

# NATURAL ASSETS

## Why Protecting Biodiversity is at the Root of Good Business

The effects of biodiversity loss are already impacting various industries. Corporations are waking up to the associated risks and recognizing opportunities presented by preserving biodiversity.

In addition to the obvious environmental and societal benefits, there are strong strategic incentives to embrace a nature-positive approach to doing business.

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### REASONS WHY PRESERVING BIODIVERSITY IS AT THE ROOT OF GOOD BUSINESS.

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#### Safeguarding Against Natural Capital Losses

All human beings rely on natural capital and ecosystem services.<sup>i</sup> **Ecosystem services are worth approximately \$125 trillion every year**<sup>ii</sup> By taking steps to preserve ecosystems, businesses are helping safeguard the natural assets they rely upon.

#### Protecting Access to Finance

To help ensure their investment and lending portfolios don't harm natural ecosystems, many financial institutions are looking at their corporate borrowers' biodiversity impacts. **Over 75 financial institutions representing €12 trillion in assets have committed to protect and restore biodiversity through their finance activities.**

Companies with poor performance or insufficient data on biodiversity risks may face higher cost of capital. Companies with strong corporate biodiversity management practices and projects aimed at fostering biodiversity can access a range of sustainable financing options such as certified climate bonds, green loans, or blue bonds.

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#### Staying Ahead of Regulatory Requirements

Governments are responding to biodiversity loss with more policy interventions. **Biodiversity-relevant taxes, fees, and charges have been gradually increasing across 62 countries.**<sup>iii</sup> Companies are facing additional disclosure specifications, due diligence requirements, and potentially higher costs of doing business if there are associated biodiversity-related risks. By strengthening corporate biodiversity management practices, companies can mitigate reporting burdens, avoid stranded assets, and avert the need for additional compliance activities.

#### Mitigating Against Reputational Risks

Shifts in consumer sentiment and public demand for action can trigger significant reputational damage for companies taking insufficient steps to protect biodiversity. For example, **a campaign against food producers' sourcing of palm oil from deforested Indonesian rainforests resulted in some companies' stock prices falling by 4%.**<sup>iv</sup> These reputational impacts can erode a company's customer base, lead to divestments, increase insurance premiums, and reduce the ability to attract top talent. Sharing corporate actions and progress to protect biodiversity with stakeholders is key.

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**LEARN MORE** about the steps companies can take to measure and manage biodiversity-related issues by downloading our ebook, *Nature's Assets: Why Biodiversity is Good for Business*.

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#### References

- <sup>i</sup> "Natural capital can be defined as the world's stocks of natural assets which include geology, soil, air, water and all living things. It is from this natural capital that humans derive a wide range of services, often called ecosystem services, which make human life possible." Natural Capital Forum accessed (07.01.22) at: <https://naturalcapitalforum.com/about/>
- <sup>ii</sup> Global Commission on the Economy and Climate (2014). "The New Climate Economy: Better Growth, Better Climate," Global Commission on the Economy and Climate, accessed (14.10.21) at: [https://newclimateeconomy.report/2014/wp-content/uploads/sites/2/2014/08/NCE-Global-Report\\_web.pdf](https://newclimateeconomy.report/2014/wp-content/uploads/sites/2/2014/08/NCE-Global-Report_web.pdf)
- <sup>iii</sup> "Biodiversity-relevant taxes include taxes on pesticides, fertilizers, forest products and on timber harvests. Based on the polluter pays principle, these instruments place an additional cost on the use of the natural resource or the emission of a pollutant, to reflect the negative environmental externalities that they generate." OECD (2021), "Tracking Economic Instruments and Finance for Biodiversity," OECD, access (14.10.21) at: <https://www.oecd.org/environment/resources/biodiversity/tracking-economic-instruments-and-finance-for-biodiversity-2021.pdf>
- <sup>iv</sup> G. Rijk et al. (2019). "Deforestation-driven reputation risk could become material for FMCGs," Chain Reaction Research, accessed (19.10.21) at: <https://chainreactionresearch.com/report/deforestation-driven-reputation-risk-could-become-material-for-fmcgs/>