



# INTEGRATING BIODIVERSITY INTO NATURAL CAPITAL ASSESSMENTS

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**Why** integrate biodiversity as part of your natural capital assessment

A primer for business and financial institutions

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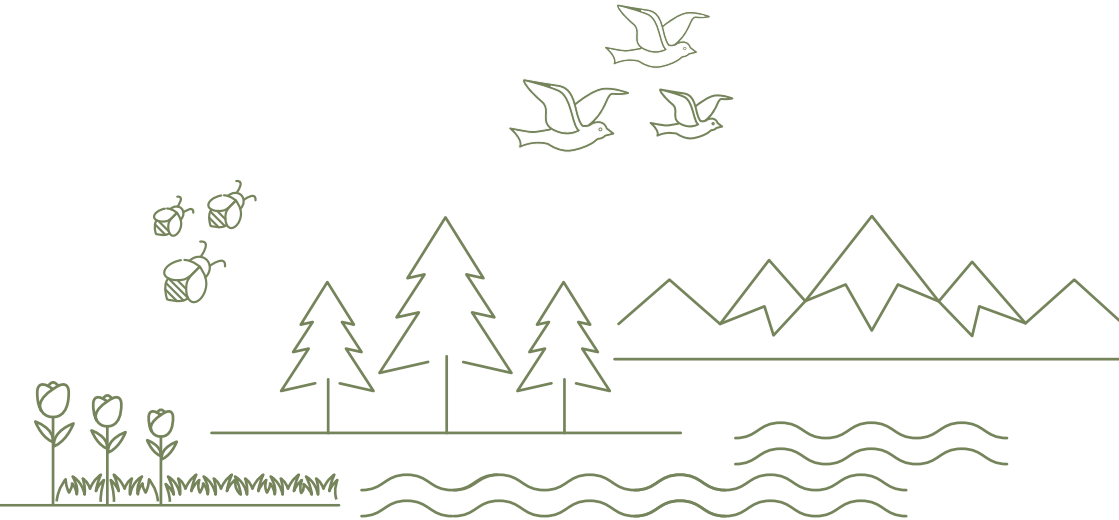


**CAPITALS  
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Cambridge**Conservation**Initiative

## Introduction

**This is a short introduction to the Biodiversity Guidance which accompanies the Natural Capital Protocol. It explains why it is important to integrate biodiversity within your decision-making processes and the core concepts underpinning the guidance.**



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## The business case

Every business wants to protect its future, be more efficient, and make better decisions. This requires businesses to consider the full range of natural capital values including those that have been historically overlooked, such as biodiversity.

With over half of the world's Gross Domestic Product (GDP) moderately or highly dependent on nature and its services, the unprecedented global decline of biodiversity has critical implications for business and society. It is one of the greatest global risks facing humanity.

### **Businesses are more at risk now than ever before.**

The Biodiversity Guidance provides a step-by-step approach to incorporate biodiversity into natural capital assessments. This enables better quality information to be integrated into natural capital assessments and so enables better, more informed decision-making.

The Biodiversity Guidance allows business and financial institutions to identify, measure, and value impacts and dependencies on biodiversity, identifying risks and opportunities that might otherwise be hidden or missed.



“The Biodiversity Guidance document is a vital and timely tool for all sectors of society as we wrestle with the challenges of not just retaining natural capital but, importantly, regenerating it as a growing investment for society. Nature is core to the survival of society, fundamental to the future of business, and we need to build it into the heart of decision-making.”

Mike Maunder, Executive Director  
Cambridge Conservation Initiative



“Natural capital is the foundation of sustainable development. Our society and economy – your businesses – are built upon and rely on this foundation. We must invest wisely in natural capital to yield a strong, long-lasting interest. For this, it is essential for corporate decision-makers to gain comprehensive insights into both the impacts and the dependencies of their products and processes on natural capital and biodiversity throughout the value chain. This guidance will provide a very useful contribution to the implementation of the new EU Biodiversity Strategy 2030, which aims inter alia at better integrating biodiversity into business’ decision-making.”

Humberto Delgado Rosa, Director for Natural Capital,  
DG Environment, European Commission

## Opportunities and risks

Applying the Biodiversity Guidance alongside the Natural Capital Protocol can help you to:

### Operational

Regular business activities, expenditures and processes

#### Reduce risk of interruption to supply

For example, increasing wetlands in watersheds with diverse native vegetation increases the water storage capacity on which a hydro-electric dam relies, reducing the risk of interruptions caused by lack of water in the dry-season.

### Legal and regulatory

Laws, public policies, and regulations that affect business performance

#### Identify future legislation and reduce compliance costs

For example, new legislation is brought in to ban the use of pesticides that are harmful to pollinators. Companies already committed to using less harmful pesticides have an advantage to those who have to change their practices to comply with new rules.

### Financing

Costs of, and access to, capital including debt and equity

#### Improve access to finance, reduce financing costs, attract investors

For example, financial institutions are increasingly assessing the risk of a company based on their impacts on biodiversity and ecosystem services. Being able to account for and manage the risks associated with biodiversity increases access to investment and loans from financial institutions.

### Reputational and marketing

Trust and relationships with stakeholders, customers, suppliers, and employees

#### Attract and retain employees; identify new revenue streams and differentiate your products

For example, a company developed a new range of products and is donating part of their income from each purchase to a biodiversity conservation project. By linking their products to a culturally important species, new customers are attracted to their stores and their reputation for being biodiversity-friendly increases their revenue.

### Societal

Relationships with wider society (e.g. local communities, NGOs, government agencies)

#### Support a social license to operate, by supporting management of biodiversity-related benefits and negative impacts

For example, when tendering for a new infrastructure project in a biodiversity sensitive area, a company could have a competitive advantage by incorporating biodiversity impacts and dependencies in their proposal. The project is likely to benefit from increased social license to operate.

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## Who would you be joining?

Perspectives from organizations who piloted the Guidance



### Metro's outcome of piloting the Biodiversity Guidance Navigation Tool

"It is a profound basis for awareness raising: as soon as METRO identified the biodiversity related natural capital impacts and dependencies linked to its business activities, a clearer picture **increased awareness of the relevance of biodiversity for business**.

It is very helpful for integrating biodiversity into existing natural capital assessments. It is not necessary to have already measured biodiversity impacts and dependencies because the tool helps to identify business activities that may need to be measured and how to do so."



BNP PARIBAS

### BNPPAM's outcome of piloting the Measuring Guidance

"The Biodiversity Guidance is the one-stop shop for biodiversity applied to finance. It uses the best available science and provides a **clear framework for financial institutions to use in developing their biodiversity strategies**, and ultimately to reduce their impacts and manage their dependencies on nature."



REPSOL

### Repsol's outcome of piloting the Valuing Guidance

"The Biodiversity Guidance has been a fundamental element for incorporating biodiversity into our natural capital assessment methodology. It has helped us to better frame our assessments, to select appropriate valuation methods, and to interpret, validate, and verify our results. The guide **provides companies and institutions with technical resources to adequately value biodiversity into natural capital assessments**, allowing the development of robust and scientifically correct evaluations. Also, it allows a better interpretation of results and uncertainties, resulting in a more valuable decision-making process."



MUD JEANS

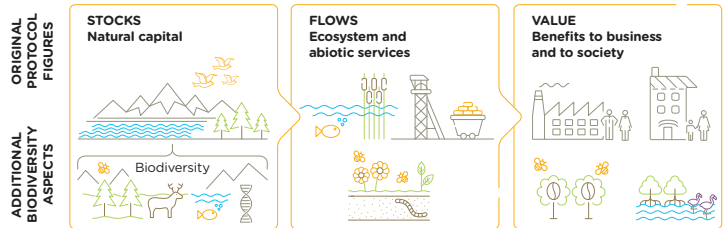
### MudJeans's outcome of piloting the Measuring Guidance

"The Guidance helped us bring structure to our work. We had already created an LCA, knew that we wanted to use the Recipe methodology. However, the Guidance provided information that **helped us ask the right questions** to ensure that we were gaining the most from this new information. The guidance is fantastic because it helps businesses break down a very intimidating topic. No matter where in the process you are, this Guidance helps business integrate biodiversity into their assessments in a step by step process."

## The definition

### What is biodiversity and how does it relate to natural capital?

**Biodiversity** describes the variety of life and is the living component of what can be thought of as natural capital stocks. It underpins the goods and services that natural capital stocks generate, often affecting their **quantity, quality, and resilience**. The benefits of biodiversity broadly equate to the benefits of a diverse portfolio of financial stock. The more diverse the stock, the greater the spread of risk.



Natural capital describes our relationship with nature and is one of four main categories of ‘capital’ which also include social, human, and produced. The presence of, and interactions between natural capital stocks (such as plants, animals, air, water, soils, minerals), generates a flow of goods and services, like water quality and disease control. Biodiversity underpins natural capital, which in turn supports all other capitals by providing essential resources to support a healthy planet, thriving societies, and prosperous economies.

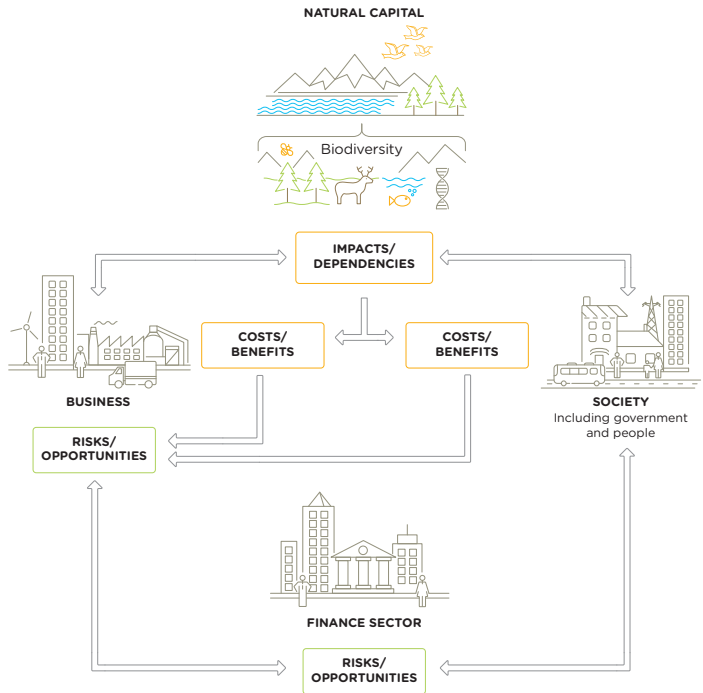
# The model

## Interactions between business, financial institutions, society, natural capital, and biodiversity

Business activities may have numerous **impacts** on biodiversity. These impacts can have negative effects, such as habitat fragmentation or introducing invasive species, but can also deliver benefits such as improved water quality or increased numbers of pollinators.

Businesses **depend** on biodiversity to underpin natural capital and the services it provides, such as cleaner air (due to the pollution breakdown and absorption by trees), healthy soils, and raw materials, which are ultimately the basis of all economic activity.

Impacts and dependencies on biodiversity result in economic costs and benefits for business and society. These generate **risks** for business, but good management can also create **opportunities**.



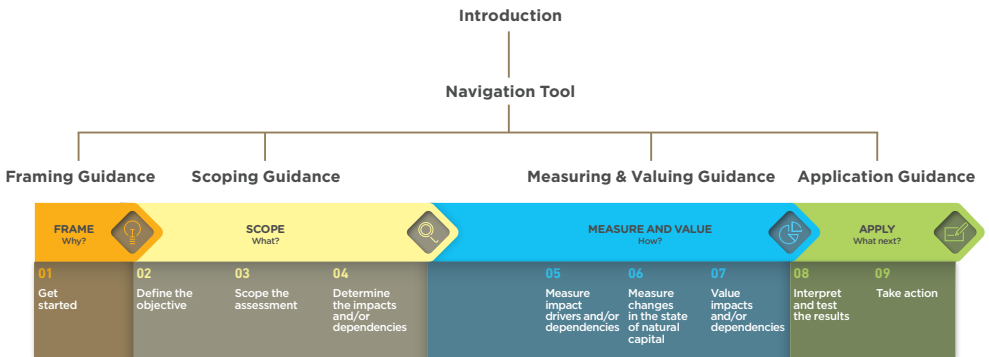
## The guidance

### Biodiversity Guidance to accompany the Natural Capital Protocol

The Biodiversity Guidance offers a step-by-step approach to incorporate biodiversity into natural capital assessments. The guidance is applicable to all business sectors at any geography and organizational level, and is appropriate for terrestrial, freshwater, and marine realms. It helps companies to understand the value of biodiversity and develop management strategies accordingly.

An overarching Biodiversity Guidance Navigation Tool is available to guide organizations through the assessment process, which covers four stages: **‘Why’** (Framing Guidance), **‘What’** (Scoping Guidance), **‘How’** (Measure and Value Guidance) and **‘What next’** (Application Guidance).

More details of the steps and processes involved can be found in the **‘How Primer’**.



The Biodiversity Guidance does:	The Biodiversity Guidance does not:
✓ build on the Natural Capital Protocol	✗ replace the Protocol or seek to create new tools and methods
✓ focus on incorporating biodiversity into internal management decision-making	✗ provide a framework for external financial reporting
✓ provide flexibility in measurement and valuation approaches	✗ explicitly promote specific tools, methodologies or approaches
✓ provide a process to internally standardize the approach that you take, that is consistent and comparable over time	✗ produce results that are always comparable within or between different businesses or applications





## Case studies

### Examples of benefits to business from integrating biodiversity into decision-making

#### Business case study

Kering is an international luxury goods company. Biodiversity underpins natural capital, which supports the base of the supply chain for many of Kering's products. Kering has developed an Environmental Profit and Loss (EP&L) accounting methodology to measure and quantify the impacts of its activities on natural capital, and released a dedicated biodiversity strategy in July 2020. Impacts on biodiversity are included in the EP&L methodology primarily through indicators of land use change.

More explicit integration of biodiversity impacts is a key priority for the organization. Given that it is not appropriate or possible to place an economic value on all aspects of biodiversity, Kering has investigated other biodiversity measures such as the Biodiversity Impact Metric (BIM) and is integrating elements of the BIM into the EP&L methodology to provide more detailed insight into biodiversity as part of land use impact measurement (CISL 2020; CISL 2016).

Application of the methodology has revealed that the majority of impacts lie at the beginning of their supply chain. By integrating biodiversity as part of the EP&L methodology – and refining it over time – Kering will be able to identify and implement actions to reduce biodiversity impacts, reducing the risk of disruption to their supply chains.

#### Financial institution case study

De Nederlandsche Bank (DNB) and Planbureau voor de Leefomgeving (PBL - The Netherlands Environmental Assessment Agency) analyzed the risks of the Dutch financial sector to biodiversity loss.

The results showed that:

- Banks, pension funds and insurers face physical risks through financing of economic activities that depend on natural capital, which is underpinned by biodiversity.
- Financial institutions are also exposed to reputational risks when they finance companies that have a major negative impact on biodiversity, for instance, when they are associated with deforestation.
- If companies have to adapt their operations due to government policy aimed at reducing impacts on biodiversity, institutions financing these companies are exposed to transition risks.

As a central bank with a task to supervise the stability of the Dutch financial system, DNB recommends financial institutions to identify the exposure of their own portfolios to biodiversity risks, since understanding these risks informs adequate risk management.



## Next steps

### Applying the Biodiversity Guidance to tackle material business risk

Biodiversity loss is increasingly acknowledged as a material business risk, with organizations strengthening the way they integrate biodiversity in their decision-making processes.

The Biodiversity Guidance helps businesses adopt a stepwise approach to integrate biodiversity into decision-making. By applying this guidance businesses can identify, communicate and manage material risks associated with biodiversity, as well as support developments in global policy (for example the Convention on Biological Diversity's post-2020 biodiversity framework).

To find out more about the Biodiversity Guidance which accompanies the Natural Capital Protocol, and how it can help your business, go to: <https://naturalcapitalcoalition.org/biodiversity/>

The Natural Capital Protocol can be found at [www.naturalcapitalcoalition.org/protocol](http://www.naturalcapitalcoalition.org/protocol).



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## Acknowledgments

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Developing the Biodiversity Guidance has been a collaborative effort, with many partners involved in workshops and activities around the world. UNEP-WCMC has led the final stages to formalize this primer and the Cambridge Conservation Initiative partners that have contributed to this project include:



<https://www.cambridgeconservation.org/about/partners/>



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Business @ Biodiversity

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