a key role to play by making specific commitments to sustainable sourcing and cooperating across value chains.’ It also promotes the recycling of organic nutrients to reduce demand for primary raw materials for fertilisers, and promotes recycling of wastewater to alleviate pressure on overexploited water resources. The Action Plan identifies a number of priority areas, addressing sectors that ‘face specific challenges in the context of the circular economy, because of the specificities of their products or value-chains, their environmental footprint or dependency on material from outside Europe.’ Notably, biomass and bio-based products are identified as a priority area. In this regard, the Commission states that ‘using biological resources requires attention to their lifecycle environmental impacts and sustainable sourcing. The multiple possibilities for their use can also generate competition for them and create pressure on land-use.’ However, while the Action Plan provides a general policy environment likely to foster demand for information and reporting systems for disclosure of impacts on nature, it does not make any explicit reference to such systems other than at product level.

- Disclosure of information on environmental impact by large public-interest entities (listed companies, banks, insurance undertakings and other companies that are so designated by Member states) with more than 500 employees is addressed by Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. This states that such undertakings should disclose in their management report relevant and useful information on their policies, main risks and outcomes relating, inter alia, to environmental matters. Member States are required to transpose these rules on non-financial reporting in to national legislation by 6/12/16. This provides scope for the further development of information and reporting systems for disclosure of impacts on nature.

- The Copernicus Regulation (Regulation (EU) no. 377(2014)) is relevant in that it provides for a EU-wide earth observation programme providing accurate, timely and easily accessible information, among other things for management of the environment. This information is available to businesses and integrates satellite and in situ data with modelling to provide user-focused information services. Copernicus
land observation services are already operational. They include a global, a pan-European and a local component. For example, the pan European component provides high-resolution datasets describing the main land cover types. A forthcoming local component will address biodiversity in riparian areas of Europe. These information services may prove valuable for businesses working to report on and disclose impacts and dependencies on nature.

- The **INSPIRE Directive** (2007/2/EC) and related implementation regulations and decisions establish an Infrastructure for Spatial Information in the European Community, in support of EU environmental policies, or policies or activities which may have an impact on the environment. INSPIRE is relevant to the application of information and reporting systems for disclosure of impacts and dependencies on nature, in that it facilitates business access to relevant spatial information across Europe. INSPIRE will be fully operational by 2021.

- The **Eco-management and Audit Scheme (EMAS) Regulation** (Regulation EC no. 1221/2009) provides a voluntary instrument for companies and other organisations to evaluate, report, and improve their environmental performance. The uptake of information and reporting systems for disclosure of impacts and dependencies on nature can complement and act in synergy with EMAS. The Commission is elaborating EMAS **Sectoral Reference Documents** (including one focused on agriculture), which include best environmental management practices, environmental performance indicators and benchmarks of excellence; biodiversity aspects are tackled in all SRDs. EMAS sets standards for the content of environmental statements for companies and sites, and a set of ‘environmental core indicators’ against which companies should report.

- The Communication **Building the Single Market for Green Products** (COM(2013) 196) proposed EU-wide methods to measure the environmental performance of organisations, including a **Product Environmental Footprint (PEF)** and an **Organisation Environmental Footprint (OEF)**, recommended the use of this by companies, and announced a three-year testing phase 2013-2016, including provision for organisations with other methods to have them tested as well. The Communication also supports international efforts towards more coordination in methodological development and data availability. The testing phase will be followed by evaluation and decision on further applications of the PEF and OEF methods. This may have strong relevance for the reporting and disclosure of impacts on nature though at present PEF and OEF do not make the link from drivers to impacts on nature.

### 3.4 Other environmental law and policy

- The **EU Strategy on Adaptation to Climate Change** (COM(2013)0216) calls for ecosystem-based approaches to enhance adaptation to climate change. Information and reporting systems for disclosure of business impacts and dependencies on nature can stimulate businesses to adopt such ecosystem-based approaches.

- The **Decision on Accounting Rules on Greenhouse Gas (GHG) Emissions and Removals resulting from Land Use, Land-use Change and Forestry (LULUCF)** (529/2013/EU) is a first step for the incorporation of GHG emissions and removals from these sources into EU GHG emission reduction commitments. It obliges EU countries to prepare and maintain accounts of GHGs emitted or absorbed by forests, cropland and grazing land in an accurate, complete, consistent, comparable and transparent manner in line with the International Panel on Climate Change’s (IPCC’s) **Guidelines for National Greenhouse Gas Inventories**. Making GHG accounting and reporting more complete will enhance the EU’s environmental integrity (i.e. ensure the resilience, diversity, and purity of its ecosystems). In the current accounting period (2013–2020), there will be mandatory reporting and
accounting by EU countries for GHG emissions/removals from afforestation (planting new forests), deforestation (the destruction of forests); reforestation (restocking existing forests) and forest management. EU countries must prepare for the accurate accounting of GHG emissions/removals from cropland and grazing land, which will start in 2021. EU countries are also encouraged to report on how re-vegetation (the growth of vegetation on land other than forest) and the drainage or rewetting of wetlands affects GHG emissions/removals. In this regards, information and reporting systems for disclosure of impacts and dependencies on nature, including how these affect GHG emissions, can help companies feed in to national LULUCF GHG accounts.

- The Water Framework Directive (2000/60/EC) is relevant in that good management of natural capital in watersheds can help to improve water quality and reduce costs of water treatment. Information and reporting systems for disclosure of impacts and dependencies on nature can help businesses to recognise any impacts and dependencies relating to water and stimulate changes to business operations and supply chains that can enhance water quality.

### 3.5 Agricultural policy

- The Common Agricultural Policy 2014-2020 sets the sustainable management of natural resources as a long-term objective. It aims to reward farmers for delivering services to the wider public, such as landscapes, farmland biodiversity and climate stability. A new policy instrument of the first pillar (greening) is directed at the provision of environmental public goods. Restoring, enhancing and preserving ecosystems is also a priority of rural development (CAP Pillar 2), though Member States are not obliged to address this priority in their rural development programmes. The CAP also supports a shift for agriculture as a commodity-producing activity to agriculture as part of an integrated value chain, thereby strengthening links between natural capital and businesses all along the value chain. In these various ways, the CAP is broadly supportive of agricultural businesses enhancing the management of land for natural capital and ecosystem services. Information and reporting systems for disclosure of impacts and dependencies on nature can help businesses in the food, beverage and agriculture value chain to shift towards greener and more sustainable production.

### 3.6 Regional policy

- EU Regional Policy 2014-2020 sets 11 thematic objectives supporting growth, including: supporting the shift towards a low-carbon economy; promoting climate change adaptation, risk prevention and management; preserving and protecting the environment, and promoting resource efficiency. Information and reporting systems for disclosure of impacts and dependencies on nature will help companies to identify where they can take action to contribute to these thematic objectives.
4 Potential enabling measures relating to the policy/ legal framework

Ultimately, information and reporting systems for disclosure of impacts and dependencies on nature would best be taken to scale by making such reporting and disclosure mandatory. In the long-term, in a world of diminishing natural capital, mandatory requirements for companies to deliver ‘no net loss’ of nature, and indeed ‘net gain’ of nature, are likely to be under increasing demand. Information and reporting systems for disclosure of impacts and dependencies will be a key part of delivering this no net loss and net gain. However, the working group recognises that, for the short- to medium-term, reporting and disclosure of impacts on nature will in most contexts remain voluntary. The challenge then is to identify ways to drive uptake of information and reporting systems for disclosure of impacts on nature, within a largely voluntary framework.

With respect to the food, beverage and agriculture sector, the Common Agricultural Policy could be a key driver of reporting and disclosure. Linking of the main agricultural subsidies to the measuring and reporting of farming’s impact and dependencies on nature could drive uptake of these reporting and disclosure systems and reduce impacts on nature. This could be done in parallel with phased redistribution of CAP subsidies in favour of agricultural land management that favours biodiversity and natural capital.

- The WG considers that interested parties might give further thought to how the CAP might better drive the uptake of information and reporting systems for disclosure of impacts on nature.

Uptake of information and reporting systems for disclosure of impacts on nature could also be accelerated by the EU and Member States governments setting an example, for example: (a) requiring reporting and disclosure of impacts on nature as a prerequisite for the receipt of EU subsidies; (b) requiring all public companies to report on and disclose their impacts and dependencies on nature; (c) requiring no net loss of biodiversity in bilateral agreements for the supply of raw materials.

- The WG considers that the Commission and Member States might make a phased introduction of mandatory reporting and disclosure of impacts on nature, starting, for example, with public companies and/or recipients of EU subsidies.
5 Other potential enabling measures

In this section, consideration is given to existing EU financing instruments that offer potential to fund the further development and uptake of information and reporting systems for disclosure by businesses of their impacts on nature.

While most of the financing opportunities identified here are oriented to relatively short-term projects (which can certainly help in the development and uptake of these systems) the WG stresses that the ultimate objective of these systems – i.e. reduced impacts and dependencies on nature – requires stable long-term financing and economic viability, including through the creation of stable long-term markets for ecosystem services.

5.1 EU Finance

5.1.1 Horizon 2020

H2020 funding for the development of information and reporting systems encouraging disclosure of impacts on nature may potentially be provided in relation to topics under relevant Societal Challenges, including those on ‘Food security, sustainable agriculture, marine and maritime research and the bioeconomy’, ‘Climate action, resource efficiency and raw materials’, ‘Secure and clean energy’ and ‘Space’. This could be enabled by introducing relevant topics to the biannual work programmes and annual calls for proposals. For example, this could include research and innovation on traceability of raw materials and development of a database of raw materials with high impact on biodiversity during extraction or production and information on biodiversity-friendly alternatives. There is often somewhat limited presence of the private sector in collaborative projects funded under these challenges. Greater engagement of businesses as beneficiaries should enhance market uptake of research and innovation outputs. There is also potential for useful research and innovation to enhance application of remote sensing data for reporting and disclosure of impacts on nature under the ‘Space’ challenge.

The WF considers that companies and other interested parties (including academia) might seek to introduce a relevant topic under the SC5 biannual work programme (2018-19) and SC5 call for proposals (2018 or 2019) addressing scaling up of information and reporting systems for disclosure of impacts on nature.

Questions related to the bioeconomy, which may include issues relating to information and reporting systems, will also be addressed by the planned H2020 Knowledge and Innovation Community (KIC) ‘Food4future – Sustainable Supply Chain from Resources to Customers’, the call for which was published in January 2016 (deadline for submission of proposals, 14/7/16).

The WG considers that companies and other interested parties (e.g. CDP Europe) might seek to engage in the KIC as an excellence-driven innovation hub with a view to scaling up of information and reporting systems for disclosure of impacts on nature.

Funding might be secured to pilot and demonstrate innovation and replicate markets for information and reporting systems for disclosure of impacts and dependencies on nature, under the H2020 SME Instrument. Current topics of relevance under the SME Instrument include: SMEInst-01-2016-2017, Open Disruptive Innovation Scheme (which could, for example, fund innovative web-based tools); and SMEInst-11-2016-2017, Stimulating the innovation potential for SMEs in the areas of climate action, environment, resource efficiency and raw materials. The SME Instrument provides phased funding (up to 70% EU contribution) for SME innovation (Phase 1, €50000 EU contribution for feasibility studies; Phase 2, €500,000 to €2.5 million EU contribution for innovation development and demonstration). It is open to individual SMEs or SMEs operating in small consortia.
Successful proposals need to demonstrate, among other things, the novelty of the innovation, strong potential supply and demand and strong potential for scalability of the innovation.

- The WG considers that SMEs might submit proposals under the SME instrument, for innovation projects relating to the development and commercialisation of information and reporting systems for disclosure of impacts and dependencies on nature.

**COST** (a H2020 funded instrument) funds research networks (typically c. €130,000 p.a. for 4 years) with an emphasis on research and technological development with potential for European-scale impacts. COST pays for networking activities including working group meetings, exchange visits, database construction and communications activities (but does not pay for research per se, nor for participants’ time).

- The WG considers that companies and other interested parties (government agencies, NGOs, academia) might submit a proposal for a COST Action to support networking across Europe among entities working on the development and harmonisation of information and reporting systems for disclosure of impacts and dependencies on nature.

### 5.1.2 LIFE

The **LIFE sub-programme on Environment and Resource Efficiency** offers funding for projects that relate to the development of new models for the shift towards a circular and green economy. This includes projects of relevance to the Roadmap to a Resource Efficient Europe (which, as noted above, calls for businesses to better assess their impacts and dependencies on nature). The 2016 Application Guide specifically calls for projects that ‘give particular attention to resource efficient, environmentally sound performance of businesses, including the value chains, and on the harmonisation of methodology for measuring their ecological footprint.’ In the 2016 call, priority is given, inter alia, to ‘projects promoting the implementation of the European environmental footprint methodology through consumer and stakeholder communication, data availability, quality and traceability along the value chain, calculation simplification and verification.’ For example, the Global Nature Fund coordinates a LIFE project on “Biodiversity criteria in standards and labels for the food sector”; the improvement of the biodiversity performance of existing standards in all economic sectors is also key to reporting and environmental management (companies rely on standards /labels in order to guarantee a minimum environmental performance of their supply chain).

- The WG considers that companies and other interested parties (NGOs, government agencies, etc.) might submit a LIFE proposal to develop and pilot information and reporting systems for disclosure of impacts on nature.

### 5.1.3 Natural Capital Financing Facility

The Natural Capital Financing Facility (NCFF) is a financial instrument that combines EIB financing and European Commission funding under the LIFE Programme. The NCFF contributes to LIFE objectives in particular relating to nature and biodiversity and to climate change adaptation.

Projects supported by NCFF will promote the conservation, restoration, management and enhancement of natural capital. This includes ecosystem-based solutions to challenges related to land, soil, forestry, agriculture, water and waste. NCFF gives priority to the following areas: green infrastructure; payment for ecosystem services; biodiversity offsets / compensation beyond legal requirements; and pro-biodiversity and adaptation businesses. The NCFF will provide financial support to projects in order to generate revenue or save costs. In doing so, the Facility aims to prove to the market and to potential investors the attractiveness of biodiversity and climate adaptation operations in order to promote sustainable investments from the private sector.
Enabling actions to scale up business innovation: ‘Information and reporting systems innovations for disclosure by businesses of their impacts on nature’

The NCFF employs a range of different financing options for different projects, including debt and equity financing as well as direct and intermediated funding. The pilot phase of the NCFF project will last 3 years (2014-2017) with up to EUR 125 million being made available for investments in 9–12 operations. A Support Facility of EUR 10 million provides grant funding for technical for eligible final recipients and/or financial intermediaries for project preparation, implementation, monitoring and evaluation. Targeted projects must be located in the EU-28 and ideally have a size of EUR 5-15 million.

- The WG considers that companies (and other interested parties) seeking NCFF financing for natural capital projects addressing NCFF priorities might incorporate the use of information and reporting systems for disclosure of impacts and dependencies on nature.

5.1.4 EIB finance for agriculture, food and rural development

The EIB supports the rural economy - generating benefits for both private enterprises and society as a whole - through its long-term financing and provision of technical advice and assistance. EIB lending activities cover the whole agri-food and fishery value chain, ranging from input and equipment supply to wholesale and retail networks. The EIB provides financing for investments that make a significant contribution to: more resource efficient agricultural and food production; improved or restored ecosystems; innovative solutions for current and future challenges in the sector, and/or the productive and sustainable use of by-products from agricultural and food production.

- The WG considers that the EIB might encourage companies seeking EIB finance related to the agri-food and fishery value chain to apply information and reporting systems to disclose impacts and dependencies on nature.

5.1.5 European Regional Development Fund (ERDF)

One of the investment priorities of the ERDF (Art 5.6g) is ‘Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors.’

The INTERREG Europe programme (2014-2020) offers funding to public and private non-profit bodies to enhance regional development policies and programme. Support is provided in relation to a number of ‘priority axes’, which include (1) research, technological development and innovation, (2) enhancing the competitiveness of SMEs, (3) supporting the shift towards the low carbon economy in all sectors, and (4) protecting the environment and promoting resources efficiency.

- The WG considers that regional governments (and other eligible parties) might submit a proposal to INTERREG Europe to explore ways to encourage uptake by companies, at regional scale, of information and reporting systems for disclosure of impacts and dependencies on nature.

5.1.6 Funding under the Common Agricultural Policy

The CAP provides funding for environmental outcomes from agriculture, through greening measures in relation to direct payments and through agri-environment measures under rural development funding.

- The WG considers that food, beverage and agricultural companies might apply information and reporting systems for disclosure of impacts and dependencies on nature to demonstrate the potential for such systems in relation to CAP reporting.
5.2 Standards and tools

In general, there is no need for new information and reporting standards or systems for the disclosure of impacts on nature. If anything, disclosure is currently hampered by the proliferation of overlapping schemes (both regulatory and voluntary). This suggests a need to review the many schemes developed over the last ten years or so and, in particular, why they are not widely used by many companies.

There is however a need to incorporate sound and meaningful criteria for biodiversity, ecosystem services and natural capital within existing standards and systems. For example, the Product Environmental Footprint (PEF) and Organisational Environmental Footprint (OEF) offer potential as standardised methods for environmental reporting and disclosure. However, they fail to link impact drivers (climate change, acidification, eutrophication, water scarcity, land use) with changes in biodiversity and the ability of natural capital to provide the ecosystem services upon which company profits and revenues rely. PEF and OEF work better in certain other fast-moving consumer goods (FCMG) sectors but less well in the food and beverage sector which needs both the impacts and dependencies assessment to drive business interest (Global Nature Fund is leading a LIFE project which seeks to address this for the food sector; see also the materiality matrix section in the Natural Capital Protocol, Food and Beverage Sector Guide).

- The WG considers that the Commission might give further thought to how to enhance PEF and OEF as tools to support reporting on impacts on nature, by linking through from drivers to impacts on biodiversity and natural capital.

EMAS has the potential to be a relevant tool for management of and reporting on biodiversity. It is expected that EMAS Annexes 2 and 3 will soon be reviewed to integrate the new ISO 14001. This might offer an opportunity to expand on the current key indicator “land use” to better reflect issues around biodiversity, ecosystem services and natural capital, and to provide a common frame for reporting on these issues. Independently from this review, DG Environment is already working on a guidance document for EMAS to render it more relevant to the management of impacts on biodiversity, ecosystem services and natural capital. There is also scope to provide effective incentives for companies to become EMAS certified in order to support its development from a voluntary instrument towards a semi-voluntary instrument.

- The WG considers that the Commission might, in the forthcoming EMAS review, seek to make EMAS more relevant to the management of impacts on biodiversity, ecosystem services and natural capital, and providing incentives for wider uptake of EMAS for this purpose.

There is also scope for better integration of biodiversity protection into standards and labels for the food industry, including for example the EU label for organic agriculture and regional quality labels, as well as private and public standards for the European market.

- The WG considers that the interested parties might seek to better integrate biodiversity protection into food labels and standards.

5.3 Guidance

Directive 2013/34/EU on annual financial statements (referenced above) offers flexibility for companies to disclose relevant information (including reporting in a separate report) and allows companies to rely on international, European or national guidelines (e.g. the UN Global Compact, the OECD Guidelines for Multinational Enterprises, ISO 26000, etc.).

Pursuant to Directive 2013/34/EU, the European Commission is preparing non-binding guidelines on the methodology for reporting non-financial information by end-2016.
consultation on these guidelines ran from 15/1/16 to 15/4/16 and consultation responses are available online. The Commission will in due course publish a summary of responses.

The planned guidelines offer an opportunity to provide guidance on information and reporting systems for disclosure of impacts on nature. These guidelines are relevant in that they: create a common language; raise awareness, inspire and inform action by companies, notably triggering reporting by companies that are not obliged to report but see the opportunities it offers; and help implement reporting and disclosure through value chains.

- The WG considers that interested parties might work to ensure that the non-binding guidelines on methodology for reporting non-financial information sufficiently address biodiversity, ecosystem services and natural capital issues.

Corporate natural capital accounting (NCA) has the potential to provide a concrete basis for business reporting by explicitly mapping out the impacts and/or dependencies on natural resources and placing a monetary value on them. This would give companies clarity on how much they depend on nature to generate revenue and provides a common metric to embed sustainability in business decision-making. Greater transparency would be introduced, alongside accountability in the way natural resources are exploited.

NCA also contributes to better management and reduction of risks. It further informs investors about risks and opportunities of their placements directly or indirectly related to natural resources. Reporting, disclosure and transparency on corporate impacts and dependencies on nature are central to enhancing corporate environmental responsibility. For some companies, increasing risks related to environmental change (climate change, loss of natural capital) means that impacts and dependencies on nature are increasingly regarded as strategic risks. Finance departments recognise the disclosure of natural capital as related risks has become key for companies’ investors relations. This creates a strong imperative for assessment, reporting and disclosure of these impacts and dependencies, and greater action to reduce risks related to impacts and dependencies.

Ongoing work from the EU Business and Biodiversity platform and the CBD global platform also provide some useful input. In particular the recently launched Natural Capital Protocol (NCP) is a key milestone. It provides a framework designed to help generate trusted, credible, and actionable information for business managers to inform decisions. The Protocol aims to support better decisions by including how a company interacts with nature, or more specifically natural capital.

For food and beverage companies, and other companies based on renewable primary products, to want to report, they need: (a) a better sense of the business value of measuring environmental impact and dependencies (prior to reporting), e.g. they need to understand the scale of revenue at risk related to their dependence on fresh water or clean air in a specific location; (b) a standardised approach to make these wider environmental measurements. Both of these needs are central to the NCP and its accompanying Food & Beverage Sector Guide. The scaling up of reporting and disclosure can in part be driven by companies using these to quantify impacts on business performance. Having done so, companies will be better placed to apply standardised frameworks such as the CDP Europe framework to report on impacts and dependencies.

- The WG considers that interested parties might promote uptake of the Natural Capital Protocol and in particular the Food & Beverage Sector Guide.

TEEB for Agriculture and Food (TEEBAGF) is another relevant key initiative in this arena. Its objectives are to develop a comprehensive framework for measuring agri-specific impacts and dependencies taking a detailed systems approach. Pilot studies have been published, highlighting data and method gaps. Linking these food and beverage relevant measurement

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3 The Workstream Lead will review these responses for any input of relevance for this WG
Enabling actions to scale up business innovation:
‘Information and reporting systems innovations for disclosure by businesses of their impacts on nature’

frameworks through to reporting platforms such as that of CDP will be critical in creating harmonization between businesses.

- The WG considers that interested parties might promote uptake of the forthcoming TEEBAGF framework for measurement of agri-specific impacts and dependencies.

In 2015, KNU published *Guidance on the ISO management system and the protection of biological adversity* (2015). ISO 26000 in particular addresses biodiversity concerns well, including references to access and benefit sharing. However, ISO 26000 provides only a framework, with no concrete guidance on how to determine the baseline, how to identify and prioritize objectives and measures, and which key data and indicators to choose for monitoring and reporting.

Based on the KNU Guidance, the Global Nature Fund is currently elaborating guidelines on ‘EMAS and biodiversity: how to address biodiversity protection through environmental management systems.’ These new EMAS and biodiversity guidelines will be completed by the end of 2016 and will include updated information on why companies should consider biodiversity, impacts on biodiversity of the different units of a company (e.g. procurement/ supply chain, production, marketing etc.) and suggestions for key data and indicators for measurement, monitoring and reporting. The guidelines will be cross-sectoral, with recommendations valid for all sectors. There will be a need to develop sector specific guidelines as impacts on biodiversity differ significantly between sectors.

- The WG considers that interested parties might promote the KNU guidance encouraging the integration of biodiversity concerns within ISO management and reporting systems, as well as forthcoming GNF guidance on EMAS and biodiversity.

One constraint to uptake of information and reporting systems is that the approaches tend to be technically demanding, and many companies lack the necessary technical resources to engage. For larger corporations where the dependencies on nature are material (e.g. BAT, Unilever, Danone), they may employ the necessary technical resource.

- The WG considers that interested parties might develop less technically demanding approaches for smaller businesses, and those with less direct dependencies on nature.

The benefit of disclosure and reporting for biodiversity, ecosystem services and natural capital is limited by the fact that most current reporting and disclosure addresses only primary resources and outputs (energy, water, CO2, waste, etc.) and does not directly address biodiversity.

5.4 Sharing of good/best practice

A number of web resources offer relevant materials. For example: the *Natural Capital Hub* includes a wide range of relevant materials including on data, tools and methodologies, the enabling environment and case studies; *Biodiversity: a GRI Reporting Resource* (2007) addresses approaches to reporting on biodiversity; and the *European Biodiversity Standard* provides a tool for companies to assess, upgrade and profile their biodiversity performance.

There is a need to refine the treatment of biodiversity in existing information and reporting systems, including: clearly distinguishing different components of nature that may be impacted (natural capital; ecosystem services, biodiversity); clearly distinguishing value-chain driven impacts, site-practice driven impacts and location driven impacts and most appropriate tools for disclosure of each; clearly distinguishing different values of nature (existence value, use value etc.); and how impacts on each might best be measured and reported.
There is also a need to understand better how companies can best use the knowledge generated by information and reporting systems to manage adjustments in their supply chain to reduce impacts on nature.

- The WG considers that interested parties might establish communities of practice to share experience and good practice and stimulate uptake of information and reporting systems for disclosure of impacts on biodiversity under the Directive on Non-financial Reporting.

- The WG considers that interested parties might establish a multi-stakeholder discussion aimed at: (a) clarifying the information and reporting landscape; (b) clarifying the treatment of biodiversity, natural capital and ecosystem services within this landscape; (c) sharing good practice on how to make use of knowledge gained from information and reporting systems to reduce impacts on nature.

5.5 Data provision

A key constraint relating to the uptake and application of information and reporting systems for disclosure of impacts on nature relates to the fact that many companies lack sufficient information on their supply chains. A key challenge here is the traceability of raw materials and lack of data on the impact of raw material supplied on biodiversity as well as on alternative sources with lower impacts.

- The WG considers that interested parties might develop a database of raw materials for which extraction and production has a high impact on biodiversity, together with alternative sources with lower biodiversity impact.

A key constraint on the uptake of information and reporting systems is the limited availability of relevant data with which to assess impacts and dependencies on biodiversity, ecosystem services and natural capital. There is insufficient national and regional monitoring of biodiversity, and great variability in data quality. Current work by GEO-BON on Essential Biodiversity Variables aims to help resolve this to some extent, inspired by the Essential Climate Variables that guide the Global Climate Observation System of the UNFCCC. The guide Good Practices for the Collection of Biodiversity Baseline Data, published by the Cross-Sector Biodiversity Initiative (UK), is also of relevance.

- The WG considers that the Commission and Member States might support international work on EBVs to harmonise biodiversity monitoring and enhance data availability for reporting and disclosure of impacts on biodiversity.

It is not cost-efficient or effective to expect each company, and in particular smaller companies, to carry out studies to gather relevant data. The provision of relevant data is thus critical. Copernicus and INSPIRE as well as the Biodiversity Information System for Europe and related national biodiversity databases, can assist in this respect. The latest generations of high-resolution satellite imagery offer particular promise.

- The WG considers that the Commission and Member States, in taking forward Copernicus, INSPIRE and BISE, might give greater consideration to the provision of relevant data in support of businesses’ reporting and disclosure of impacts on biodiversity.

5.6 Awareness raising, training, capacity building

Uptake of systems for disclosure and reporting of impacts and dependencies on natural capital can be stimulated by the Commission and Member States linking work under relevant

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law and policy to the Natural Capital Protocol, which helps make the business case for such reporting and disclosure.

- The WG considers that the Commission and Member States might link work, under relevant policy and law, on information and reporting systems for disclosure of impacts on nature, to the Natural Capital Protocol and its sector guidelines.

There is a need for greater incentives for companies to report on and disclose their impacts and dependencies on nature. One way to incentivise this would be to add biodiversity criteria to EU standards such as the EU Ecolabel. The Öko-Institut, Global Nature Fund and other partners are currently working with the German Environment Ministry on the development of such criteria for 21 product groups included in green public procurement. The EU and Member States could also add biodiversity criteria to green public procurement.

- The WG considers that the Commission and Member States might add biodiversity criteria to the EU Ecolabel and to green public procurement.

Awards and prizes can be used to incentivise companies to take up information and reporting systems for disclosure of impacts on nature. In 2016, the European Business Award on the Environment (EBAE) included, for the first time, an award for companies managing biodiversity aspects in a sound manner (more than 40 companies presented relevant activities). The Transparency Benchmark is used in The Netherlands to rank Dutch companies on their disclosure, with an annual prize for the most transparent company. EY is currently carrying out a small pilot to explore opportunities for more specific criteria for this Benchmark on the basis of the EU Transparency Directive and the Natural Capital Protocol. This pilot will include non-Dutch companies, to explore the potential for a EU-wide tool.

- The WG considers that the Commission and Member States might offer awards for exemplary uptake of information and reporting systems for disclosure of impacts on nature.
Annex 1  Background on WS2

WS2 aims to promote innovation that contributes to nature and biodiversity conservation and provides business opportunities.

WS2 Year 1 work (2014) gathered and showcased (on the B@B Platform website) 21 innovations received from Platform members and observers.

WS2 Year 2 work (2015) broadened the number of innovation case studies and dug deeper into a sub-set of these cases to assess how best to scale up the most promising partnership models. Six new cases were received. 20 of the total 27 cases were rapidly assessed for likely benefit to business, likely benefit to nature, and scalability and feasibility (those not assessed were either platforms, or provided insufficient information). The rapid assessments are available on the website. Based on this rapid assessment, seven ‘most promising’ innovations were selected for deeper analysis. This considered: the scale of the potential opportunity for business; the scale of the reduced risks or potential gains to nature; ease of implementation and practical opportunities for enabling growth; and the underpinning economic case for the innovation. The output was five ‘Analysis of Opportunity’ papers:

- CDP EUROPE: an environmental reporting system for the food, beverage and agricultural food chain;
- Innovative tools for natural capital accounting and mapping to support land management decision-making, from AECOM (for National Grid) and Landmarc Solutions;
- Water micro-pollutant treatment innovations, from SUEZ (‘ZHART’ constructed wetlands) and Dryden Aqua (Activated Filter Media - AFM);
- Temporary Nature innovation, from Tractebel Engineering (ENGIE); and
- Innovation for reed bed biomass fuel and biodiversity, by FIELDFARE.

Together, these five areas of innovation:

- offer very significant opportunities for benefits to business, jobs and growth\(^5\) including € 10s to 100s of billions GVA per annum, 10s of thousands of jobs, significant potential to de-risk business and significant potential to enhance business sustainability – all five areas can contribute significantly to the emerging EU ‘restoration economy’;\(^6\)
- offer potential for significant contribution to halting and reversing the decline of biodiversity and ecosystem services, including the restoration of 100s of thousands of hectares of habitat, enhanced diversity and abundance of species, and significant restoration of a wide range of ecosystem services in terrestrial, freshwater and marine environments;
- are scalable and feasible, with specific opportunities for public sector leverage and in particular potential for EU level action linked to relevant policy windows; and
- are in line with the general direction of travel in EU policy, with robust underpinning economic rationale.

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\(^5\) Duke, G. 2015. Introduction to Year 2 work and summary of findings from the analysis of ‘most promising opportunities’. EU Business @ Biodiversity Platform.

\(^6\) A recent study of the benefits of the US restoration economy found that each $1 m invested creates 33 direct jobs, with an employment multiplier of 1.6-3.8 and output multiplier of 1.5 to 2.6 (BenDor et al 2015).
Annex 2  Approach & method

A2.1  Approach

This paper was prepared by a Working Group (WG1) facilitated by the WS2 Lead. The WG was set up in April-May 2016 and finalised this report for presentation at the EU B@B Platform Conference on 23 November 2016 in The Hague, Netherlands.

The paper builds on detailed analysis carried out by WS2 in 2015, reported in the paper CDP EUROPE: an environmental reporting system for the food, beverage and agricultural value chain – ANALYSIS OF THE OPPORTUNITY (October 2015). This previous paper provides a detailed description of the innovation and an assessment of: the scale of the potential opportunity for business; the scale of the reduced risks or potential gains to nature; ease of implementation and practical opportunities for enabling growth; and the underpinning economic case for the innovation.

Membership of the WG included the businesses involved in the Year 2 detailed analysis, and others drawn from Platform members and from the wider business community, as well as interested observers, representatives and Member State participants. Membership was established following an open call via the B@B website and direct mailed to WS members.

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<tr>
<th>Working Group Members (* written input submitted)</th>
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<tbody>
<tr>
<td>Arcadis – Bianca Nijhof (Netherlands) &amp; Isabelle Spiegel (France)*</td>
</tr>
<tr>
<td>CDP Europe – Leina Meintrup &amp; Raffaella Colombo (Germany/Belgium)</td>
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<tr>
<td>EUROMINES – Johannes Drieslma (Belgium)*</td>
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<td>EUSALT – Melanie Yaminne (Belgium)*</td>
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<td>Global Nature Fund – Marion Hammerl (Germany)*</td>
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<td>Ministry of Economic Affairs, Netherlands – Martin Lok (Netherlands)*</td>
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<td>QNATUR – Carlos Sunyer (Spain)*</td>
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<td>SYNERGIZ – Joel Houdet (France)*</td>
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<td>University of Twente – Andrew Skidmore (Netherlands)*</td>
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There are inter-connections between this innovation and the work of the B@B Platform Workstream 1 (WS1) Natural Capital Accounting and Workstream 3 (WS3) Finance. The WG for this took account in particular of WS3 outputs from years 1 and 2 as well as parallel work under WS3 in year 3.

A2.2  Method

The WG carried out the following tasks:

1. **Agree the scope of the WG** in terms of the business innovation(s) addressed and identify the ‘Community of Practice’ (with a focus on businesses) relating to the innovation(s).

2. **Identify**: (a) the EU policy and regulatory framework relating to the innovations; (b) any provision within the existing policy and regulatory framework that might enable up-scaling of the innovation; (c) any constraint to up-scaling of the innovation arising
from this framework; and (d) any policy and/or regulatory change required at EU level to better enable up-scaling, and how this might be achieved.

3. **Identify**: (a) any existing non-regulatory measures (such as financing, standards, tools, sharing of best practice, knowledge exchange, etc.) available at EU level that may enable up-scaling of the innovation; (b) any constraint to up-scaling of the innovation arising from these measures (or the absence of such measures) and (c) any new non-regulatory measure required at EU level to better enable up-scaling, and how this might be achieved.

4. **Refine the rationale**, in terms of benefits to business, jobs and growth, and benefits to nature and to wider society, to justify any proposed policy/regulatory and/or non-regulatory measures.

The WG operated remotely, facilitated by the WS Lead. Specifically, the WS Lead carried out the following tasks for the WG:

1. **Draft a paper and invite comment** from WG members (Jun-Aug 2016).
2. **Revise the paper** based on WG input and further desk research (Aug-Oct 2016).
3. **Invite final WG comment** on the revised paper (Oct-Nov 2016).
4. **Finalise the paper** based on the comments of the WG (mid-Nov 2016).