

## We Value Nature 10-Day Challenge Event

### *To what extent is biodiversity a material issue to IBEX 35?*

#### Session summary

Biodiversity loss is recognised as a **planetary emergency**, as it is occurring at rates unprecedented in human history according to recent landmark reports on the state of global biodiversity and ecosystem services and global risks. Given the increasing focus on biodiversity, public policies at national, regional and global scale, as well as the investment community and sustainability-oriented customers are demanding **more transparency** from business sector in terms of **biodiversity-related issues disclosure and reporting**.

What is the situation of the **IBEX 35 listed companies** in this regard? To shed light on these questions, Ecoacsa Reserva de Biodiversidad and the Universidad Politécnica de Madrid have conducted an assessment across Spanish Stock Exchange Market corporates according to a **transparent methodology** developed by the Endangered Wildlife Trust (EWT) and based on publicly available data.

Warm thanks to the speakers for the insights shared:

Humberto	Delgado Rosa	Natural Capital Director	DG Environment, European Commission
Vicente J.	González López	Head of Sustainability	Head of Sustainability
Emilio	Tejedor	Head of Environment	Iberdrola
Carmen	Avilés	Professor	Universidad Politécnica de Madrid
David	Álvarez	Executive Director	Ecoacsa

#### Key takeaways

1. We are at a time when the scientific evidence is very clear: we are experiencing a serious ecological crisis. The novelty is that the perception of this scientific reality now coincides with scientific reality

- more and more. The European Green Deal is precisely a political response to this perception of citizens demanding to raise the profile of environmental and climate agenda.
2. There are plenty of evidence that investors are beginning to act<sup>1</sup>.
  3. In terms of action, our concern must be that there are very few financial entities capable of identifying and measuring their impacts and dependencies on nature. Most of the current management systems focus on financial performance, but do not adequately account for the relationship with services provided by nature.
  4. The European Biodiversity Strategy for 2030 is the most ambitious which the world has yet seen, establishing that environmental aspects must be better integrated into business decision-making. Measuring and accounting for the value of nature is a key factor for better decision making.
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5. The good news is that there are many initiatives encouraging businesses to act, such us Business for Nature, One Planet Business for Biodiversity (OP2B), Value Balancing Alliance (VBA).
  6. If we wish to prevent impaired quality of life that the biosphere and biodiversity guarantee, it is essential that decision makers have natural capital accounting methodologies available supporting them to take action. These methodologies are already in place and are continuously improving.
  7. 51,4% of IBEX 35 listed companies do not recognize biodiversity as a material issue.
  8. By sectors of activity, energy is the largest producer of biodiversity-related public information (53%) of the IBEX 35, followed by basic materials (24%) and consumer goods (22%).
  9. Generally, biodiversity policies of corporates of Madrid Stock Exchange are unambitious.
  10. It is necessary that companies understand benefits and associated costs associated to their impacts and dependencies of biodiversity.
  11. IBEX 35 companies need to extend the training, information and knowledge about how to responsibly identify, measure, value and manage direct and indirect impacts and dependencies of biodiversity.
  12. Businesses have to inform about the effects that their activities produce in biodiversity in a structured and standardized form.
  13. There is a significant ignorance over biodiversity indirect impacts, in particular, those related to IBEX 35 corporates' value chain.
  14. Public information provided by the IBEX 35 is spare overall and it doesn't to appear to be standardized.
  15. Natural capital is identified as a key element, which leads to reinforcing other commitments such as to avoid the development of new infrastructures in areas with the most richness in terms of biodiversity, and the establishment of mechanism that guarantee its protection and conservation (mitigation hierarchy).

16. Boost the power transmission network as a key element for the development of biodiversity in the complex circumstances of the nowadays world.
17. No Net Loss of biodiversity by 2030 goal.
18. Application of the *Natural Capital Protocol* to identify, measure and value ecosystem services.
19. Work on the corporate environmental footprint to define how to assess impacts on biodiversity and understand not only impacts derived from operations, but all those occurring from the origin until the end of the life of products and services.
20. Different methodologies tested to identify and measure impacts.

## Actions to take

1. Incorporate biodiversity among material aspects.
  2. Carry out an analysis of dependencies on nature (both direct and dependencies of the value chain).
  3. Start to identify nature-related risks, including financial risks.
  4. Apply the double materiality approach (impact of the company on biodiversity and vice versa, as happens with climate information).
  5. Establish more ambitious biodiversity policies.
  6. Improve their knowledge about the relationship between the company and biodiversity by identifying, measuring impacts and dependencies (direct, indirect and related to value chain) in the whole life cycle of the activity.
  7. Generate specific reports about biodiversity.
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8. Participate in sector initiatives that facilitate measurement and standardization.
  9. Establish internal governance mechanism that allow to bring biodiversity to the maximum level within the management board.
  10. Participate in Phase 2 of the Task Force for Nature-related Financial Disclosure (TNFD) -which will be launch during the first half of 2021-, consisting in testing & refine the non-financial information reporting frameworks under development this year, scheduled to take place in early 2022.
  11. Conduct a materiality analysis to identify relevant and material aspects.
  12. Commit to achieve a net positive impact on natural capital.
  13. Conduct stakeholders' perception studies to to know their sensibilities regarding the material aspects identified by the company.
  14. Define a roadmap in natural capital.
  15. Analyze interactions with natural capital in the different phases of the value chain.
  16. Adopt a life cycle approach to understand impacts on biodiversity and the services provided by nature.
  17. Evaluate, act and facilitate communication and transparency.
  18. Improve communication as a vital tool to transmit trust and confidence.

19. Listen to your stakeholders and administrations which are increasingly demanding companies to keep them informed and take action on biodiversity related issues and pay attention to regional and global regulation and commitments (EU Green Deal, post-2020 global biodiversity framework of the CBD which are aligned with these trends affecting the business sector).
20. Consider biodiversity as a crucial element for competitiveness and survival.

## Useful resources

<sup>1</sup>*Measuring and managing environmental exposure. A business sector analysis of natural capital risk; Paradise Lost?; Indebted to nature. Exploring biodiversity risks for the Dutch financial sector; Biodiversity and ecosystem services. A business case for re/insurance; Global Risks Report 2021; The economics of biodiversity. The Dasgupta review.*

<sup>2</sup> Business for Nature; One Planet Business for Biodiversity; y Value Balancing Alliance.

Grupo Red Eléctrica Sustainability Report 2019 (materiality matrix and 11 Sustainability Objectives to 2030 of Grupo Red Eléctrica, pp. 30-33); Commitment to Sustainability of GRE and 11 Sustainability Objectives; Commitment to Biodiversity of GRE; Graphic of the priority for the most material issues to GRE's suppliers. Study of Red Eléctrica de España suppliers' perceptions (2017-2019), p. 6.

Reporting frameworks: Law of 11/2018, of December 28; GRI; TCFD; Sustainability Accounting Standard Board (SASB); Climate Disclosure Standard Board (CDSB); EU Eco-Management and Audit Scheme (EMAS); Pacto por la Biodiversidad.

Iberdrola Biodiversity Report 2018-2019 (graphic about the interaction of Iberdrola's activities with natural capital, pp. 3038); Statement on Non-financial Information. Sustainability Report 2020; Corporate Environmental Footprint Report 2019; Greenhouse Gas Report 2019; Natural Capital Protocol; LIFE Methodology.

## Q&A

**Question:** *Is biodiversity a material issue to your organization?*

**Answer:** Attendees participating in the poll = 62,5%.

Yes: 80%

No: 16%

I am not sure: 4%