The Next Frontier in Sustainability Reporting*

*Preserving Biodiversity

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With one million animals and plants at risk for extinction[1], the need to act to preserve biodiversity is more pressing than ever. To mitigate biodiversity loss, and ecosystem degradation, the United Nations Biodiversity Conference (COP 15) was held in Montreal, Canada in December 2022, resulting in the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF), which commits to placing at least 30% of all land, marine, and coastal areas under protection, and restore at least 30% of all degraded ecosystems by the year 2030[2,3].

With increased investor demand for biodiversity-related reporting[4], a range of frameworks and standards are under development to support corporate entities in their disclosure process on biodiversity-related matters. In November 2022, The Task Force on Nature-Related Financial Disclosures (TNFD)'s *Nature-Related Risk & Opportunity Management and Disclosure Framework* was introduced via a beta release put forth for public comment[5]. The full TNFD framework is scheduled for release by September 2023. To support transparency in biodiversity reporting, the Global Reporting Initiative (GRI) has also released an Exposure Draft in December 2022 covering proposed revisions to the biodiversity topic standard – public comment period lasted until February 28, 2023[6]. Furthermore, the International Sustainability Standards Board (ISSB) has committed to researching enhancements that address natural ecosystems and human capital – and in the future, will align these enhancements with their S2 Climate Disclosure Standards[7]. Additionally, the forthcoming European Sustainability Reporting Standards (ESRS) include a Biodiversity Topical Standard,[8] and the European Union taxonomy continues to emphasize "the protection and restoration of biodiversity and ecosystems" as one of its six environmental objectives.[9]

ESG Book Solutions Supporting Investors and Corporates

Recognizing the need to act now to protect biodiversity and natural ecosystems, and the vital role corporates have in preventing further degradation, ESG Book continues to develop solutions to help entities understand where they stand on biodiversity-related sustainability data and leverage new technology to link to biodiversity topics across reporting frameworks and regulations.

ESG Book - Raw Data Product

Turning to the ESG Book standardized raw data product, our analysis reveals that there are approximately 80 metrics that either directly concern biodiversity or are biodiversity-related. These metrics are captured across an evolving coverage universe of 9,200+ global companies. For example, the metrics below are captured from all publicly available sources by public companies:

Figure 1: ESG Book Proprietary Biodiversity-related data metrics by subject

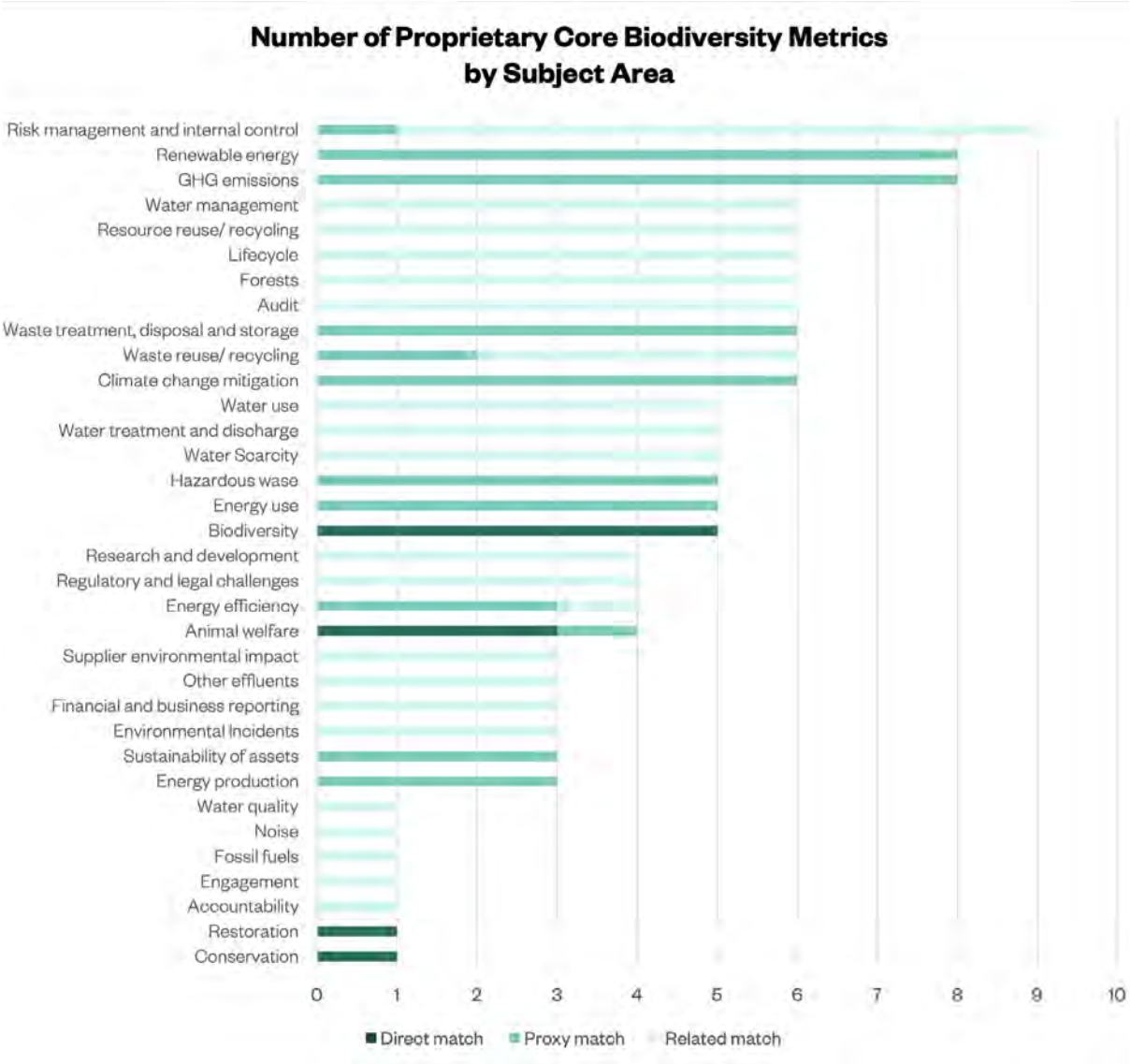
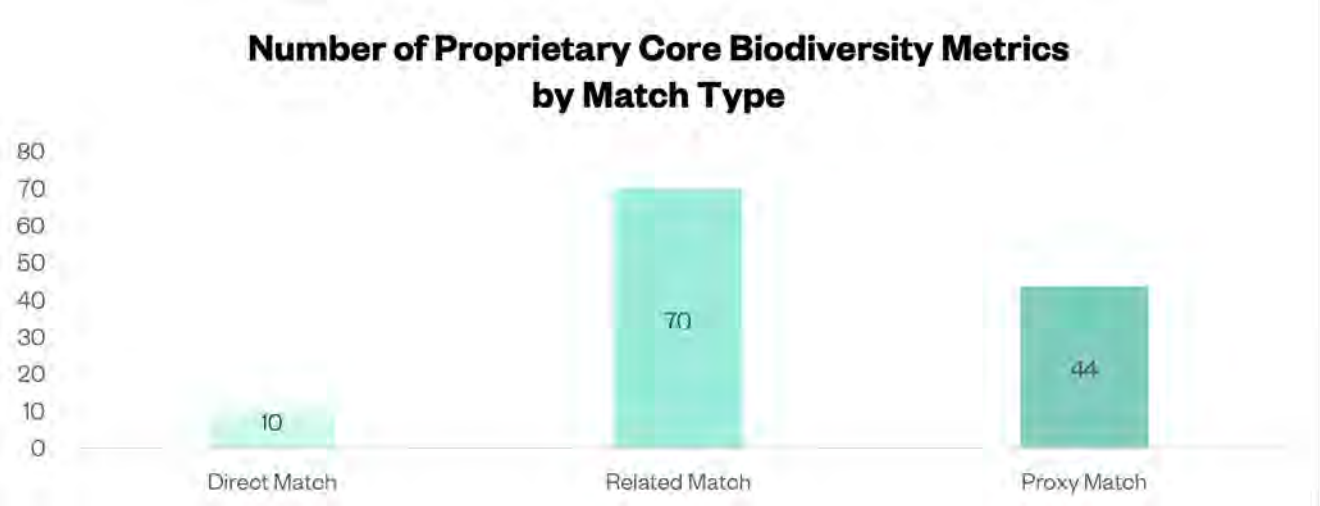


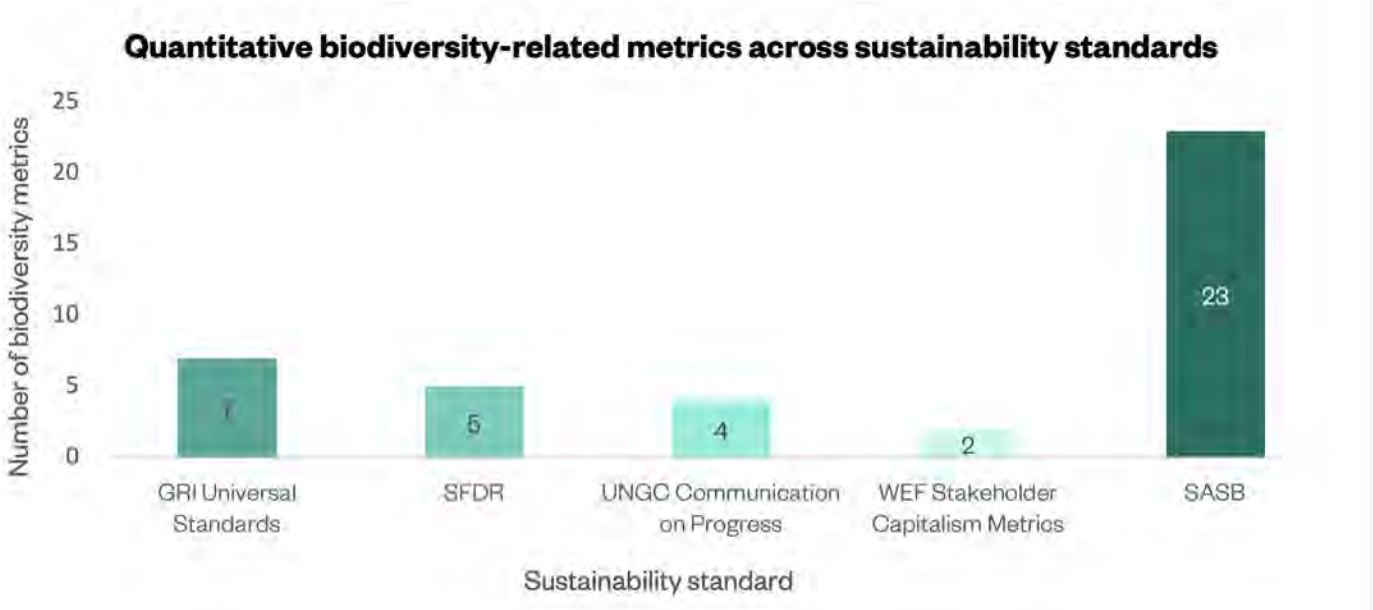
Figure 2: ESG Book Proprietary Biodiversity Metrics by Match Type[a]



ESG Book - Standards & Frameworks Reporting Tool

Through the evolution of Reporting Exchange, the ESG Book platform allows corporates to explore the world's largest database of reliable, comparable information on sustainability reporting requirements, standards, and indicators. While the current state of biodiversity-related disclosure metrics is still at an early stage, but the careful analysis of dominant standards and frameworks reveals progress on a range of biodiversity-related metrics. The SASB standards currently contain the highest number of unique[b] quantitative biodiversity-related metrics across 77 industry-specific questionnaires.

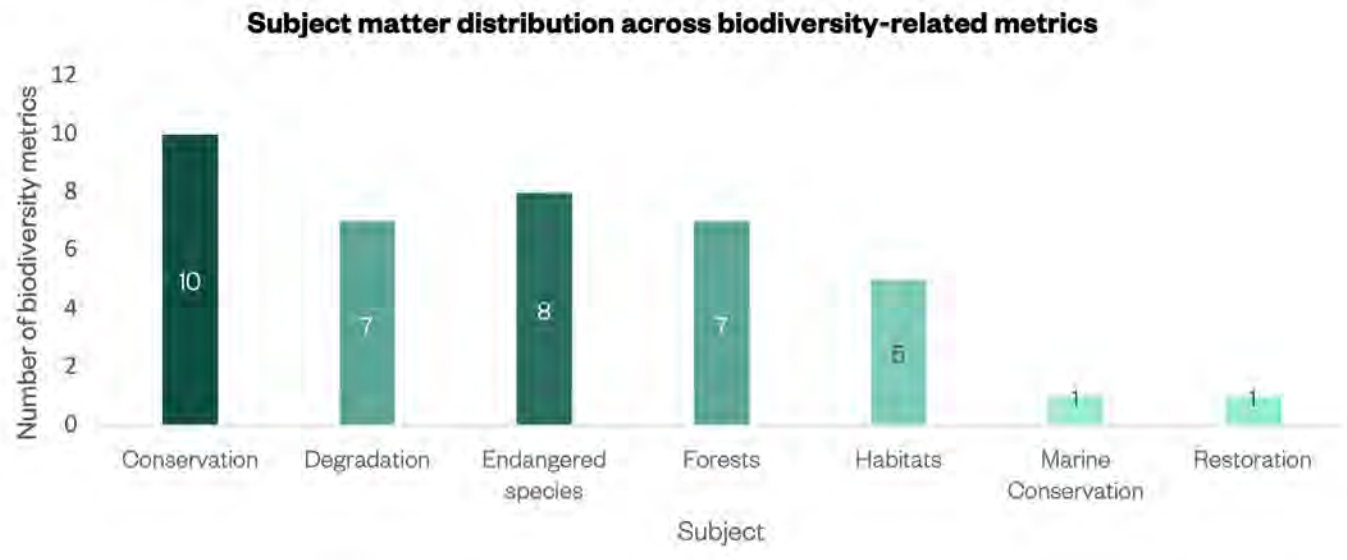
Figure 3: Quantitative Biodiversity-related metrics by Standard



Cross-framework analysis empirically reveals that biodiversity-related metrics fall into a range of subject areas such as conservation, endangered species, degradation, and forests – subtopics below illustrate the coverage or frequency across sustainability reporting standards.

a For this analysis, Direct matches describe metrics that are directly related to biodiversity, as they concern habitats and animal welfare; Related matches are indirectly linked to biodiversity and more broadly concern environmental issues which can cause knock-on effects on biodiversity habitats, ecosystems etc. This includes datapoints on environmental policy, environmental investments/expenditure/R&D, development of environmentally friendly products and recycling and reuse to reduce resource use intensity; Proxy matches have a vague/strenuous link to biodiversity. These include emissions and energy consumption metrics which can impact biodiversity indirectly through altering the global climate, and waste-related metrics which can impact biodiversity depending on how the waste is treated/disposed.
b This analysis reflects only unique quantitative metrics. In situations where the same metric appears in multiple SASB industry-specific standards, it has only been counted once.

Figure 4: Subject-matter distribution across Biodiversity-related metrics



The ESG Book Reporting Indicator Library houses a comprehensive database of reporting metrics, searchable by subject area, and economic sector. This repository of reporting indicators across several cross-cutting sustainability frameworks and standards offers a starting point for companies to educate themselves on the evolving "global baseline" of biodiversity-related sustainability reporting metrics.

For companies looking to make their own natural capital disclosures, ESG Book provides a technology disclosure platform to help simply and streamline the reporting burden on biodiversity data – with future feedback on disclosure performance across frameworks and standards. When the TNFD framework is released to the public to clarify the final standardized reporting of biodiversity-related data, ESG Book will incorporate those metrics into core offering – and, similarly, when the ESRS and GRI Biodiversity Standards are finalized in 2023-2024.

ESG Book – Regulatory Database

Since 1980, there has been an uptick in the number of global policies that seek to account for the degradation of natural capital and preserve a variety of ecosystems. (See Figure 5 below) ESG Book's comprehensive regulatory database uncovers the distribution of biodiversity policy measures (voluntary, mandatory, comply or explain) by region (See Figure 6 below).
The most urgent and ambitious policy action originates in the EU with 29 laws that mandate environmental impact assessment (EIA) and establish an enforcement mechanism to prevent biodiversity loss. In 2022, the European Union proposed a regulation that would ban the sale of certain commodities in the EU market linked to deforestation. The regulation would require companies to put in place due diligence systems to record the impact of business activities in forest ecosystems across the supply chain.

Outside of the EU, there is a limited number of nature-related disclosure regulations. Biodiversity regulations are typically instituted by national governments in response to cumulative resource depletion and disaster-related events. Key policy instruments in Asia-Pacific, Africa & Middle East and the Americas include nature-based accounting systems, biodiversity offsetting guidelines, EIAs and generalized sustainability reporting requirements for private entities. The Global Biodiversity Framework (GBF) adopted at COP15 could help regulators design standardized nature-related risk assessment tools across jurisdictions and, consequently, result in the rise of policy interventions worldwide.

ESG Book's policy monitoring tool traces the evolution of biodiversity policies in real-time, creates interlinkages between frameworks and policies and identifies sectors within the scope of regulation. Regulations grouped by shared themes, such as biodiversity, also provide an accurate assessment of an organization's level of exposure to regulatory and compliance risk.

Figure 5: Biodiversity-related policies issued over time

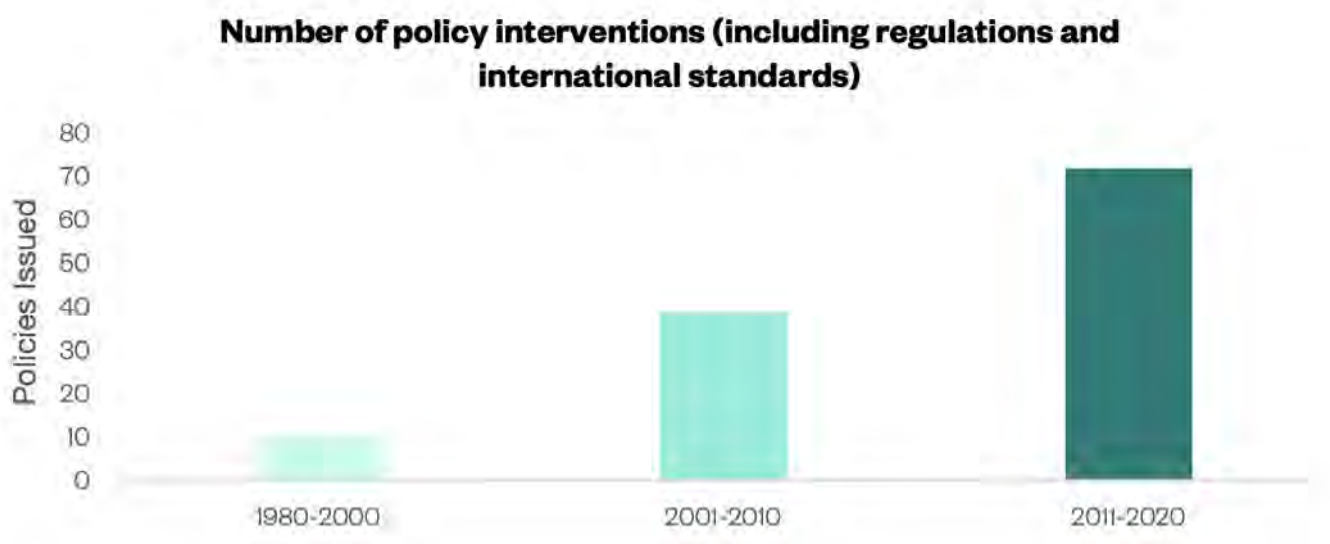
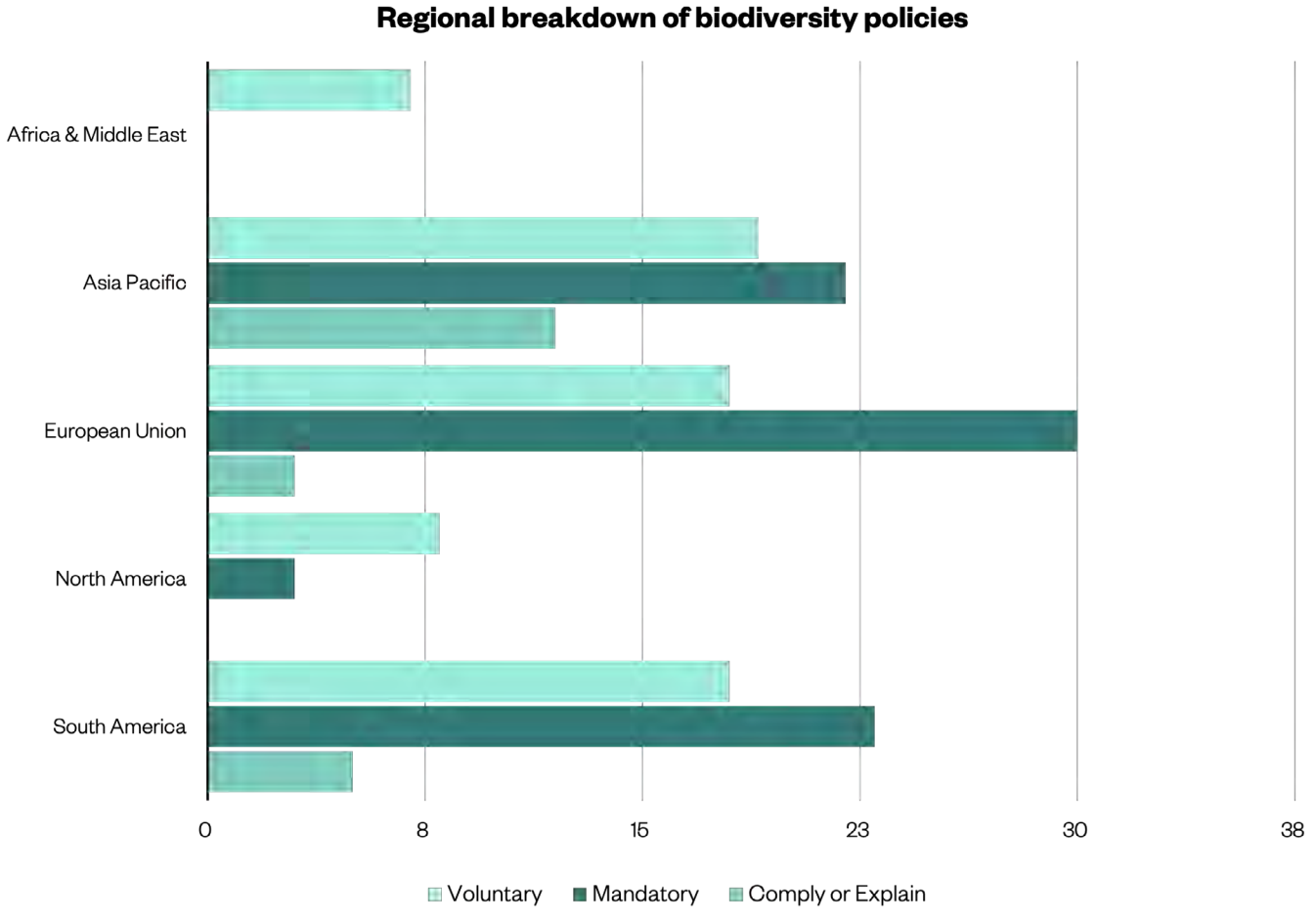
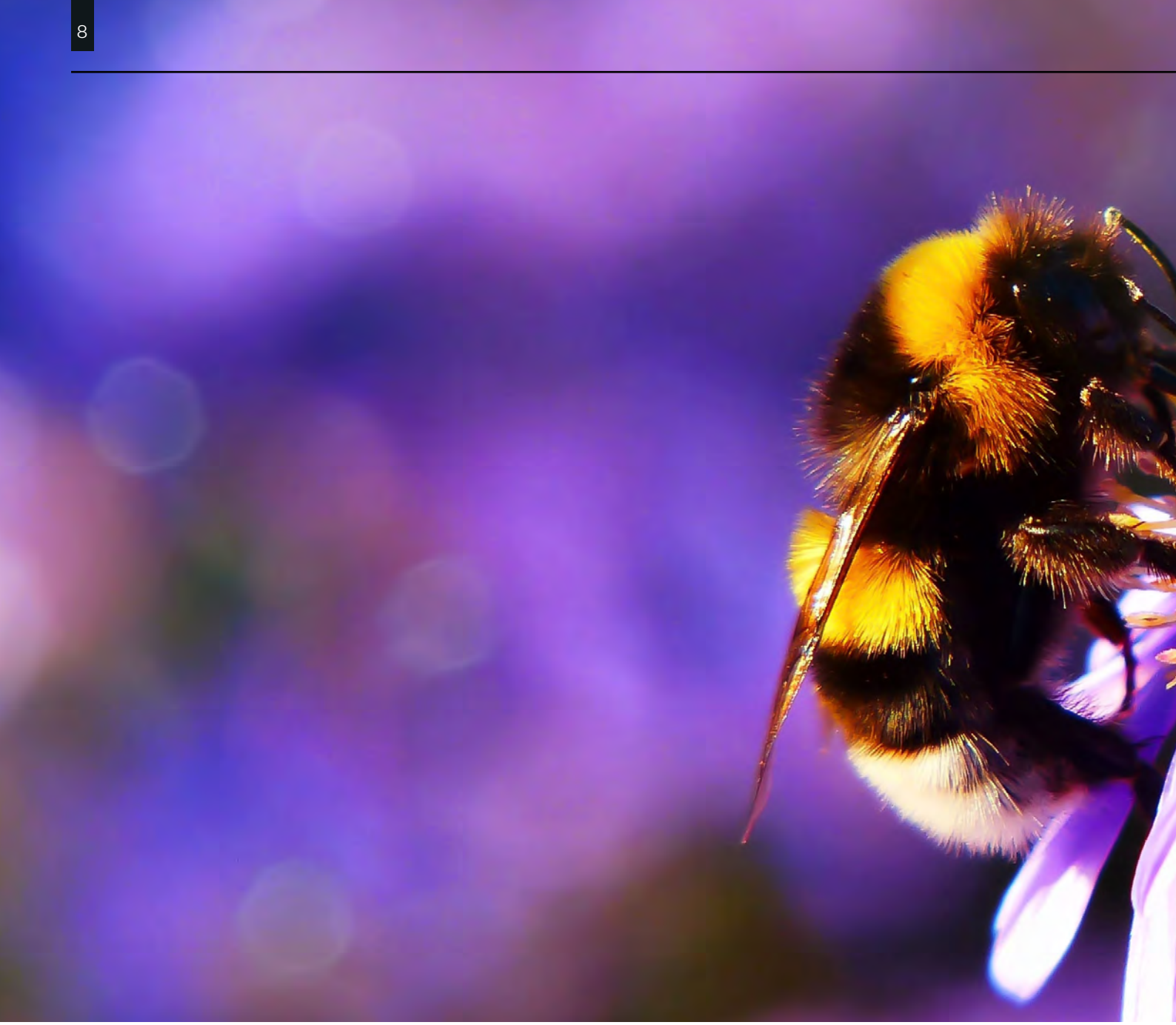


Figure 6: Regional Breakdown of Biodiversity-related Policies





Conclusion

Our analysis demonstrates that policy-makers and standard-setters globally are beginning to open their horizons in earnest and focus on important environmental topics, which have traditionally been under-represented among the list of key priority agenda items.

Traditionally focused on climate change and related greenhouse gas emissions mitigation, the attention of the international policy community is duly expanding to cover areas of major concern such as biodiversity preservation and the mitigation of the global ecosystems collapse we have witnessed in recent decades.

While there is still a lot to be desired in terms of achieving greater data transparency and precision, the efforts outlined above such as TNFD, COP15 and the regional biodiversity-related supply chain initiatives in Europe and beyond represent a robust foundation on which to build an effective regime for safeguarding our common natural capital heritage.



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