Principles for Responsible Investment

DEVELOPING A BIODIVERSITY POLICY

A TECHNICAL GUIDE FOR ASSET OWNERS AND INVESTMENT MANAGERS

MARCH 2024

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

This guide and associated research is funded by the Gordon and Betty Moore Foundation

THE SIX PRINCIPLES

PREAMBLE TO THE PRINCIPLES

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1 We will incorporate ESG issues into investment analysis and decision-making processes.

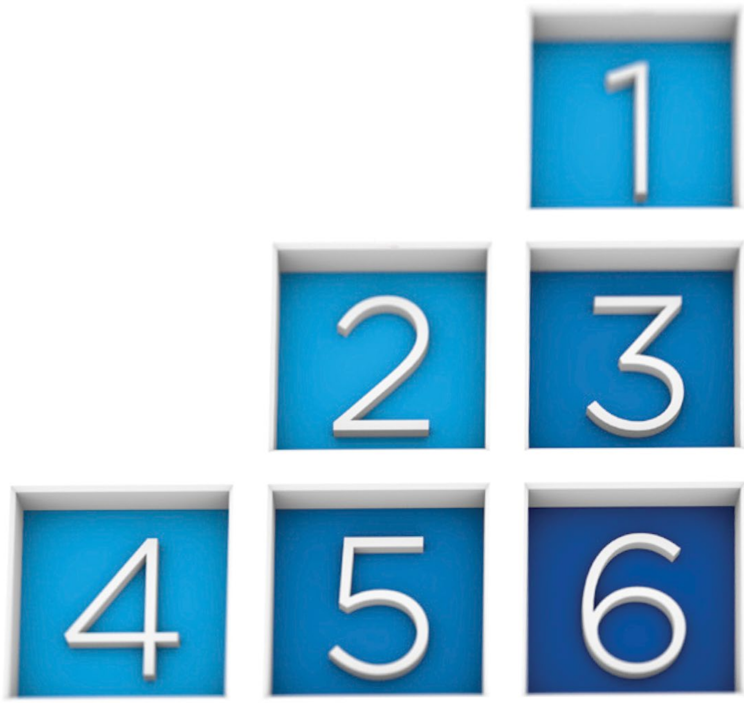
2 We will be active owners and incorporate ESG issues into our ownership policies and practices.

3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4 We will promote acceptance and implementation of the Principles within the investment industry.

5 We will work together to enhance our effectiveness in implementing the Principles.

6 We will each report on our activities and progress towards implementing the Principles.



PRI's MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

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EXECUTIVE SUMMARY

WHY BIODIVERSITY MATTERS TO INVESTORS

The world is facing biodiversity loss at an unprecedented scale. With around half of the world's GDP dependent on the ecosystem services enabled by healthy natural systems, investors in all asset classes and sectors face physical risks from biodiversity loss, and transition risks from changes in policy, technology and consumer sentiment in response to the crisis. Conversely, addressing biodiversity loss also presents new opportunities for investors.

Growing public and political understanding of the need for action on biodiversity therefore places an onus on institutional investors to integrate biodiversity considerations into their responsible investment policies and investment processes. A first step in doing so is producing a biodiversity policy.

BEFORE WRITING A BIODIVERSITY POLICY

Investors should consider three elements as they prepare to produce a biodiversity policy:

- **Developing an organisational approach to biodiversity**
  This report offers a five-step process for developing an organisational approach to biodiversity, designed to guide organisations through a deliberate progression of understanding biodiversity considerations, integrating them into investment processes, and managing and disclosing the associated risks and opportunities.
- **Building an understanding of biodiversity**
  Investors should build an understanding of biodiversity to establish shared knowledge about the issue's relevance to the organisation and ensure senior buy-in. This might involve internal discussions, training and learning from peers.
- **Establishing the type of policy to develop**
  Investors should understand the type of policy they plan to develop – whether a comprehensive biodiversity investment policy, a policy on a specific aspect of biodiversity, or a position statement. They should consider the purpose of the policy, its structure, scope and governance, how it will fit in with its existing approaches, and the resources required.

WHAT TO INCLUDE IN A BIODIVERSITY POLICY

A comprehensive biodiversity policy should address the following elements:

- **Aims, scope and commitments**
  These establish: the investor's motives for developing its biodiversity policy, and the beliefs, objectives and needs that underpin it; the biodiversity loss drivers, sectors and asset classes it covers, and any investment products, strategies or businesses that it does not; and any related regulatory requirements, responsibilities, commitments and disclosure obligations.
- **Governance**
  The policy should refer to related policies, guidelines and objectives, how it will be implemented and monitored, and how it will be reviewed.
- **Definitions**
  Given the complexities around the topic, the policy should include definitions of key terms and acronyms used.
- **Approach to biodiversity**
  A biodiversity policy can include information on how the investor assesses biodiversity-related physical and transition risks, how it identifies any opportunities, and how it integrates biodiversity considerations into investment decisions. It might also include how the investor collects related information.
- **Target setting and strategy**
  The policy should outline any organisational biodiversity objectives or targets and associated metrics, how they are determined, the organisation's approach to achieving them, and how performance will be tracked over time.
- **Management of risks and opportunities**
  It should also outline how the investor intends to manage biodiversity risks and pursue biodiversity-related opportunities. This might detail how it plans to address drivers of biodiversity loss, including how it expects investees to manage biodiversity impacts.

  The investor should also outline how it expects to direct funds towards investments that minimise biodiversity loss and promote positive environmental outcomes, such as nature-based solutions.

  The policy should also set out the investor's approach to stewardship related to biodiversity. This might reference any stewardship codes or guiding documents that it adheres to, as well as other sector- or issue-specific expectations or statements related to biodiversity. It should also detail the investors' expectations of investees regarding biodiversity, and how it engages with them on the issue, its engagement with policy makers, standard setters and industry bodies, and any involvement with collaborative initiatives.
- **Monitoring and disclosure**
  Finally, the policy should outline the organisation's approach to monitoring and reporting its biodiversity-related activities and specify any international disclosure or reporting standards with which the organisation is aligned.

Throughout, this report includes examples of investment managers and asset owners that have made biodiversity-related policy commitments. In addition, it directs readers to related PRI guidance and resources. For more information on topics raised in this guide, or on biodiversity more broadly, please get in touch.

ACKNOWLEDGEMENTS

We would like to thank the following organisations for their insights given in interviews conducted to support the development of this guidance.

- abrdn
- Australian Council of Superannuation Investors
- All Weather Capital
- Allianz Investment Management
- AP2
- AXA Investment Management
- BB Asset Management
- Breckinridge Capital Advisors
- CalSTRS
- Climate Asset Management
- CVC
- Desjardins Global Asset Management
- Domini Impact Investments
- E Fund
- Fama re.capital
- Fidelity Investments
- First Sentier Investors
- Foresight Group
- FSD Africa
- Green Century Capital Management
- Groupe Caisse des Dépôts
- The Indonesian Biodiversity Foundation (Yayasan KEHATI)
- Ninety One
- Nomura Asset Management
- Nuveen Natural Capital
- Patria Investments
- PensionDanmark
- QBE Insurance
- QIC
- Resona Asset Management
- Riparian Capital Partners
- Rockefeller Asset Management
- Sanlam Investments
- Sierra Club Foundation
- Stafford Capital Partners

We would also like to thank members of the PRI's Nature Reference Group for their feedback on initial drafts of the guidance.

ABOUT THIS GUIDE

This guide outlines recommended steps for investors to take to develop a biodiversity investment policy. It includes:

- the case for investors to take action on biodiversity;
- suggestions to help investors build an organisational approach to the issue;
- the different types of policies investors can develop; and
- the specific elements that a comprehensive policy commitment can include.

The content is based on desk research, including analysis of PRI signatories' biodiversity policies, interviews with signatories and feedback from the PRI's Nature Reference Group.

The guide should be read in conjunction with PRI guidance on Developing and updating a responsible investment policy: A technical guide, as well as other PRI resources on biodiversity, including An introduction to responsible investment: Biodiversity for asset owners.

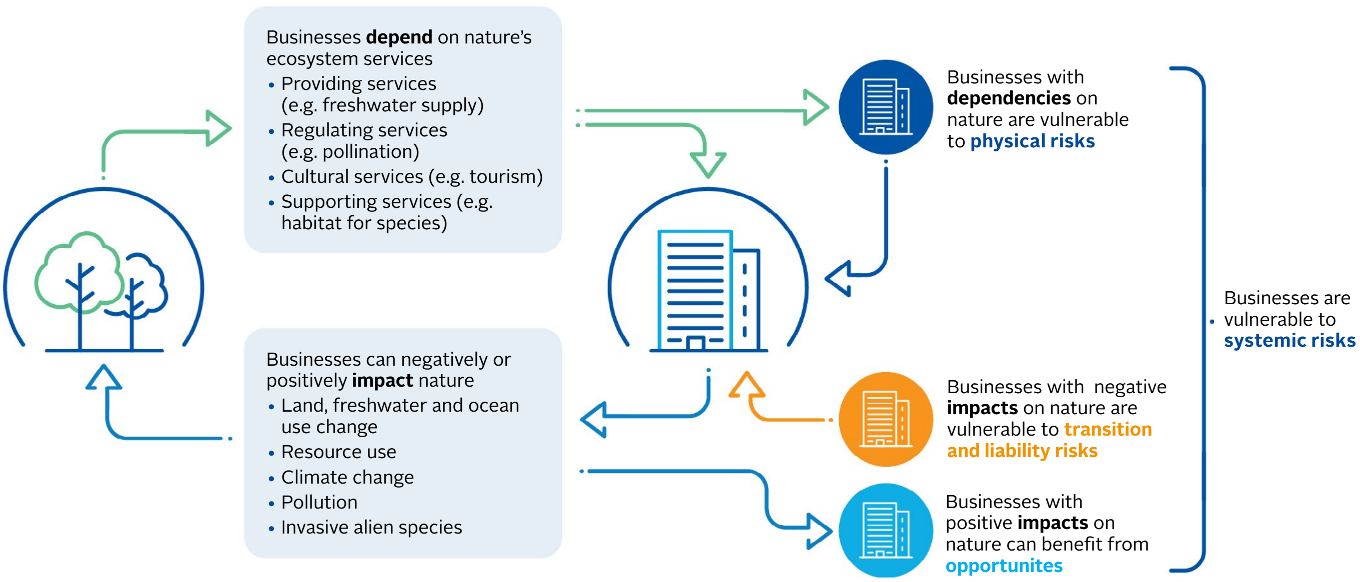
THE CASE FOR INVESTOR ACTION ON BIODIVERSITY

According to the Network for Greening the Financial System, the unprecedented scale of biodiversity loss currently occurring globally "could have significant macroeconomic implications, and that failure to account for, mitigate, and adapt to these implications is a source of risk for financial stability".[1] Indeed, over half of the world's GDP is moderately or highly dependent on at least one ecosystem service.[2]

This poses new financial risks to investors in all asset classes and sectors, and their clients and beneficiaries. These can be characterised as:

- Physical risks resulting from the degradation of biodiversity. They can be chronic or acute and are often location-specific: for example, the loss of protective coastal habitats such as mangroves can increase flood risk, or the loss of wild pollinator insects can reduce yields or increase costs for agricultural businesses. Worst-case estimates from the World Bank suggest that a collapse of just four ecosystem services could result in a US$2.7trn contraction of the world's GDP by 2030.[3]
- Transition risks from the misalignment of economic activities, prompted by changes in regulation and policy, legal precedent, technology or investor sentiment and consumer preferences. An example would be a failure to meet the due diligence expectations of the 2023 EU Regulation on Deforestation-free products[4] and associated litigation risks.

Figure 1: Nature and business: why it matters



Source: adapted from the Taskforce for Nature-related Financial Disclosures (TNFD)

1 The Network for Greening the Financial System, "NGFS acknowledges that nature-related risks could have significant macroeconomic and financial implications", press release, 24 March 2022

2 The World Economic Forum, "Half of World's GDP Moderately or Highly Dependent on Nature, Says New Report" , press release, 19 January 2020

3 The World Bank (2021), The Economic Case for Nature

4 The European Commission (2023), Regulation on Deforestation-free products

However, addressing biodiversity loss through conservation and restoration also provides new opportunities for investors. The World Economic Forum has estimated that the transition towards economies with a positive impact on nature could generate up to US$10trn in annual value and create 395 million jobs by 2030.[5]

REGULATORY DRIVERS

Growing public and political understanding of the need for action on biodiversity has been reflected most notably in the Kunming-Montreal Global Biodiversity Framework (GBF), agreed by 188 countries at the 2022 UN Biodiversity Conference (COP 15), which aims to "halt and reverse biodiversity loss by 2030". To achieve this, the framework calls for public and private financial flows to be aligned with that mission, providing a clear mandate for institutional investors to integrate biodiversity considerations in their responsible investment policies and investment processes.

This international effort is mirrored in policy developments at the regional level, such as the EU Biodiversity Strategy for 2030, and within individual jurisdictions around the world.

For more details on biodiversity loss and why investors should take action, please read An introduction to responsible investment: Biodiversity for asset owners.

Key definitions

- **Nature**: the natural world, with an emphasis on its living components, according to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.
- **Biodiversity**: the variability among living organisms from all sources, according to the Convention on Biological Diversity. Biodiversity is an essential component of nature, critical to maintaining functioning and resilient natural systems that can continue to provide services for society.
- **Ecosystem services**: benefits people obtain from ecosystems and their biodiversity, such as pollination, food production and coastal protection, according to the Millenium Ecosystem Assessment.

NATURE OR BIODIVERSITY?

This guide focuses on the development of a biodiversity policy and how an investor can outline its approach to addressing the five drivers of biodiversity loss.[6] However, the guidance provided acknowledges how natural systems contribute to the maintenance of biodiversity and can therefore be applied to the broader concept of nature for investors seeking to adopt a more holistic approach to nature-related risks and opportunities.

Planetary boundaries and climate change

Climate change and biodiversity loss are intrinsically linked; they are crucial to understanding the interplay between planetary boundaries and to minimising the risk of irreversible environmental damage, with six of the nine planetary boundaries crossed as of 2023.[7] With climate change categorised as one of the five drivers of biodiversity loss,[8] investors can begin identifying synergies within their climate strategies relating to biodiversity risks or opportunities. For example, pursuing circularity within net zero transition technologies can minimise nature-related impacts of materials extraction and disposal,[9] while innovations in regenerative agriculture can mitigate emissions associated with land conversion and promote soil health and resilience.[10]

PRI resources

- PRI Nature webpage
- Stepping Up on Biodiversity: What the Kunming-Montreal Global Biodiversity Framework means for responsible investors
- An introduction to responsible investment: Biodiversity for asset owners

5 The World Economic Forum (2020), The Future Of Nature And Business
6 IPBES, Models of drivers of biodiversity and ecosystem change
7 Richardson, J., Steffen W., Lucht, W., Bendtsen, J., Cornell, S.E., et.al. (2023), "Earth beyond six of nine Planetary Boundaries", Science Advances, 9, 37.
8 IPBES, Models of drivers of biodiversity and ecosystem change webpage
9 The Ellen MacArthur Foundation, What is a circular economy? webpage
10 The World Economic Forum, "5 benefits of regenerative agriculture – and 5 ways to scale it" , article, 11 January 2023

WHAT TO CONSIDER BEFORE WRITING A BIODIVERSITY POLICY

This section outlines what investors might consider before writing a biodiversity policy. It focuses on three key elements:

- A five-step process for developing an organisational approach to biodiversity
- Building an understanding of biodiversity
- Different forms of public commitments on biodiversity

DEVELOPING AN ORGANISATIONAL APPROACH

The five-step process for developing an organisational approach to biodiversity, below, outlines suggested steps for investors to take action on the issue. This process is designed to guide organisations through a deliberate progression of understanding biodiversity considerations, integrating them into investment processes, and managing and disclosing the associated risks and opportunities.

The process is not intended to be prescriptive. It is reflective of the significant challenges that remain for many investors to fully understand their biodiversity impacts, dependencies, risks and opportunities, and how these can ultimately feed into strategy and investment decisions. Investors may adapt or reorder the steps to tailor the process based on their specific circumstances. For example, it may be preferable to align the approach to biodiversity with an existing approach to climate and replicate a similar set of steps, or look to apply the approach to an individual asset class first.

Each element of the five-step process is covered in more detail in the remainder of this document.

Figure 2: A five-step process for developing an organisational approach to biodiversity

1. Build an understanding

- Build a common understanding of biodiversity and why it is important for your organisation
- Implement internal training and capacity-building programmes
- Explore how to embed biodiversity into responsible investment strategies
- Consider your approach to establishing a public commitment on biodiversity

2. Assess and prioritise risks and opportunities

- Conduct a high-level portfolio assessment (including consideration of the full value chain where possible) to identify areas of greatest biodiversity impacts, dependencies, risks and opportunities and quantify financial impacts, where possible
- Prioritise key business sectors and geographies
- Engage with key stakeholders (e.g., investees, local communities, NGOs etc.) to enhance understanding of biodiversity impact and dependencies, and encourage disclosure
- Develop ongoing biodiversity risk and opportuntity assessment processes

3. Establish strategy and set targets

- Define and publicly acknowledge goals and ambitions related to biodiversity, establish a baseline and set targets (qualitative and/or quantitative)
- Where appropriate, align with international standards and frameworks

4. Manage risks and opportunities

- Incorporate biodiversity considerations into investment decision-making processes
- Engage with investees to encourage better management and disclosure of biodiversity risks and opportunities, including collective engagement where appropriate
- Engage with policy makers to support regulatory reform
- Participate in investor networks and initiatives

5. Monitor and disclose

- Establish a monitoring programme to ensure alignment with the organisation's biodiversity strategy, using defined metrics and KPIs
- Regularly report progress to relevant stakeholders (clients, regulators, public etc.)

11 The process is adapted from Finance for Biodiversity's 5 steps from the V-process, a well-recognised framework for investors, building on guidance from the TNFD and SBTN.

Build an understanding 1 | Assess and prioritise risks and opportunities 2 | Establish strategy and set targets 3 | Manage risks and opportunities 4 | Monitor and disclose 5

BUILDING AN UNDERSTANDING OF BIODIVERSITY

The first step involves establishing a shared knowledge about the issue's relevance to the organisation and ensuring senior buy-in. This may include:

- conducting, and sharing with relevant teams, research on biodiversity and its relevance for investors;
- organising training for relevant staff so they better understand the issue and its relevance to their roles within the organisation; and
- learning from peers through direct engagement and broader industry collaboration.

Interviews with investors as part of the development of this guidance highlighted a number of key trends in how they are addressing biodiversity, including:

- that many organisations are taking a gradual approach, typically involving internal research and knowledge-building on the topic first. This may be followed by an initial assessment of potential exposures to biodiversity impacts, dependencies, risks and opportunities, in order to prioritise subsequent actions;
- recognition that addressing biodiversity risks and impacts will often need to be tailored to the specific investment or by asset class; and
- that single issues such as deforestation, often tied to the agricultural sector, can often be a starting point for more focused efforts on a biodiversity-related theme.

PRI resources

An introduction to responsible investment

Investing with SDG outcomes: A five-part framework

Stepping up on Biodiversity: What the Kunming-Montreal Global Biodiversity Framework means for responsible investors

DEVELOPING A BIODIVERSITY POLICY

WHY DEVELOP A BIODIVERSITY POLICY?

A biodiversity policy can serve several purposes for investors:

- It can guide their investment decisions, how they carry out stewardship and how they report on their activities, ensuring consistency and longevity.
- It allows investors to outline their actions on biodiversity and why they are taking them – for example, how they view biodiversity risks and opportunities and their connection to other system-level sustainability issues, such as climate change and human rights.
- It sets clear expectations of other stakeholders in the investment chain, whether other investors (both asset owners and investment managers), service providers, or investee companies and their value chains.

DIFFERENT FORMS OF POLICIES

Before developing a policy, asset owners and investment managers should consider:

- the purpose it will serve;
- its structure and scope;
- who will be accountable for its delivery;
- how it will fit with – and reflect – their fiduciary duties, investment strategies and beliefs;
- the resources and stakeholder buy-in needed to implement it; and
- their organisation's maturity on biodiversity.

Understanding these considerations will help inform the type of policy that may be most appropriate for an investor at any given time. For example, an investor with an established approach to biodiversity and/or wishing to signal its ambitions on the issue, and with centralised governance or strategy processes, may want to adopt a biodiversity investment policy. Organisations that are building their approach to the issue and/or adopt more individual fund or portfolio strategies may instead opt for a position statement to establish a stance and intention to address biodiversity loss.

An alternative approach may be to focus on a specific biodiversity-related issue, such as deforestation, or on high-risk sectors. This type of policy may serve as a starting point for piloting an organisation's response to biodiversity or may be adopted because these issues or sectors have been identified as amenable to the establishment and tracking of clearly defined quantitative targets.

Each form of commitment, especially one focused on a single issue or sector, has the benefit of allowing investors to take an iterative approach, drawing learnings from their assessments, engagements and target-setting. These learnings can then potentially enable the investor to adopt a broader biodiversity approach over time.

Different types of public commitments, and their potential purposes, are summarised in Table 1 below.

Table 1: Different forms of biodiversity policies

Document type	Purpose
Biodiversity investment policy	Defines a comprehensive approach to biodiversity, including risk assessment and mitigation, target-setting and associated metrics, and disclosure. Sets clear expectations of investees and other relevant stakeholders and can serve to foster collaboration with stakeholders who share common interests. Can be standalone or integrated into overall responsible investment policy.
Policy on a specific aspect of biodiversity	As above, but focused on a single issue (such as deforestation). May be used as the basis for developing a fuller approach to biodiversity over time.
Position statement	Establishes an organisation's stance on biodiversity (whether in general or on specific issues), to signal initial commitment and intent and to foster collaboration with stakeholders who share common interests. Unlikely to contain specific targets or processes for integrating biodiversity into investment decision-making. Typically standalone documents which broadly align with responsible investment policy. May be used as the basis for developing a more comprehensive commitment on biodiversity over time.

Example – Abrdn's approach to natural capital
Abrdn's Preserving natural capital - Our approach for investments, outlines its approach to integrating nature considerations into six steps within the investment life cycle: research and data, investment integration, client solutions, active ownership, collaboration and influence, and disclosure. The document provides transparency around abrdn's approach to nature and desired outcomes, as well as demonstrating its expectations to investee companies for investments and engagement. Position statements then provide greater detail regarding abrdn's commitments in specific thematic areas, such as biodiversity, deforestation, plastics and water.

BIODIVERSITY POLICY EXAMPLES

Investment managers:

Organisation	Links
Abrdn	Preserving natural capital – Our approach for investments
Allianz Global Investors	Allianz Global Investors Biodiversity Policy Statement
Impax Asset Management	Impax Policy on Nature, Biodiversity, and Deforestation
First Sentier Investors	Nature and biodiversity
HSBC Asset Management	Biodiversity
Legal and General Investment Management	LGIM's policy on biodiversity and LGIM's nature framework
Mirova	Mirova for Nature Biodiversity, our 2020 roadmap
New Forests	Biodiversity risks and opportunities in forestry investment
Next Energy Capital	Biodiversity Position Statement
Schroders	Our Plan for Nature
Storebrand Asset Management	Engagement theme: Biodiversity and ecosystems

Asset owners:

Caisse des Dépôts	The Caisse des Dépôts Group's policy on biodiversity
Varma	Biodiversity Roadmap
PensionDanmark	Biodiversity strategy
Australian Council of Superannuation Investors	Biodiversity: Unlocking natural capital value for Australian Investors
Brunel Pension Partnership	Integrating biodiversity into investment decisions
Ilmarinen	Ilmarinen Biodiversity Roadmap

PRI resources

Developing and updating a responsible investment policy

A Legal Framework for Impact

WHAT TO INCLUDE IN A BIODIVERSITY POLICY

This section details the main components of a biodiversity policy, including examples, that asset owners and investment managers could draw upon.

It also outlines how steps two, three, four and five of the process for developing an organisational approach to biodiversity can be referenced within a biodiversity policy or similar document.

AIMS, SCOPE AND COMMITMENTS

Policy aim: This sets out the organisation's overall aims and motives for developing its biodiversity policy, and the beliefs, objectives and stakeholder, client or beneficiary needs that underpin it. This can include a statement of understanding of the context of the global biodiversity crisis and its impacts on the economy, including:

- the imperative created by the Kunming-Montreal Global Biodiversity Framework;
- risks and opportunities from biodiversity loss faced by investors; and
- interlinkages with addressing the climate crisis.

Scope: The biodiversity policy's scope can include which biodiversity loss drivers, sectors and asset classes it covers, as well as any investment products, strategies or businesses it does not apply to. The scope could also detail the policy's connection with the organisation's ongoing climate-related activities, underscoring an integrated approach to environmental action.

Specific commitments: This section can outline any legal and regulatory requirements, fiduciary responsibilities, voluntary commitments and disclosure requirements that guide the organisation's responsible investment activities. It could include a commitment to align with the mission of the Global Biodiversity Framework. It could also state adherence to industry frameworks or best practice, e.g., the Taskforce for Nature-related Financial Disclosures (TNFD) disclosure recommendations, the Finance for Biodiversity Pledge or the Deforestation-Free Finance roadmap.

Related resources

Prioritising nature-related disclosures: considerations for high-risk sectors, UNEP FI

Top 10 Biodiversity Impact Ranking of Company Industries, Finance for Biodiversity Foundation

Additional guidance for financial institutions, TNFD (see Annex 1 for priority sectors for disclosure)

GOVERNANCE

Background information: This section provides details of who was involved in the policy's preparation and design. For example, if a working group developed the policy, the introduction could include the group's objective and its members.

Related policies, guidelines and objectives: The introduction should also make clear whether the policy is part of a broader investment and/or responsible investment policy, and whether the organisation has any other guidelines, statements or strategies that relate to the biodiversity policy. It is considered good practice for investors to have a clear approach to tackling specific ESG issues in their responsible investment policies and guidelines, and to make links between them where relevant.

Implementation and monitoring: Organisations should outline how they will comply with and monitor the policy, identifying who is responsible for its implementation and any guidelines on how potential breaches are addressed. They should also consider whether to set any KPIs tied to implementing the policy and, if they do so, who is accountable for meeting them and whether they are linked to remuneration.

Example – Ninety One: Taking a bottom-up approach to governance

To assess and manage nature-related risks and opportunities based on specific asset classes, sectors and geographies, Ninety One has taken a bottom-up approach to ESG, whereby each investment team is responsible for creating and implementing its own ESG strategy in the investment process (with the support of the sustainability team). This approach has served to develop an ESG integration approach for assessing investment cases, including relevant issues related to nature and biodiversity risks. Each investment team is responsible for developing the most effective strategies based on the characteristics of its portfolio, and creating bespoke products that help fulfil defined sustainability objectives. For instance, Ninety One's Emerging Markets Sovereign Debt team has developed an ESG momentum scorecard that captures a forward-looking assessment of ESG policies across the Sustainable Development Goals using nine sub-categories, including natural capital, and their potential effects on economies. Ninety One engages with policy makers where possible and has recently engaged with Chile and Uruguay on the inclusion of biodiversity KPI's into their frameworks. Ninety One also worked with WWF to adapt this approach into a Climate and Nature Sovereign Index (CNSI), which uses geospatial modelling and remote sensing to identify climate- and nature-related exposures at a country level over time.

Policy review: An organisation's biodiversity policy should be reviewed periodically to evaluate success and identify underperforming areas. An effective review process should assess the foundational beliefs behind the policy, its execution and the methods of stakeholder engagement. Additionally, the review should evaluate how well the policy aligns with the overall investment strategy and consider the impact on the policy of emerging regulatory frameworks. See Developing and updating a responsible investment policy for a list of questions to consider during the review process.

PRI resources

- **Policy, governance and strategy module reporting guidance**
- **Developing and updating a responsible investment policy**

DEFINITIONS

Biodiversity is a complex topic, with global understanding still evolving around how economic activities drive biodiversity loss and depend upon nature. Within a policy, investors can include definitions of key terms and acronyms used to ensure shared understanding with stakeholders and, where relevant, showcase alignment with industry standards.

Related resources

- **PRI Reporting Framework glossary**
- **UNEP-WCMC Biodiversity A-Z**
- **IPBES Glossary**
- **TNFD Glossary**
- **Accountability Framework initiative definitions**
- **SBTN Glossary of Terms**

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APPROACH TO BIODIVERSITY

ASSESSMENT AND PRIORITISATION OF RISKS AND OPPORTUNITIES

Physical and transition risks (including litigation and regulatory risks) associated with biodiversity loss have the potential to affect investment value over the short, medium and long term. Biodiversity risks and opportunities vary and depend on factors including:

- sector
- location or geography
- regulatory frameworks
- market capitalisation
- operational arrangements
- value chain position (upstream versus downstream)
- extent of dependence and impact on biodiversity
- ability to substitute raw materials

A biodiversity policy can include information on how investors assess those risks, how they identify any opportunities and how they integrate biodiversity considerations into investment decisions, specifying whether they use in-house or external frameworks for analysis. For example, a policy could:

- explain the methodologies and data sources used to assess risks and opportunities, such as the TNFD Leap Assessment Framework, the Natural Capital Protocol or the Partnership for Biodiversity Accounting Financials Standard, as well as, for example, company disclosures, technical specialists and consultants, and data providers;
- detail the frequency and granularity of the analysis; and
- detail how the investor engages with key stakeholders, including investees and local communities, to better understand potential risks and opportunities.

A policy may also acknowledge particular challenges that investors currently face in gathering all the information they need to fully assess biodiversity-related risks and opportunities. For example, it is widely recognised that existing public and commercial biodiversity datasets can be limited, and that there is not an established single biodiversity metric or a common understanding of how to translate biodiversity information into financial materiality.

Where such challenges exist, investors may also wish to state in the policy how they are working to overcome them and/or how they may expand their risk assessment process over time as more information becomes available. This might include, for example:

- by engaging with and encouraging greater disclosure by investees (and their value chain) on their biodiversity impacts, dependencies, risks and opportunities;
- through industry collaboration (with other investors and service providers to, for example, drive improvements in biodiversity data sets); and
- by applying learnings from initial high-level assessment efforts or a focus on particular sectors or issues.

The PRI's Investing for Nature: Resource hub contains a list of publicly available tools and frameworks that can assist with assessing biodiversity risks and opportunities.

Example – AP2: Developing tools to conduct deforestation risk

Swedish pension fund AP2, in collaboration with the sustainable finance think-tank Climate & Company, is developing a publicly accessible methodology and practical guidance to assess each investee company within its portfolio for deforestation risk. The guidance will build on several existing databases, such as those from Forest500 and Trase, but it will be relevant for all portfolio companies and consider both location and activities for assessing risk. The guidance will help AP2 integrate deforestation information in the investment process and identify those investee companies with deforestation risk, helping to prioritise engagement. This systematic guidance will help AP2 achieve its commitment to have a portfolio that does not contribute to deforestation by 2025.

Example – First Sentier Investors: Empowering investment teams with a nature and biodiversity toolkit for informed engagement

Focusing specifically on freshwater and deforestation, First Sentier Investors' Investors Can Assess Nature Now (ICANN) guide helps its own fund managers and other investors assess companies' disclosures relating to nature. It maps a due diligence framework for appraising and engaging on three critical issues: the identification of sector exposures and understanding of material nature pressure areas; the prioritisation and assessments of companies, including due diligence approaches and key metrics to look for; and company engagement, outlining how to interpret the data and which questions to ask. Through this toolkit, investment managers are equipped with base knowledge, resources and tools to help them target material issues and companies for research and engagement in an efficient manner.

TARGET SETTING AND STRATEGY

A biodiversity policy should outline:

- a biodiversity strategy, focusing on priority biodiversity sectors or themes identified, based on an assessment of risks and opportunities;
- any organisational biodiversity objectives or targets and associated metrics, including whether they align with international or industry biodiversity frameworks; and
- details of how any objectives or specific targets are determined, the organisation's approach to achieving them, and how performance against them will be tracked over time.

For organisations in the early phases of formulating their approach to biodiversity, embracing a flexible strategy that responds to biodiversity loss can be a pragmatic first step. The strategy should prioritise the most material risks and opportunities as identified by an assessment or similar exercise. The policy can also detail how the biodiversity strategy supports and overlaps with other key sustainability issues (e.g., climate change).

As a strategy is developed, investors may determine specific objectives, commitments or targets. Investors' overall objectives and targets may vary for several reasons, as discussed in Developing a biodiversity policy, above. Where objectives are determined, the organisation should include details of its approach to achieving them and how performance against them will be tracked over time.

Target-setting on biodiversity is still a developing practice, in part due to the methodological challenges in measuring biodiversity, which lacks a single metric equivalent to greenhouse gas emissions from the climate agenda. For organisations in the early phases of formulating their approach to biodiversity, flexible and qualitative targets can be a first step. Examples might include:

- screening their full portfolio for high-risk impacts and dependencies on biodiversity;
- improving employee awareness and education on biodiversity;
- adopting a risk management framework for biodiversity risks; and/or
- initiating engagement with stakeholders on biodiversity.

As organisations flesh out their approach further, quantitative targets on both processes and results may be introduced, such as:

- the number of companies engaged with;
- the number of invested companies that have a biodiversity policy;
- the number of invested companies that disclose impacts and dependencies on biodiversity; and
- the share of AUM covered by the organisation's biodiversity policy.

Quantitative targets that are associated with the state of biodiversity are not yet commonly used, due to the outstanding difficulties for financial institutions to measure on-the-ground biodiversity impact. However, a policy could reflect an investor's ambitions to develop broader targets, as appropriate, over time, particularly with organisations such as the TNFD, Finance for Biodiversity Foundation and Science-based Targets Network (SBTN) leading efforts to develop appropriate industry metrics on biodiversity.

Example – Domini Impact Investments: Adopting an intersectional approach to assessing nature impacts

Domini approaches evaluation of companies for investment through a systems lens, looking at how an issue like biodiversity interconnects with other dimensions of a business, while supporting long-term sustainable value creation. This approach to environmental and social research is grounded in Domini's Impact Investment Standards – where every investment supports the twin goals of universal human dignity and ecological sustainability. When conducting research, it considers how these issues are aligned with its industry-specific KPIs, which put Domini's standards into practice. This helps Domini to identify peer-relative leaders in sustainable forest management and certification and to maintain high social and environmental standards. Such companies are highlighted on Domini's website and in its Impact Reporting.

Additionally, while deforestation is generally primarily considered a biodiversity risk, Domini's systems lens approach to forests looks beyond security and portfolio-level impacts, and considers how deforestation intersects with indigenous peoples, labour rights and climate change, and it uses systems tools to influence field building, public policy and standard setting.

Related resources

- **Nature Target Setting Framework for Asset Managers and Asset Owners, Finance for Biodiversity Foundation**
- **PRB Nature Target Setting Guidance, Principles for Responsible Banking**
- **EU Taxonomy for sustainable activities, European Commission**
- **Measure, set and disclose targets, Science Based Targets Network**

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MANAGEMENT OF RISKS AND OPPORTUNITIES

Within a biodiversity policy, investors should outline how they intend to manage biodiversity risks and pursue biodiversity-related opportunities. The policy should detail how the investor plans to address drivers of biodiversity loss, including how it expects investees to avoid, minimise, reverse or, as a last resort, compensate for impacts, in line with the mitigation hierarchy.[12]

Example – Low Carbon: Applying biodiversity net gain in renewable energy projects

Recognising that its greenfield solar photovoltaic energy projects occupy land with pre-existing ecological value, Low Carbon has developed an asset-level approach that considers the material drivers of biodiversity loss specific to its UK projects. It takes a place-based approach and uses the ENCORE tool to pinpoint the most material impact drivers associated with its projects to help identify actions that can manage key risks. These include potential habitat loss and disruption of local flora and fauna, as well as actions leading to outcomes for biodiversity that exceed England's Biodiversity Net Gain regulatory requirements. This regulation requires all new developments to provide a biodiversity uplift of at least 10%. Low Carbon is working with landowners and developers to implement land and biodiversity management programmes, aligning with the conditions and circumstances unique to each site, enabling Low Carbon to uncover opportunities that both enhance biodiversity and yield direct commercial benefits. Measures to increase the diversity of habitats and species include planting boundary trees and woodland, installation of bird boxes, planting wildflowers, sheep grazing and management measures that minimise the disturbance of resident species.

Example – Foresight Group's Nature Recovery Blueprint

As part of Foresight's partnership with The Eden Project, the group is producing a Nature Recovery Blueprint. The aim of the blueprint is to protect and restore biodiversity by guiding land managers on the practical actions they can take to measure, manage and enhance nature and biodiversity across their land holdings.

Having identified sites to pilot the schemes, Foresight is conducting baselining activities through GIS mapping and ecologist surveys, followed by ecological assessments to identify improvements to management practices and opportunities for habitat enhancement work. These initiatives will build long-term operational efficiencies and the potential to expand further investments into natural capital-related initiatives. The guide focusing on solar assets will be launched at The Eden Project in 2024.

STEWARDSHIP

A biodiversity policy should outline the organisation's engagement approach in relation to biodiversity loss. Investment managers and asset owners could reference any stewardship code or guiding documents that they adhere to, as well as other sector- or issue-specific expectations or statements related to biodiversity that the organisation has drafted, adopted or endorsed.

The PRI's Stewardship for Sustainability evaluation tool can be used to evaluate and compare managers' stewardship practices for sustainability outcomes, and the Sustainability for Stewardship due diligence questionnaire can be used to discuss the topic with investment managers.

12 Cross Sector Biodiversity Initiative (2015), A cross-sector guide for implementing the mitigation hierarchy

CAPITAL ALLOCATION

Understanding existing and potential risks and opportunities associated with biodiversity is vital for informed portfolio construction, fund design and company selection. A biodiversity policy should outline how capital allocation might direct funds towards sectors, activities or business models that minimise biodiversity loss and promote positive environmental outcomes, such as nature-based solutions.

Example – Fama re.capital: Allocating capital for environmental protection and regeneration

Fama re.capital has developed two new thematic and impact fund offerings focusing on biodiversity-related topics: greenhouse gas emissions and socio-bioeconomy. The latter, the Amazônia Viva 2030 Fund, is a credit fund for regenerative projects and businesses operating in the Amazon and led by local and traditional communities. The fund has the objective of shifting capital from large, unsustainable companies to those which actively prioritise the protection and regeneration of the environment and promote social equality and economic growth.

For this fund, fama re.capital has partnered with Grupo Gaia, a securitiser with expertise in agriculture, real estate and impact investments. The partnership aims to collaboratively identify businesses and projects with the highest potential for both long-term financial returns and positive social and environmental impact. After investment, the two companies share responsibility for mapping, assessing, monitoring and engaging with portfolio companies and reporting on key sustainability metrics.

One organisation the fund has invested in is Conexsus, a non-governmental, non-profit organisation whose activities have led to the regeneration of over 2,000 hectares of soil through the implementation of agroforestry systems, and which supports the development of community-led impact business ecosystems.

ENGAGEMENT WITH INVESTEES

Investors should detail their expectations of investees on biodiversity and how they engage with them on the issue. A comprehensive approach could cover elements such as:

- the key targets or objectives for any engagement (for example, successfully encouraging a set percentage of portfolio companies to disclose their impacts and dependencies);
- for listed equity investors, details on how voting rights are exercised with respect to biodiversity;
- the oversight in place where stewardship and voting responsibility is delegated to a third party; and
- escalation guidelines for when engagement on biodiversity issues is not effective.

Example – Rockefeller Asset Management: Engagement with seafood companies

Rockefeller Asset Management has created a specialist Ocean Engagement strategy aimed at offering investors access to the blue economy. Within this strategy, biodiversity is a priority area for engagement efforts, and Rockefeller Asset Management identifies blue economy companies that have material biodiversity impacts to actively engage and drive change. Engagement efforts are tailored to each companies' specific needs, through knowledge sharing with other organisations, including the Ocean Foundation, and research on best practices within the industry. Specific metrics may also be used for individual company engagement.

ENGAGEMENT WITH POLICY MAKERS, STANDARD SETTERS AND INDUSTRY BODIES

Investors can contribute to biodiversity conservation by engaging with policy makers to foster an enabling policy environment. This might include directing public incentives away from activities with negative impacts on biodiversity and integrating biodiversity conservation into the definition of sustainable finance. Investors can also engage with standard-setting bodies and collaborate with industry associations to advocate for the integration of biodiversity considerations. This could include involvement in industry consultations,[13] joining committees and supporting research efforts.

COLLABORATIVE ENGAGEMENT INITIATIVES

A biodiversity policy could list the relevant collaborative engagement initiatives the company has been involved with that demonstrate an active role in addressing risks associated with biodiversity.

For the latest list of initiatives designed to guide and support investor action on biodiversity, please visit the Investing for Nature: Resource hub.

Related resources

- Making voting count: principles-based voting on shareholder resolutions
- Discussing divestment: Developing an approach when pursuing sustainability outcomes in listed equities
- A guide to filing impactful shareholder resolutions
- A sustainable finance policy engagement handbook
- Issue specific stewardship resources
- The PRI Collaboration Platform
- Finance for Biodiversity: Guide on engagement with companies.
- Finance for Biodiversity: Overview of Initiatives for finance institutions

Example – Spring: the PRI's stewardship initiative for nature

The PRI's Spring initiative aims to encourage investors to contribute to the goal of halting and reversing biodiversity loss by 2030, aligning with the goals and targets of the Kunming-Montreal Global Biodiversity Framework. The initial focus is on forest loss and land degradation, recognised as key drivers of biodiversity loss, although it may expand to other drivers as the initiative develops further. The initiative focuses on enabling policies to generate positive outcomes for nature and investor portfolios, and promoting their alignment across jurisdictions. By concentrating investor efforts on policy, systemic risks are more likely to be addressed across economic sectors and at an appropriate pace. To find out more about Spring's strategy, participating and endorsing investors, and target companies, please visit its webpage.

Example – Engagement for sustainable palm oil: the impact of the PRI Investor Working Group

The PRI Investor Working Group, comprising 64 investors overseeing US$7.9trn of assets as of 2021, engaged with palm oil supply chain companies to combat deforestation. From 2017 to 2021, it focused on 24 palm oil companies and 10 banks in Indonesia, Malaysia and Singapore, using ZSL's SPOTT benchmark and WWF's Sustainable Banking Assessment tool. An interim evaluation (covering 2011-16) found improvements in disclosure and policy areas, with companies becoming more transparent and implementing anti-deforestation policies. During 2017-21, the group found substantial improvement among the 34 companies in deforestation and conservation policies, with regional banks adopting stringent financing criteria.

13 For example, see the public consultation on the GRI Biodiversity Standard, and the PRI Response to v0.4 TNFD Disclosure Framework.

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MONITORING AND DISCLOSURE

This section of a policy should outline an organisation's approach to monitoring and reporting its biodiversity activities for stakeholders, including clients, beneficiaries, trustees and regulators. Doing so can help ensure that investors are held accountable for implementing their biodiversity commitments.

Asset owners and investment managers might consider outlining their:

- monitoring and reporting approach
- internal review processes
- external review processes
- regulatory requirements
- third-party reporting guidelines

See Developing and updating a responsible investment policy for further detail on these considerations.

A biodiversity policy should specify the international disclosure or reporting standards with which the organisation is aligned, if relevant. A growing number of reporting frameworks and guidance in relation to biodiversity are available, with many initiatives and bodies seeking to align reporting asks.

Examples include:

- The TNFD Disclosure Recommendations
- The GRI 101 Biodiversity Standard
- The CDP Forests and Water Questionnaires
- The IFRS General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures (IFRS S1 and IFRS S2)

Related resources

Regulation database

Understanding the data needs of responsible investors: The PRI's investor data needs framework

Asset owner guide: investment manager monitoring

The PRI Data Portal

APPENDIX 1: REPORTING FRAMEWORK INDICATORS

The table below provide examples of indicators within the 2024 PRI Reporting Framework where signatories can provide information relevant to their biodiversity strategy and related policies.

What to include in a biodiversity policy	Aim, scope and commitments	Policy aim	▪ Senior leadership statement (SLS),
		Scope	▪ Setting targets on sustainability outcomes: SO 1, SO 2, SO 2.1, PGS 9
		Commitments	▪ Senior leadership statement (SLS), PGS 4 ▪ Setting targets on sustainability outcomes: SO 1, SO 2, SO 2.1 ▪ Levers used to take action on sustainability outcomes: SO 5
	Governance	Background information	▪ PGS 12
		Related policies	▪ PGS 1, PGS 2, PGS 3, PGS 5,
		Monitoring	▪ Governance - Roles and responsibilities: PGS 11, PGS 11.1, PGS 11.2, PGS 12, PGS 13, PGS 14, PGS 15
	Approach to biodiversity	Assessment of risks, opportunities and outcomes	▪ Sustainability outcomes: ▪ PGS 47, PGS 47.1, PGS 47.2, PGS 48, PGS 48.1, SO 1, SO 2, SO 2.1, SO 4, SO 4.1, SO 5-SO 13 ▪ Climate change-specific: PGS 41, PGS 41.1, PGS 42, PGS 43, PGS 44, PGS 45, PGS 46
		Target setting and strategy	▪ Setting targets on sustainability outcomes: SO 1, SO 2, SO 2.1 ▪ Levers used to take action on sustainability outcomes: SO 5
		Management of risks and opportunities	▪ Capital allocation: PGS 20, PGS 21, SO 6, SO 7 ▪ Proxy voting: PGS 29, PGS 30, PGS 31, PGS 32, PGS 33, PGS 33.1, PGS 34, PGS 35 ▪ Stewardship escalation: PGS 36, PGS 37, PGS 38 ▪ Engagement with policy makers: PGS 39, PGS 39.1, PGS 39.2, SO 11 ▪ Investee stewardship: PGS 1, PGS 3 PGS 23, SO 8, SO 9 ▪ Stewardship with external investment managers: SO 10 ▪ Collaboration: SO 13 ▪ Engagement with other key stakeholders: SO 12
		Monitoring and disclosure	▪ External reporting and disclosures: PGS 16, PGS 17, PGS 18, PGS 19 ▪ Tracking progress against targets: SO 4, SO 4.1

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The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org

PRI Principles for Responsible Investment

The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org

UN environment programme finance initiative

United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: www.unglobalcompact.org

United Nations Global Compact