



MAKING BUSINESS WORK FOR BIODIVERSITY: Leveraging the finance sector to improve conservation outcomes

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WHAT'S THE PLAN?



- The Problem
- Where the Finance Sector fits in (& where conservation biologists fit in!)
- Growing Awareness of Business—Biodiversity Interdependence
- Brief Overview of What's Happening in the Finance & Biodiversity Space
- Why Biodiversity ≠ Climate Change
- What Questions We Might Ask Next
- What We Might Do Next



WHO IS IN THIS ROOM?



- “Landcarers help Australia to meet UN Sustainable Development Goals, through their community-led environmental projects protecting and restoring our land and water assets” – Landcare Aus website

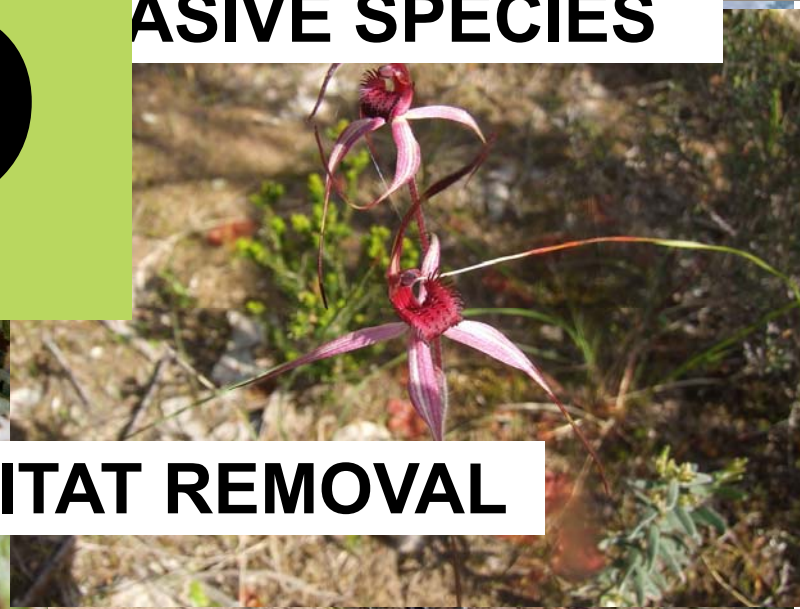


- Landcare farmers put the ‘green’ in ‘clean & green’ for Australian agricultural production.



6 THEMES FOR THE LANDCARE FARMING PROGRAM

- | | |
|---|---|
| 1. Veg management & ecosystem enhancement | 4. Managing carbon/natural capital footprint |
| 2. Managing pasture condition/pressure & cover | 5. Drought resilience |
| 3. Increased biodiversity & landscape stewardship | 6. People, planning & personal performance skills |



**INCREASING
EX1 FERAL PREVENTION
EVENTS**

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CHANGING CLIMATE

INVASIVE SPECIES

DEVELOPMENT

HABITAT REMOVAL

WHOSE PROBLEM IS THIS?



- This costs money to fix & requires big changes to “business as usual”
- It doesn’t seem like governments are going to step up & enact the necessary change, nor bankroll it all
- It would have cost between **US\$150 – \$440 billion per year**, globally, to reach the Aichi biodiversity targets this decade
- Cost of recovering Australia’s threatened species is **~AU\$2.4 billion per year** (Wintle et al. 2020)
- The ASX has a turnover of **~\$4.7 billion per day**
- The finance sector represents huge amounts of money and – importantly – power, with a stake in the game

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GOVERNMENT

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FINANCIAL INSTITUTIONS

Regulatory power
e.g. policies, laws



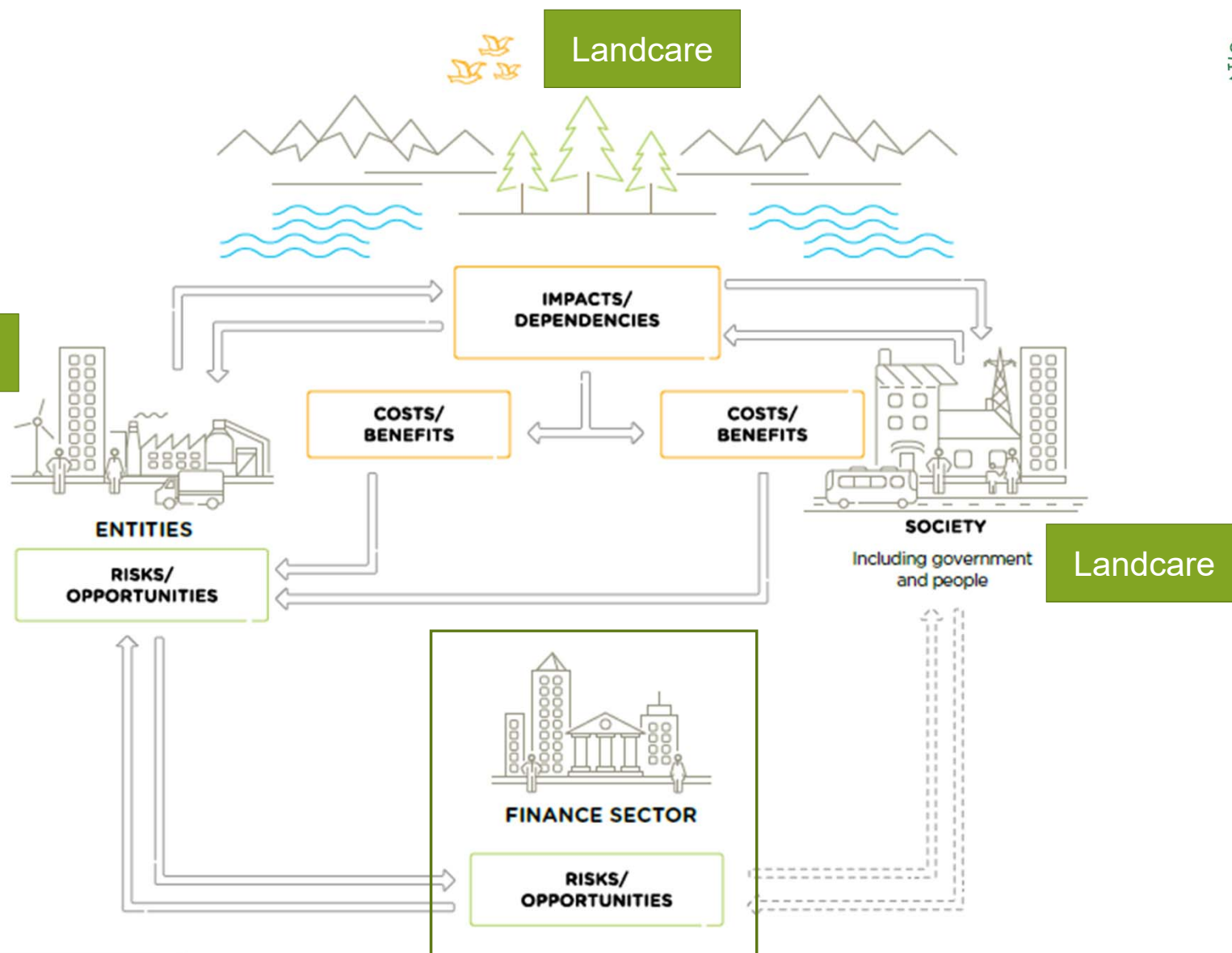
**Conservation
biologists**



Regulatory power
e.g. lending, investment

PRIVATE SECTOR
(e.g. agriculture, construction, retail, etc.)

Landcare



THIS ISN'T JUST FOR NATURE'S BENEFIT



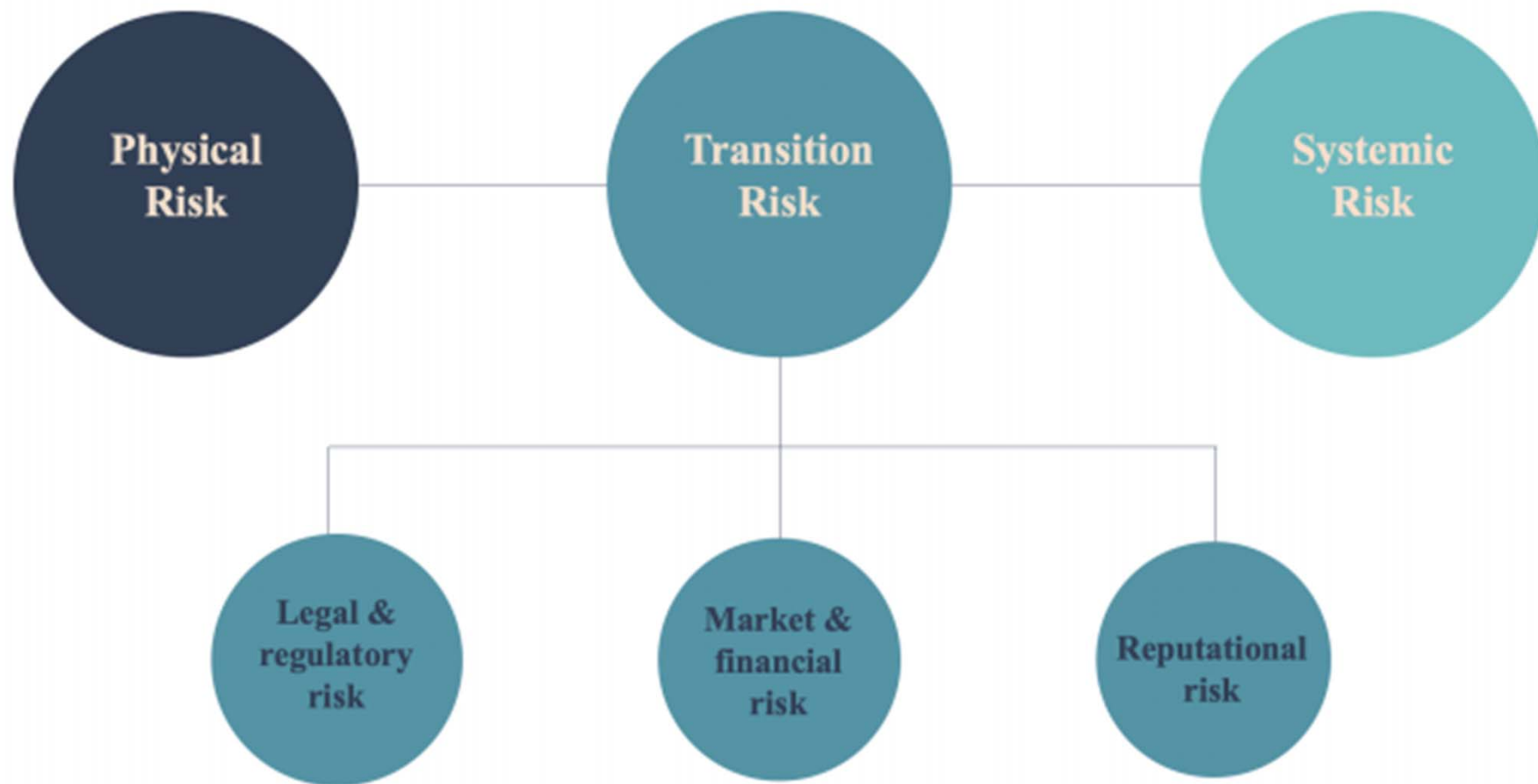
- Threats to biodiversity impact businesses, as this room very well knows.
- **US\$44 trillion** of economic value generation – **over half the world's total GDP** – is moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss (WEF 2020)
- Ecosystem services and natural capital stocks underwrite financial performance
- Loss of pollinators, linked to agriculture, puts up to **US\$577 billion** annual value of global crop production at risk (IPBES 2019)
- Just 2 of Australia's "Big Four" banks had **US\$13.7 million** directly at risk due to biodiversity loss in 2019 (Portfolio Earth 2020)



Global Risks to Business Landscape 2020



THE “BUSINESS CASE” FOR BIODIVERSITY: A STORY OF RISK

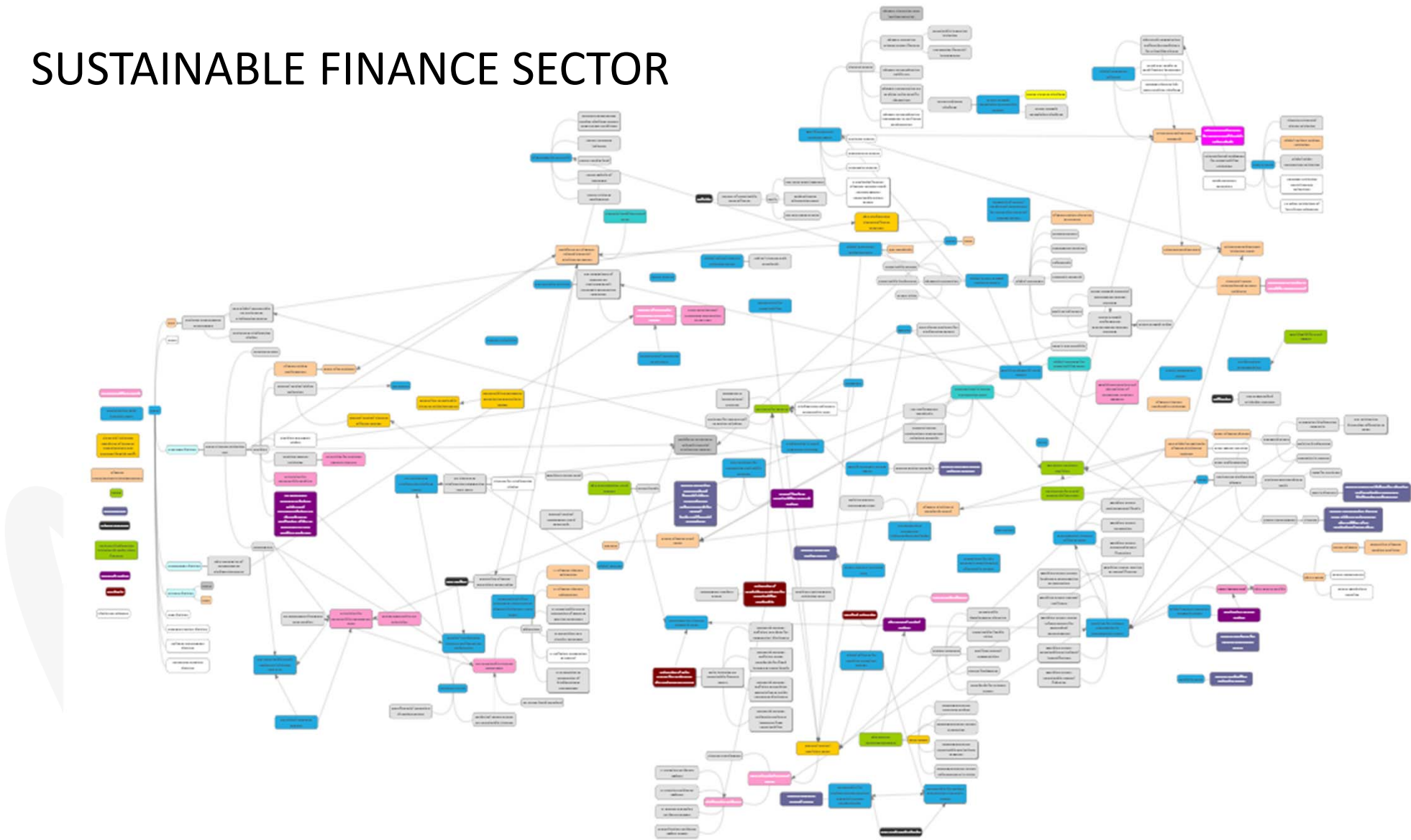


A GROWING AREA OF FINANCE



- The COVID-19 pandemic, rather than drawing attention away from environmental considerations, has instead amplified it, in particular across Europe and Asia.
- A huge rise in “ESG”, “sustainable finance” and “green finance” – all frequently used interchangeably
- History of these terms & ideas ties back to religious values-based investing, corporate social responsibility, and corporate sustainability...
- In 2020, more than **US\$400 billion** was raised by “sustainable companies” and in “sustainable products” globally; a 96% increase on the same period in 2019 (Toole 2020).
- More than 100 reports were published by finance or eNGOs on business & biodiversity in 2020 – **roughly 1 every 4 days**.
- Australian Sustainable Finance Institute had **80+ financial organizations** involved in producing a “roadmap” for Australian sustainable finance

SUSTAINABLE FINANCE SECTOR



TYPES OF FINANCIAL PRODUCTS & PROCESSES



• Sustainability-linked loans

- Borrowers benefit from cheaper funds when they meet certain prescribed sustainable targets; and face premiums to borrowing where these targets are not met

• Environmental credit risk assessment processes

- Where loan applications are screened for certain criteria that may trigger an assessment
- e.g. Sector, location, comments by valuer
- Assessments can then consider:
 - environmental sensitivity
 - customer's environmental practices, management systems and compliance records
 - licenses, permissions or consents

• Investment assessment frameworks

- Review internal and external investment managers and direct assets on ESG policies and performance
- biodiversity-relevant guidelines could be developed to accompany the existing framework for investment decisions

• ESG portfolios

- All companies in the fund meet certain ESG criteria set by asset manager

• Green bonds

- Fund large-scale, long-term projects that have positive environmental and/or climate benefits

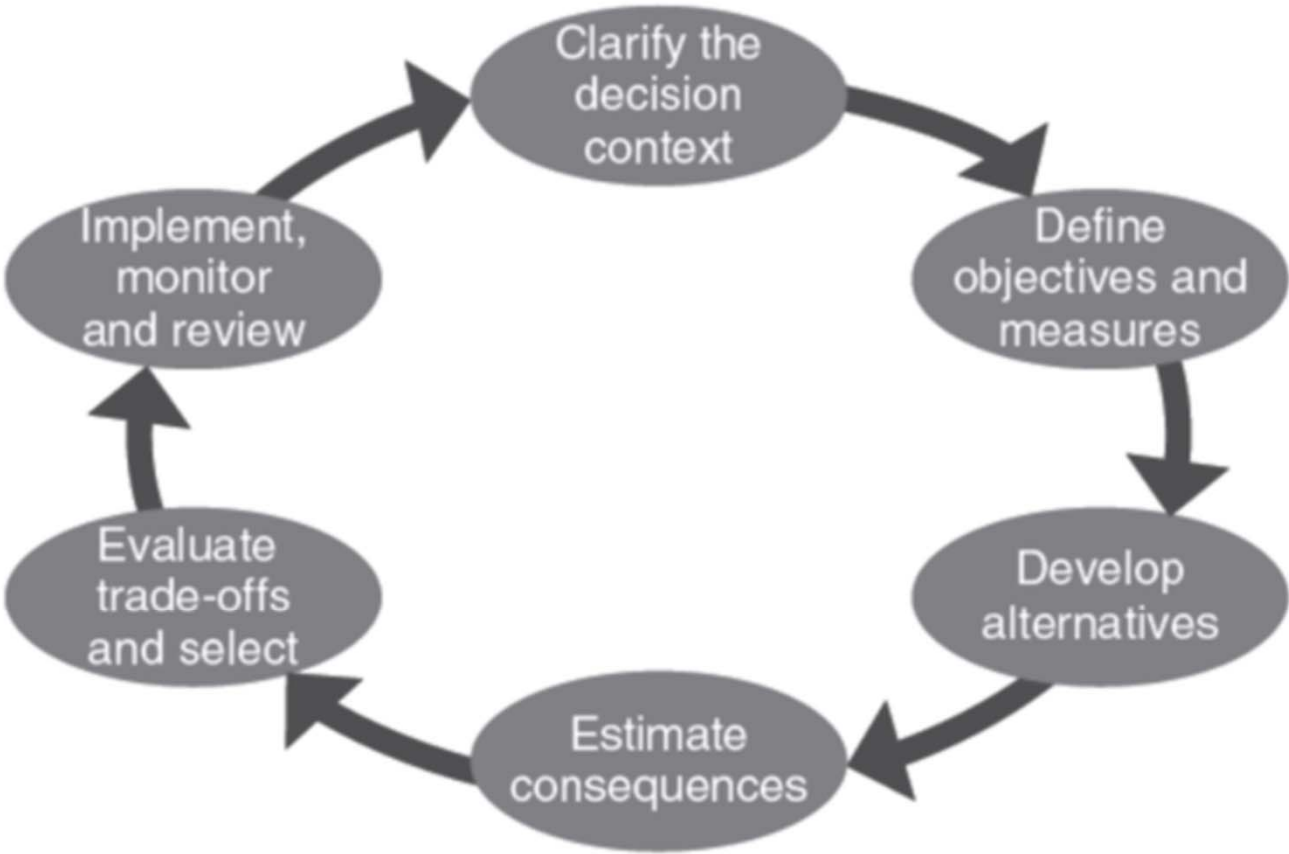
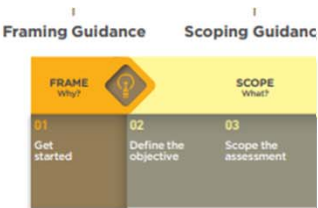
THE SILENT “B” IN “ESG”?



- Historically, the “E” in ESG has focused on climate change (& earlier, pollution)
- But interest in biodiversity is increasing
- Last year’s ASFI Australian Sustainable Finance Roadmap report has 37 recommendations, three of which explicitly mention biodiversity, and biodiversity is interwoven as a key area of interest throughout; up on 1 mention in the 2019 report.
- Frameworks/principles/standards that were developed for tackling climate change are now being adapted for biodiversity:
 - TCFD → TNFD
 - PCAF accounting standards → PBAF accounting standards
 - Science-based Targets → SbT *for Nature*
- A lot of focus on identification & disclosure of impacts & dependencies

FRAMEWORKS AROUND

Structured Decision Making (Gregory et al. 2012)

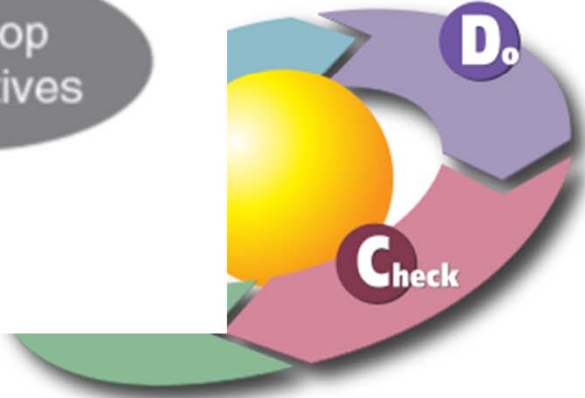


(20)

ased Targets for
20)

the business decision con
ure biodiversity?
and how detailed will the assessm
udience will be?
ness decisions will be influenced b
ding of biodiversity performance?

Addison et al. (2020)



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- A lot of focus on translating climate change frameworks to accommodate biodiversity, but there are some red flags...

BIODIVERSITY ≠ CLIMATE CHANGE



- **Complexity of metrics & goals:** Tonnes of CO2 equivalent vs >10 biodiversity metrics; 1.5°C target vs ??
- **Location:** Global vs site-specific impacts and actions required (pros & cons)
- **Externalities:** Collective vs individual institution risk management
- **Multi-dimensionality:** Plethora of values; different between sectors
- **Asymmetrical relationship:** Climate change → biodiversity
- **Tech rescue:** Innovation into carbon capture tech more “exciting”; sustainable ag is an exception
- **Acknowledgements of financial materiality:** More progressed in climate change

QUESTIONS GOING FORWARD



- Where does the responsibility for action lie?
 - Once we move through the steps of the frameworks, past disclosure on to acting, will financial institutions expect businesses and retail customers to take the tangible action? Where do they see their role?
 - Will they wait to be guided, or regulated, by government?
- Are there things that can start to happen **now** before we nail down the details of disclosure & metrics?
 - We know from other disciplines like, decision theory, that the answer is probably yes
- Do we have useful tools in our conservation toolkit that can be adapted to help drive better outcomes for biodiversity?
 - Species distribution modelling, population modelling, value of information, etc.

WHAT DO WE, AS CONSERVATIONISTS, DO?



- Now is the time for conservation researchers, interested stakeholders, landowners & NGOs to get involved
- Still early days in the mainstreaming of biodiversity in the finance sector, particularly in Australia
- We don't have the time it's taken for climate change to be mainstreamed
- Like climate change, the focus is on disclosure, not action yet
- As conservation researchers & practitioners we can aim to bring scientific rigour & biodiversity expertise to the process, but to do so we must engage & do so openly

NEXT STEPS (FOR THIS PROJECT)



- Investigate internal attitudes, knowledge, and actions around biodiversity in Australian banks.
 - Interviewing ESG & sustainability professionals within banks
 - Asking what their roles and responsibilities are around biodiversity, if & how biodiversity factors into their decision making, and their role fits into what financial decisions get made at the coal face (farm gate?)
- Work with banks and other financial institutions to develop the theory of change for mainstreaming biodiversity into financial decisions in a way that improves outcomes for conservation.

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