

OSSERVATORIO ESG

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The European Commission has adopted the new [EU Biodiversity Strategy for 2030](#) and an associated Action Plan comprehensive, ambitious, long-term plan for protecting nature and reversing the degradation of ecosystems. It aims to put Europe's biodiversity on a path to recovery by 2030 with benefits for people, the climate and the planet¹.

EU BIODIVERSITY STRATEGY FOR 2030

Biodiversity: the collapse of ecosystems

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services ([IPBES](#)) defines the collapse of ecosystems as one of the future global challenges and estimates that the current trend in biodiversity jeopardizes progress towards 80% of sustainable goals (SDGs) set out in the United Nations 2030 Agenda. The depletion of vital habitats and ecosystem services threatens the integrity and stability of the planet. Natural ecosystems are a vital factor and that is why biodiversity loss was declared the fourth most likely global risk and the third most serious in terms of potential impact in the latest report on global risks from the World Economic Forum (WEF).

According to the OECD report "[A Comprehensive Overview of Global Biodiversity Finance](#)", a crucial role for biodiversity will be played by global finance. In this context, a positive result must be linked to an efficient exchange of environmental, social and governance (ESG) information (including on climate and biodiversity) between companies, financial analysts and investors in order to systematically integrate sustainability into the company strategy, in decision-making and risk management.

To assess the relevance of extra-financial information related to biodiversity, it is useful and desirable to consider the concept of double materiality introduced in the non-binding guidelines of the European Commission for information related to climate change. Information on biodiversity must be communicated, if necessary, to understand the internal impacts on the company's performance and results, but also to understand the external impacts that company activities can have.

However, the current metrics that are often used are insufficient and companies find it very difficult to collect and communicate non-financial information. With the outbreak of the COVID-19 crisis, among the ESG metrics, the social ones are lacking and of little significance of the reality that many companies are experiencing and especially among the environmental issues, that of biodiversity plays the role of great absent in the current reporting systems. Climate-conscious investors can consider parameters such as "CO2 equivalent", which provides a standardized way to quantify one of the main climate indicators such as greenhouse gas emissions, but there is no such metric to communicate biodiversity. According to the study conducted by the PRI "[Investor Action on Biodiversity: Discussion paper](#)" there are three factors enabling the analysis of biodiversity:

- 1) target and standards
- 2) metrics
- 3) data

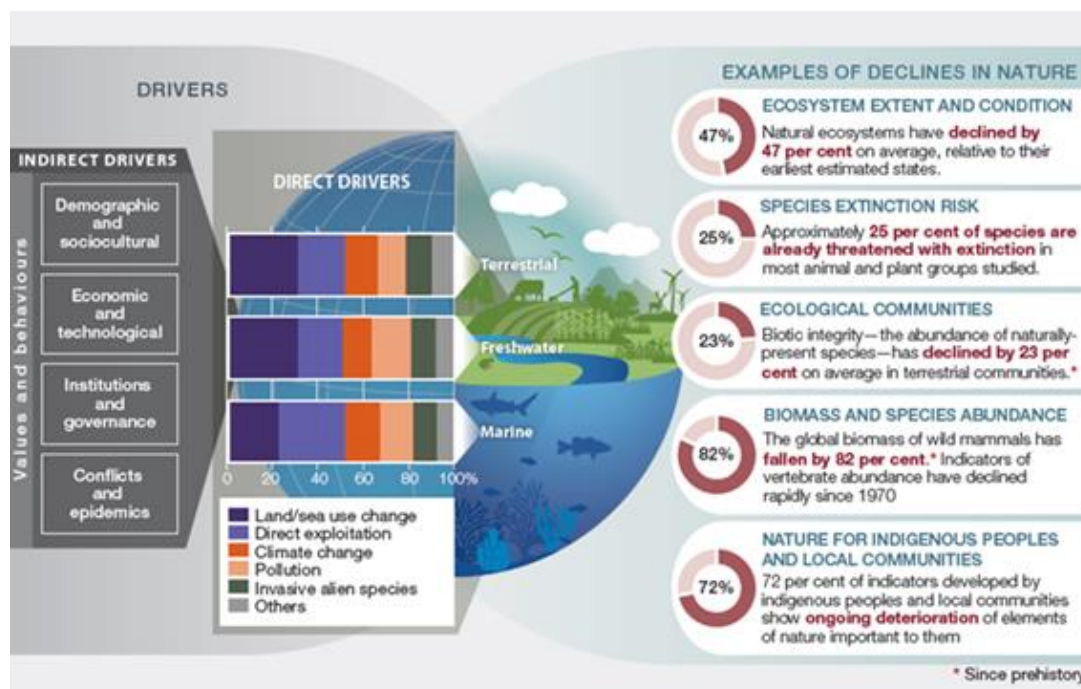
Relevance of biodiversity in business

Biodiversity - diversity within species, between species and of ecosystems - is decreasing more rapidly than at any time in human history. The global IPBES report announced that much of nature has already been lost and what remains continues to diminish. To date, 70% of Earth's systems, 50% of fresh water and 40% of oceans and seas have been significantly modified.

IPBES identifies five main drivers of biodiversity loss: changes in land and sea use; over-exploitation of organisms; climate change; pollution and invasive alien species. Climate change is currently responsible for between 11% and 16% of biodiversity loss. This percentage is only expected to rise and has the potential to trigger irreversible ecosystem disruptions on a biometric scale.

¹ Gasperini A. Artuso S., "Biodiversità: nuove metriche e doppia materialità", Wolters Kluwer n.1 Gennaio 2021

Figure 1: Examples of global nature decline, emphasizing biodiversity decline, caused by direct and indirect factors of change



IPBES. The global assessment report on biodiversity and ecosystem services. 2019

The impact deriving from biodiversity is currently not perceived by most companies. There is a need to improve understanding of how biodiversity underpins the delivery of ecosystem services and the benefits that are critical to operations and business models, and to bring this understanding to the forefront of corporate debates. Access to better biodiversity data and harmonization of indicators will help investors identify and assess the biodiversity exposure of their investments.

Conclusions

The climate crisis and that of biodiversity are intrinsically linked to each other. Climate change, through droughts, floods and forest fires accelerate the destruction of the natural environment, which in turn, together with the unsustainable use of nature are the factors behind climate change itself. However, if the crises are linked together, so are the solutions. Natural ecosystems are a vital ally in the fight against climate change and the solutions based on them are crucial for the reduction of emissions and the mitigation and adaptation to climate change.

It is essential to begin to consider biodiversity issues with greater attention in the same way in which those related to climate change are being addressed, defining new material metrics that make it possible to evaluate the internal and external impacts of Biodiversity in order to make it central to the investors' decision-making processes.

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