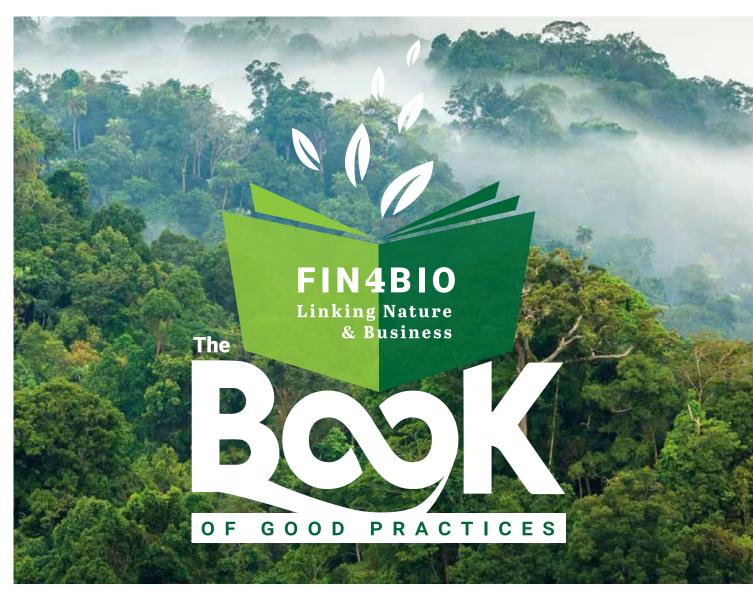


Liberté Égalité Fraternité







### **HOW CAN THIS BOOK HELP YOUR BUSINESS?**

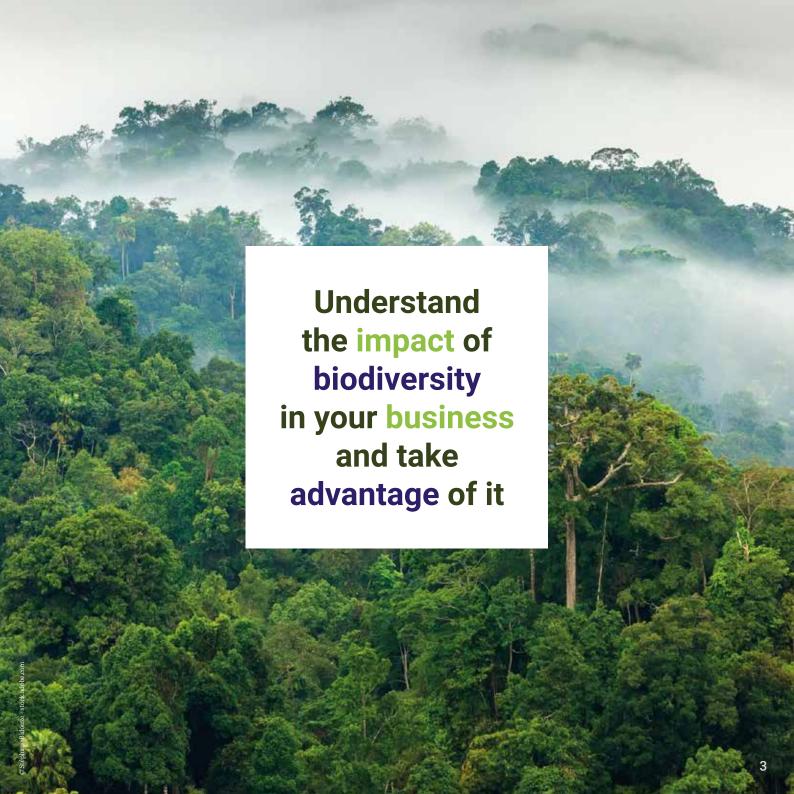
Clear scientific evidence confirms that net zero is not achievable without concrete action on nature.

Private sector has a key role to play towards a Nature Positive future.

Your business can benefit from first-mover advantages if you use the right tools. Regardless of where you are on this path towards nature positive, there is no need to fret!

# This book is designed to help you

- Understand the impact of biodiversity on your business and take advantage of it.
- Examples of business Integrating concrete biodiversity considerations.
- Which tools can you use to integrate biodiversity and your business?



# WHAT IS BIODIVERSITY?

'The variability among living organisms from all sources, including, inter alia, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species, and ecosystems.'



Convention on Biological Diversity, 1992, article 2

# ► LET'S TRANSLATE BIODIVERSITY VALUE

**Biodiversity = economic value more than 2X world's GDP**<sup>1</sup> (think food provisioning, carbon storage, water and air filtration, etc.)

More than \$5 trillion a year is the cost to global economy from the decline in ecosystem functionality

<sup>1</sup> The Biodiversity Crisis Is a Business Crisis, March 2021.





#### A 'Silent Spring' for the Financial System?

'42% of the value of securities held by French financial institutions were issued by companies that are directly highly or very highly dependent on at least one ecosystem service.'



# Network for Greening the Financial System (NGFS)

'Nature-related risks could have significant macroeconomic implications, and that failure to account for, mitigate and adapt to these implications is a source of risks for individual financial institutions as well as for financial stability.'









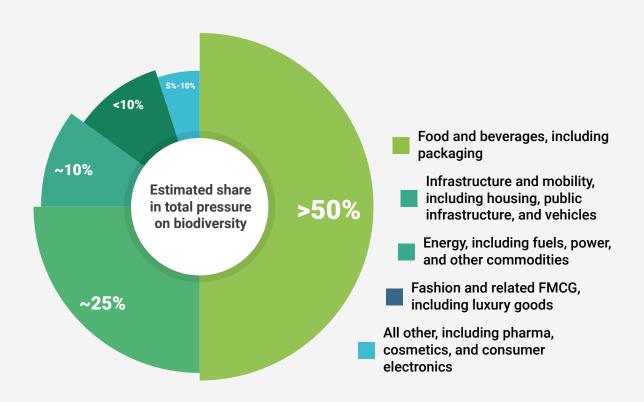




5

# DO YOU KNOW THE **IMPACT** OF YOUR BUSINESS?

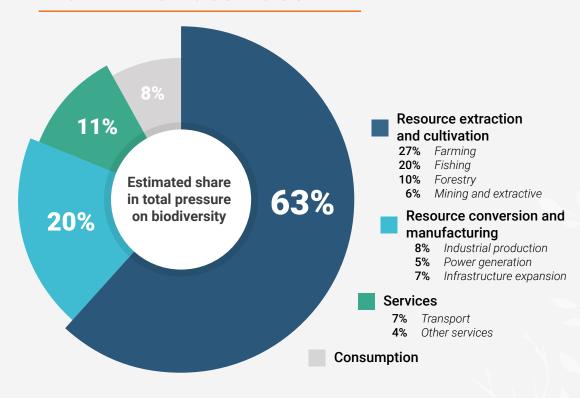
# Contributing sectors to 90% of pressure on biodiversity



**Source:** BCG analysis (see the appendix for details).

Note: Value chains are defined by consumer end products; FMCG fast-moving consumer goods.

# From which activities?



**Source:** BCG analysis (see the appendix for details).

# TYPES OF RISKS RELATED TO NATURE & BIODIVERSITY

#### **PHYSICAL RISKS**

Habitat destruction, invasive species and species loss/collapse impact **operations** 

#### **TRANSITION RISKS**

Misalignment between company strategy and the **changing regulatory** and policy

#### SYSTEMIC RISKS

Risks arising from the breakdown of the entire ecosystem, rather than the failure of individual parts

# IT'S ALL ABOUT **PERSPECTIVE**, any challenges can bring opportunities



Source: BCG analysis.



#### PRIVATE

# **№ PROTEAK**

Listed on the Mexican Stock Exchange. It is the **largest forestry company in Mexico** specialized in producing FSC-certified (Forestry Stewardship Counsel) teak and eucalyptus from its 19,000 hectares of plantations in Mexico, Colombia and Costa Rica and the production of MDF (Medium Density Fiberboard) panels.



A loan of 26 Million Euros will help financing the development of some 10,000 hectares of commercial forestry plantations (Proparco/ AFD).

### **Business biodiversity driver(s) for change:**



The project will support the expansion of **certified forests**, the reforestation of degraded areas, and will contribute to reducing greenhouse gas emissions through carbon sequestration.





# **► CORPORACIÓN ANDINA DE FOMENTO (CAF)**

The South American continent is one of the world's major biodiversity reserves. CAF is a key financial player at regional level, with the vocation of playing a major role in **supporting the transition** of member states and their customers, **financial institutions and businesses**, **both public and private**, **towards a low-carbon**, resilient, inclusive and **biodiversity-friendly economy**.



The project comprises a EUR 200 million matrix credit line and a EUR 0.5 million grant to support CAF, the leading multilateral development bank in Latin America and the Caribbean and a member of IDFC.

The loan will be disbursed, based on objectives aiming at improving the bank's practices and strategy on climate, biodiversity and gender finance.

# **Business biodiversity driver(s) for change:**



The grant will help CAF to achieve these objectives which are to sustainably transform the bank's practices, thus affecting nearly USD 14 billion of annual commitments to date of which 50% should be climate co-benefits and 15% biodiversity co-benefits by 2030.





#### PRIVATE

# **KILIC KAMPAGNI**

Leading **global supplier of various Mediterranean fish species** (exporting seafood to over 60 countries)



A 80 Million Euros loan (Proparco + FMO) facility will help to expand their sustainable aquaculture growth.

## **Business biodiversity driver(s) for change:**



On the environmental front, satisfactory Group's management of the environmental aspects and a commitment by the client to implement an E&S action plan under the project.







Bank of Qingdao (BQD) in Qingdao City - a marine economy powerhouse with its 30 percent gross domestic product (GDP) in marine sectors. IFC and BQD joined forces to create the bank's first blue finance framework and taxonomy which identifies 37 activities across seven categories.



Proparco participated in IFC's landmark \$150 million blue syndicated loan for BDQ. This new investment will enable BQD to provide \$450 million in financing for 50 blue finance projects in China by 2025. Blue loans are innovative financing instruments that earmark funds exclusively for ocean-friendly projects and critical clean water resources protection.

# **Business biodiversity driver(s) for change:**



The financed projects that will contribute to reducing the volume of marine litter and untreated wastewater, while promoting responsible fishing.





BQD 🚨 青岛银行



# **MIROVA**

MIROVA Makes biodiversity criteria critical to their land degradation neutrality fund (LDN).

Mirova's LDN Fund, promoted by the United Nations Convention to Combat Desertification.



The LDN fund has given rise to 10 investments in 12 developing countries. The latest investments announced include:

- · Agroforestry program in the Philippines
- · Sustainable forestry in Brazil

# **Business biodiversity driver(s) for change:**



The fund invests in enterprises involved in sustainable land use –regenerative and sustainable agriculture, sustainable forestry on degraded lands, etc. – and aims to improve their sustainability and efficiency. Value is created through sustainable production, increased quality and market access within sustainable supply chains. Positive impacts targeted include climate mitigation and adaptation, biodiversity protection, rural development and gender equality.







CIRCULATE CAPITAL invest to fight plastic pollution in oceans.



Circulate Capital, the Singapore-based investment-management firm financing high-growth opportunities at the nexus of climate technology, plastic recycling, and the circular economy.

### **Business biodiversity driver(s) for change:**



Largest impact investment firm dedicated to fighting plastic pollution and advancing the circular economy in South and Southeast Asia. The Circulate Capital Ocean Fund (CCOF I) invests in companies across the plastic-recycling and waste-management value chains, as well as startups focused on early-stage disruptive innovation and technology.







# CRÉDIT AGRICOLE DU MAROC

Facing with persistent urban-rural inequalities, Morocco's government recognizes how sustainable agricultural development plays crucial role in addressing its socio-economic challenges thus launches 'Generation Green 2020–2030' policy prioritizing rural development, emphasizing sustainability, human capital, and food security through innovation and inclusive growth.



Crédit Agricole du Maroc (GCAM) seeks AFD support for a €50 million credit line to finance sustainable agricultural projects. Target sectors include water saving irrigation, rural investments, energy efficiency, and organic agriculture with €1.50 million grant which facilitates technical assistance and incentivizes investment in the underdeveloped sectors.

# **Business biodiversity driver(s) for change:**



The credit line provides Moroccan farmers budget and technical support to develop organic farming, and irrigation techniques that spare water resources, with KPIs to monitor the improvement on natural resources.





# **BANCO DE DESARROLLO DEL ECUADOR B.P.**

Ecuador aims to ensure universal access to water, sanitation, and waste management services through the 'Prosaneamiento' program.



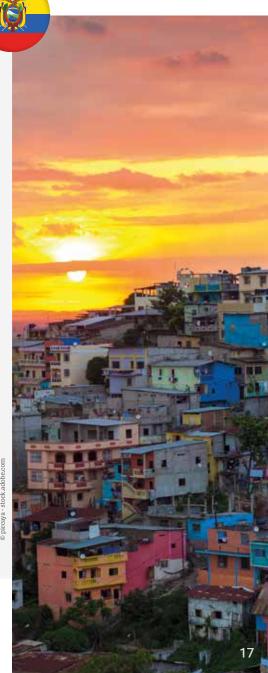
AFD's \$100 million loan, channeled through Banco de Desarrollo del Ecuador, who works mostly with local administrations and State owned Enterprises, supports this national initiative in improving living conditions by enhancing water, sanitation, and waste management infrastructure.

### **Business biodiversity driver(s) for change:**



Through the financing of sustainable infrastructure, investments in the sectors of sanitation and solid waste management have a high potential in terms of a positive impact on biodiversity, by limiting pollution discharges into the ecosystem, especially in surface waters.





#### POLICY

# **COSTA RICA**

Costa Rica leads a fight against climate change and for Nature, emphasizing environmental preservation and decarbonizing its economy. It achieves this by linking climate action with biodiversity conservation, the project boosts Costa Rica's resilience through decarbonization, ecosystem restoration and sustainable agriculture.

AFD aids Costa Rica's decarbonization efforts through three public policy loans, focusing on climate action, ecosystem restoration, sustainable agriculture, transportation electrification, urban planning, and circular economy development. Co-financed by the Inter-American Development Bank (IDB), totaling \$400 million, Positive impacts include the development of low-emission agricultural sectors that are more biodiversity-friendly, restoring of mangroves and seagrass beds.

# **Business biodiversity driver(s) for change:**





The implementation of sustainable agricultural practices at the sector level also contributes to promoting biodiversity and reducing pressures on biodiversity.



#### POLICY

# **TURKEY**

Turkey boasts vast forest cover of 22.9 million hectares, playing a crucial economic role in rural areas and contributing to global public goods. The government aims to reach 30% forest cover by 2023 while aligning forest policies with European standards.



This project, funded through a €150 Million Public Policy Loan and technical assistance, enhances sustainable forest management, integrating climate change mitigation and biodiversity preservation into Turkey's forest policy. Activities include budget allocation for climate-friendly investments, biodiversity integration and vocational capacity building.

## **Business biodiversity driver(s) for change:**

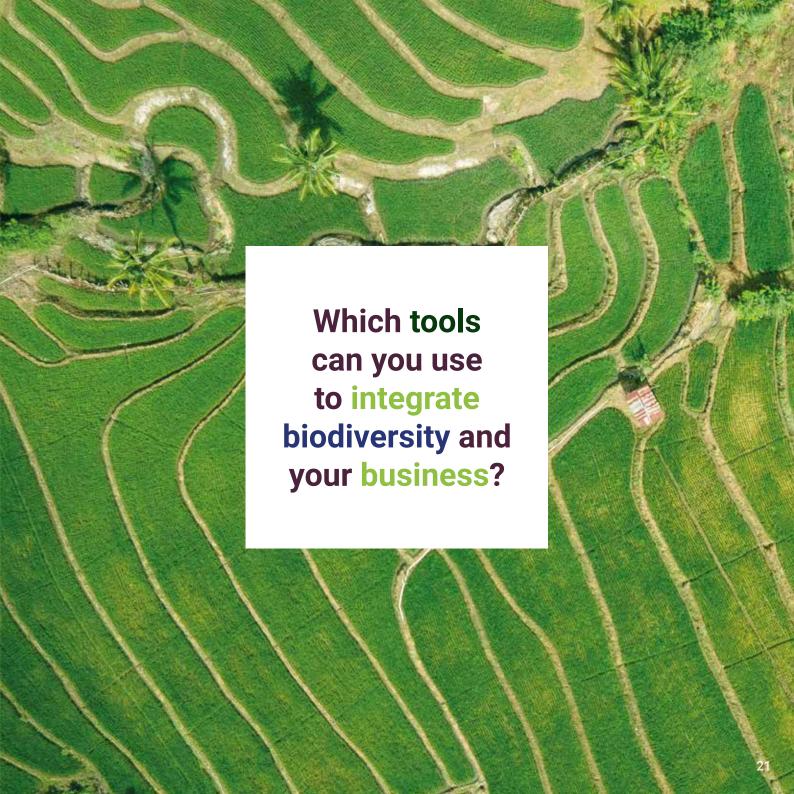


The project promotes the strategic integration of biodiversity issues into the decision-making processes at the policy maker level. It supports the forest certification process thus contributing to the sustainable management of resources and the community participatory approach in decision-making processes.



n44ik - stock.adobe.com





# Integrating biodiversity into business: frameworks for different sectors and sizes

Several frameworks have been developed to integrate biodiversity into your business. Depending on your sector and your business size, here are some useful approaches you could consider:

- ▼ Taskforce on Nature-related Financial Disclosures (TNFD)
- Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE)
- Science-Based Targets Network (SBTN)
- Triple Capital Accounting (TCA)



	For Whom	Assessment	Disclosure	Setting Targets	Accounting
1.1 TNFD	<ul> <li>Large businesses</li> <li>Financial sector (to be published in 2024)</li> </ul>	LEAP method for assessment	Yes - Disclosure of core metrics (physical impact) + financial risks		
1.2 ENCORE	Multi sector including financial sector	High level assessment of dependencies			
2.1 SBTN	Large businesses	Assessment interoperable with TNFD	Yes	Science based targets set by 3rd party experts	



# **▼ Taskforce on Nature-related Financial Disclosures** (TNFD)

The TNFD recommendations provide a voluntary way for organizations to disclose their nature-related issues, consistent with the global sustainability reporting baseline, existing and emerging regulatory requirements, and in response to growing demands from investors for more information on these issues,



#### **Ouick facts about TNFD:**

- Based on 4 pillars: governance, strategy, risks & impact management, metrics & targets.
- Already piloted by 200+ organizations.
- Voluntary and adaptable to the maturity of your business.
- You can choose how many metrics to disclose.
- Sector-specific guidance.
- Possible to join TNFD community of practices at no cost.
- · Currently cover 8 sectors.



#### TNFD's recommended disclosures

#### Governance

Disclose the organisation's governance of naturerelated dependencies, impacts, risks and opportunities.

#### **Strategy**

Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.

#### Risk & impact management

Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.

#### **Metrics & targets**

Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

#### RECOMMENDED DISCLOSURES

- **A.** Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.
- **B.** Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.
- C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.
- **A.** Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.
- B. Describe the effect naturerelated dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.
- C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.
- **D.** Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.

- A.¹ Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.
- A.² Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).
- **B.** Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.
- **C.** Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.

- **A.** Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.
- **B.** Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.
- C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.

# Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE)

ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) is a free, online tool that helps organisations explore their exposure to nature-related risk and take the first steps to understand their dependencies and impacts on nature.

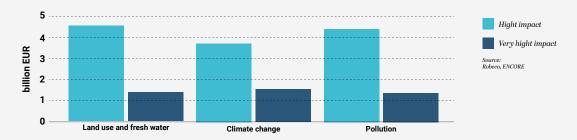
#### **Ouick facts about ENCORE:**

- · Free web-based tool:
- · A rapid ex-ante assessment;
- · Included drivers of Pollution and Climate Change;
- Designed for Multi-sector users with a subsection developed for financial sector.

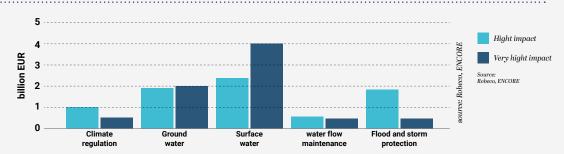
#### Adoption:

- Used as 1st assessment of financial sector including asset management's portfolios (i.e.; ABN AMRO, Robeco, AFD, Bank of South Africa;
- Facilitate the TNFD disclosures process.

### Robeco's investment exposure to sectors that impact key drivers of biodiversity loss.

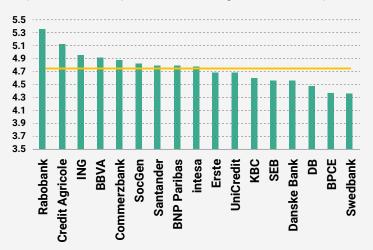


### Robeco's investment exposure to sectors that depend on ecosystem services.



# Biodiversity dependence score, by bank

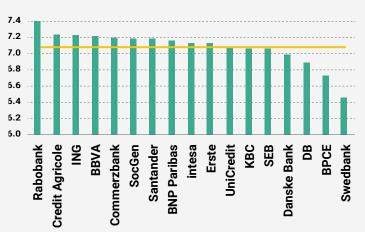
Dependence score per bank, according to loan book exposure.





### Biodiversity impact sector, by bank

Impact score per bank, according to loan book exposure.









# **№ Science-Based Targets Network (SBTN)**

Setting targets through the Science-Based Targets Network means your company or city can be confident of doing enough to help restore balance to the global commons and harness the opportunities this presents.

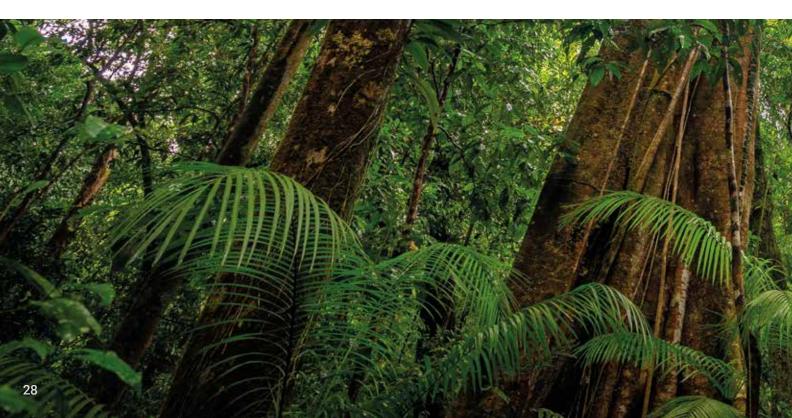
#### Quick facts about SBTN:

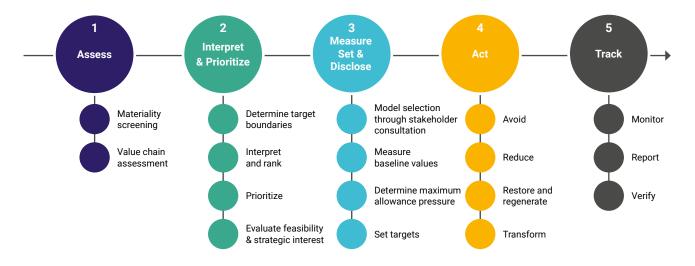
- SBTN bring together experts from more than 60 NGOs, business associations and consultancies to collectively define what is necessary to do 'enough' to stay within Earth's limits and meet society's needs;
- · Aligned Global Biodiversity Framework, Paris Agreement and UN SDGs;
- Initial Guidance: 5 steps in setting Science-Based Targets (SBTs).

#### Adoption:

- Progressively validating their targets for biodiversity;
- · Offers Corporate Engagement Program.







Source: Science-based Targets website.



# Triple Capital Accounting

Triple Capital Accounting is designed to reflect corporate activities' impacts, not just in terms of financial capital but also on natural and human assets (such as the environmental and psychological impacts of work, accidents, etc.).

#### Quick facts about TCA:

- · Capital types: Financial, Environmental and Social;
- · Support a company by accounting for better natural capital consideration to reflect on company's actions;
- Many TCA methodologies exist with the advanced ones include;
- · LIFTS ((Limits and Foundations Towards Sustainability);
- · CARE (Comprehensive Accounting in Respect of Ecology).

#### **Adoption Potential:**

- · Priority for the EU as well as the World Bank, in collaboration with the UN;
- Also supported by the Global Reporting Initiative (GRI);
- Pilots have been performed on SMEs in Europe including agriculture companies.



#### **Restitution of the results\***

A presentation using other units than  $CO_2e$ Profit & Lost

Climate Change

( $\epsilon$ )

Income  $CO_2e$ Operations  $CO_2e$ Supply chain  $CO_2e$ Products/services  $CO_2e$ Example if carbon value used:  $\epsilon$ -150,000  $\epsilon$ -100,000

Expense  $CO_2e$ Expense  $CO_2e$ Net Income  $CO_2e$ Net Income  $CO_2e$ Debt of  $\epsilon$ 121,000 for the FY2020



<sup>\*</sup> Example only: Value to be determined

AFD Group implements France's policy in the areas of development and international solidarity. The Group includes Agence Française de Développement (AFD), which finances the public sector and NGOs, as well as research and education in sustainable development; its subsidiary Proparco, which is dedicated to private sector financing; and Expertise France, a technical cooperation agency. The Group finances, supports and accelerates transitions towards a fairer, more resilient world.

With our partners, we are building shared solutions with and for the people of the Global South. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries and in regions in crisis. We strive to protect global public goods—promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). Towards a world in common.

#### www.afd.fr



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