



European Conference: Biodiversity in Food Supply Chains

Comparing Biodiversity Disclosure Initiatives

EU Business & Biodiversity Thematic report – April 2024

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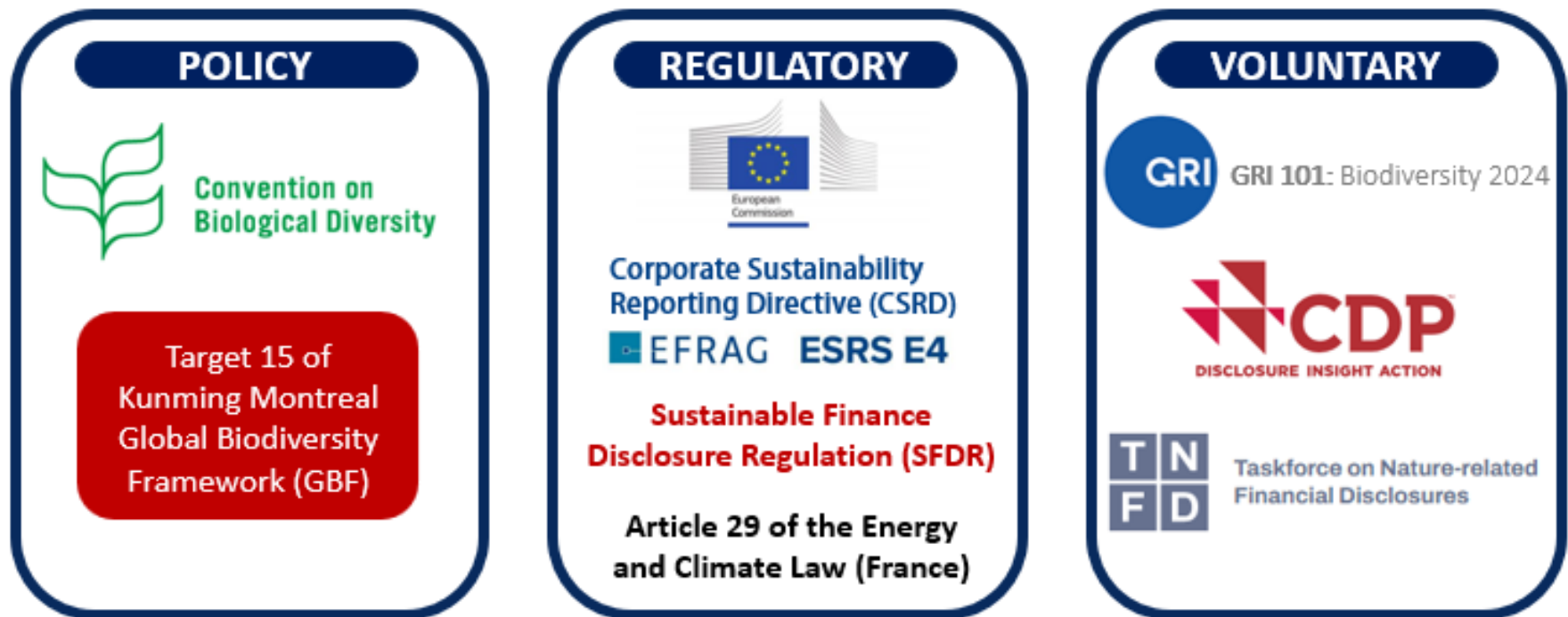


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Landscape of corporate biodiversity disclosure initiatives



Report content

- Focus on ESRS E4, TNFD and GRI
- Map differences / similarities + level of effort moving from one standard/framework to another
- 11 disclosure characteristics

Main findings | Summary tables on level of effort

Summary table, providing for each characteristic:

- Color code for level of effort to move from ESRS E4 compliance to either TNFD or GRI 101 compliance
- Justification

CHARACTERISTICS	Level of effort moving between ESRS E4 and TNFD		Level of effort moving between ESRS E4 and GR 101	
Transition plan				
Resilience of strategy and business model	From ESRS	To ESRS	From ESRS	To ESRS
<p>Both ESRS E4 and TNFD require to disclose how its biodiversity and ecosystem impacts, dependencies, risks and opportunities originate from and trigger adaptation of its strategy and business model. Both disclosure initiatives emphasize the importance of understanding the resilience of the undertaking's strategy and business model in relation to biodiversity and ecosystems, and of the compatibility of the undertaking's strategy and business model with regard to relevant local, national and global public policy targets related to biodiversity and ecosystems. Moving from ESRS to TNFD and vice versa should not require efforts. GRI does not cover resilience of strategy and business model, given GRI's focus on impacts and to a minor extent on dependencies (not on risks and opportunities), <i>hence the higher effort to move from GRI to ESRS.</i></p>				
Transition plan	From ESRS	To ESRS	From ESRS	To ESRS
<p>Taking action to strengthen an undertaking's resilience to nature-related changes, developments and uncertainties and to achieve alignment of its business model and strategy with the vision of the Kunming-Montreal Global Biodiversity Framework, is covered by all three disclosure initiatives, but there are important differences. The disclosure of transition plans according to ESRS E4 is not mandatory. TNFD recommends disclosure of transition plans in Strategy B and recommends disclosing the current and anticipated effects of the identified risks and opportunities on its business model and value chain and disclosing processes and actions it has put in place to respond to the material dependencies, impacts, risks and opportunities it has identified. Both ESRS E4 (for those organizations that have decided to disclose a transition plan) and TNFD are quite prescriptive on the contents of the transition plan but are not fully aligned. <i>So, apart from the fact that moving from ESRS to TNFD requires effective disclosure of the transition plan (as for ESRS it is not mandatory), there are also efforts required to comply with contents requirements (see for instance link to Taxonomy in ESRS E4 transition plan). The latter also applies to moving from TNFD to ESRS.</i> For GRI 101, the description of how an organization ensures that its business model is compatible with the transition to halt and reverse biodiversity loss, is an option, not even a recommendation. <i>Hence the higher effort to move to ESRS E4.</i></p>				

Presentation focus

Session question: How is biodiversity monitored on the **farm level** and which **tools** can companies use for **meaningful** biodiversity **reporting**?

11 disclosure characteristics

- Reporting pillars and disclosure topics
- Concepts and definitions
- Approach to materiality
- Value chains
- Transition plan
- Impact, dependencies, risks and opportunities
- Location disclosure requirements
- Policies and targets
- Action plan
- Metrics
- Financial effects



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- **Metrics**
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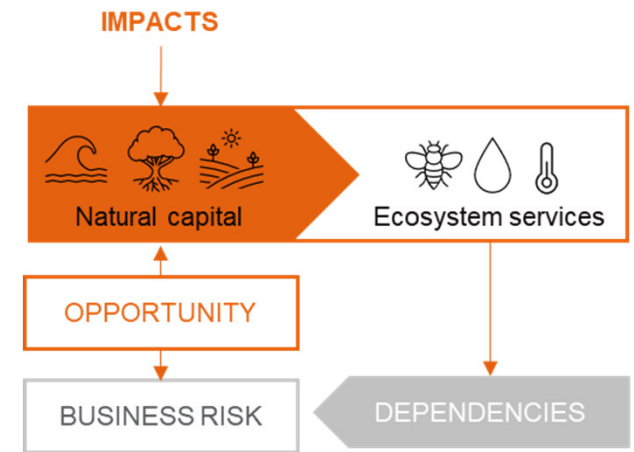
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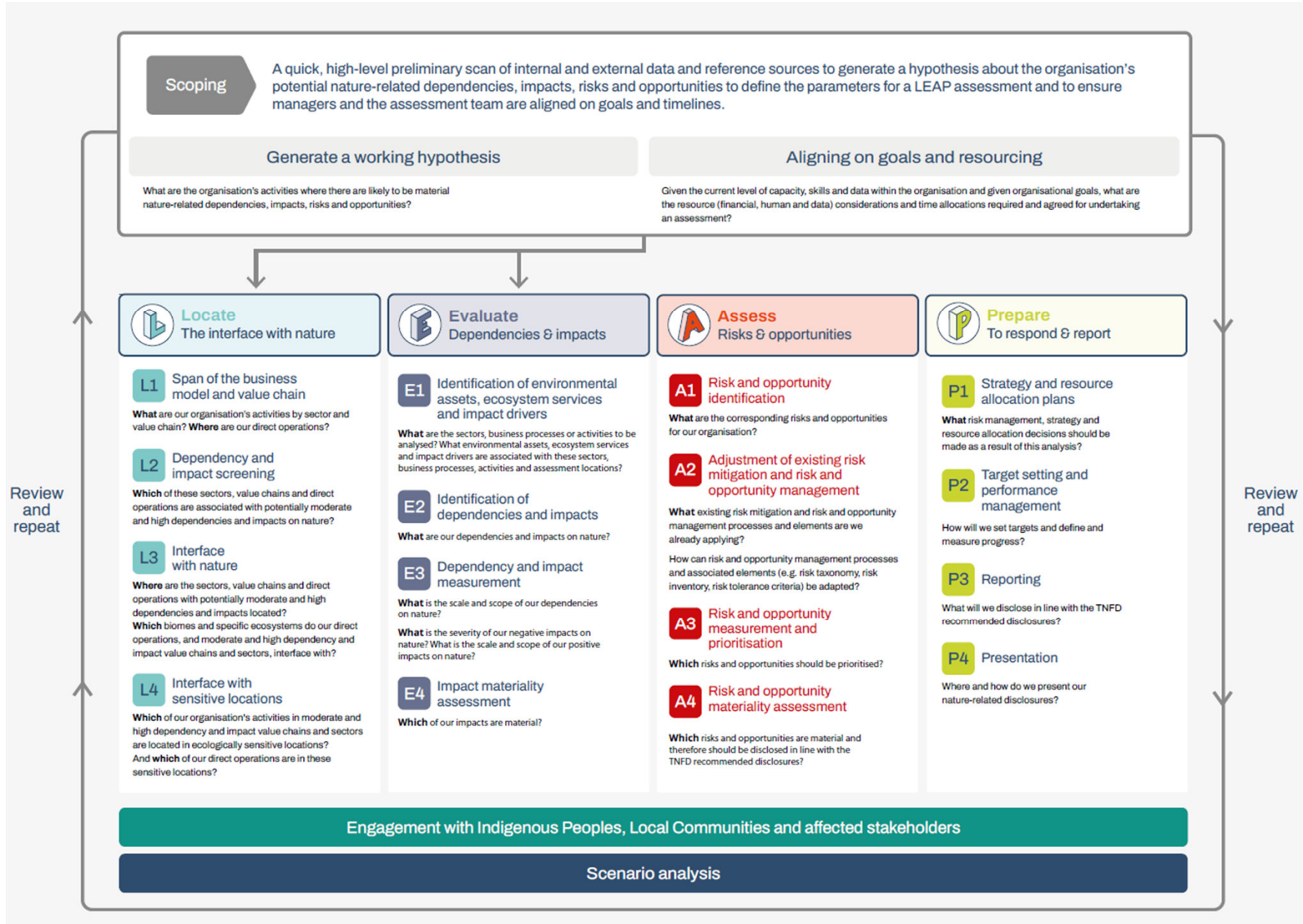


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Main findings | Impacts, Dependencies, Risks and Opportunities

- Definitions of **materiality** are aligned between all frameworks, while scope is a bit different.
 - ESRS prescribes both financial and impact materiality
 - TNFD prescribes a flexible approach, starting from financial materiality
 - GRI focusses on materiality based on impacts
- TNFD is unique with its **LEAP framework** supporting the process of identification and assessment of impacts, dependencies, risks and opportunities
- Both ESRS E4 and GRI 101 refer to it as a voluntary approach.





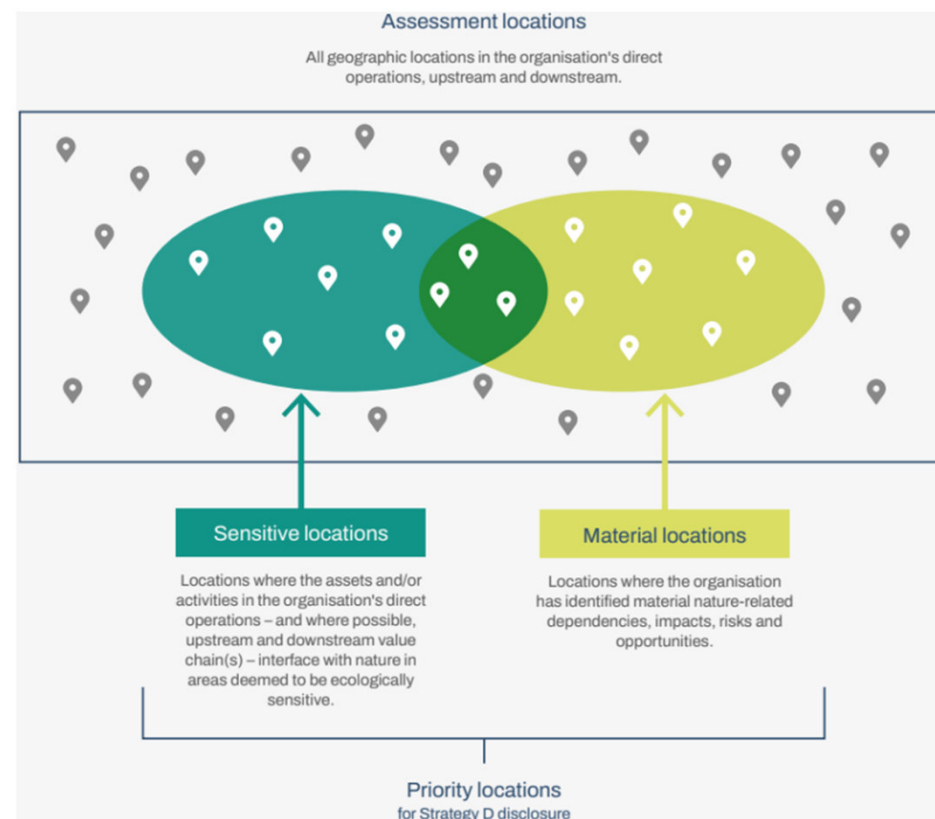
Main findings | Location disclosure requirements

Location info is paramount. But there is a **divergence** among approaches **on the need to disclose locations with biodiversity significance.**

- **ESRS and GRI** ask to disclose 'material' locations and indicate the state of nature of these sites.
- **TNFD** recommends disclosure material locations **AND** sensitive locations. Where these subsets overlap: 'priority' locations.

There is also **divergence with regard to the value chain disclosure.**

- **TNFD** all priority locations in direct operations, upstream and downstream.
- **GRI** material locations in direct operations and in the supply chain.
- **ESRS E4** requires this only for direct operations.



Source: TNFD recommendations guidance

Main findings | Metrics

- There are **many overlaps in terms of the indicators** between ESRS E4, TNFD and GRI 101, mainly in the fields of land use, invasive alien species, ecosystem extent and condition, and species.
- ESRS, GRI and TNFD all prescribe specific **metrics** that need to be disclosed but expect companies to go beyond that based on relevance for the company in question.
- There are **differences in the prescriptive nature** of recommendations / standards
 - ESRS: Only prescriptive metric is # and area of sites owned, leased or managed in or near biodiversity sensitive areas that the company is negatively affecting
 - GRI: Choice of metric defined by its relevance
 - TNFD: Metrics architecture, using 14 core disclosure metrics. Specific sector guidance available: [Additional sector guidance - Food and agriculture – TNFD](#)

NATURE POSITIVE INITIATIVE

Currently, consultation is running on developing a fixed set of metrics describing State of Nature, and driving Nature Positive outcomes.

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Main findings / **Value chain / Transition plan**

- ESRS, TNFD and GRI ‘set expectations’ that companies assess and disclose not only the material nature-related issues in their direct operations but also in their **entire value chain**. All disclosure frameworks allow for a **less detailed reporting on upstream and downstream**.
- Taking action to strengthen an undertaking’s **resilience** to nature-related changes, developments and uncertainties and to achieve alignment of its business model and strategy with the vision of the Kunming-Montreal Global Biodiversity Framework, is covered by all three disclosure initiatives, but there are important **differences**:
 - the disclosure of **transition plans** according to ESRS E4 is not mandatory.
 - TNFD recommends disclosure of transition plans (condition for compliance to TNFD recommendations).
 - for GRI 101, the description of how an organization ensures that its business model is compatible with the transition to halt and reverse biodiversity loss, is an option.

Main findings / **Impacts** / **Dependencies**

- Assessment of **impacts** is central to all approaches.
 - They all consider actual and potential impacts, as well as negative and positive impacts.
 - Similar criteria on materiality (ESRS, TNFD) or significance (GRI 101): severity and likelihood.
 - All recognize that a comprehensive analysis of business impacts on nature requires looking both to **impact drivers/pressures** resulting from business activities and **state of nature**.
 - All rely on similar approach for state of biodiversity (extent and condition of ecosystems, species).
 - All approaches refer to the **five IPBES direct drivers** of biodiversity loss and ecosystem change.
 - ESRS and TNFD cover business **dependencies** on nature. GRI 101 asks companies to report how ecosystem services and its beneficiaries are affected and this can include the reporting organization itself (indirectly referring to dependencies).

Main findings | **Risks / Opportunities**

- ESRS and TNFD are well aligned in terms of definitions and categories of **risks**.
 - Both differentiate between acute and chronic physical risks, transition risks and systemic risks.
 - Both require assessment of likelihood and magnitude of nature-related risks as well as type.
 - ESRS and TNFD are well aligned in terms of **opportunities** too. Both refer to **business performance opportunities** and **opportunities that benefit nature**, such as ecosystem protection, restoration and regeneration and sustainable use of natural resources. TNFD provides more guidance.

Main findings | Comparative tables for metrics

Table 10: Detailed comparative table on biodiversity-related metrics (ESRS E4, TNFD, GRI 101) (obligatory disclosures are marked in bold)

ESRS E4		TNFD		GRI	
Metric (based on EFRAG list of datapoints related to E4-5)	Ref in DR E4-5	Core indicator (C), Placeholder indicator (P), Additional indicator (A), <u>Metric (M)</u> , Example metric (EM), Guidance (G)	Ref in TNFD Rec.	Indicators and metrics	Ref in GRI 101
!! ESRS E4 only asks for metrics' information to be disclosed for own operations (para 37 of ESRS E4)		TNFD requires metrics information for the <u>organisation's</u> direct operations, and – to the extent possible – upstream and downstream value chain(s)		GRI requires metrics information for its sites as well as products and services in its supply chain	
Proximity to biodiversity sensitive areas					
Number of sites owned, <u>leased</u> or managed in or near protected areas or key biodiversity areas that undertaking is negatively affecting	35	Note: although screening of proximity of locations to biodiversity sensitive areas is key within <u>TNFD</u> , a specific disclosure indicator or metric is not provided. Strategy D: “Disclose the locations of assets and/or activities in the <u>organisation's</u> direct operations and, where possible, upstream and		Location and size in hectares of its sites with the most significant impacts on biodiversity	101-5-a
Area of sites owned, <u>leased</u> or managed in or near protected areas or key biodiversity areas that undertaking is negatively affecting	35			For each site reported under 101-5-a, report whether it is in or near an ecologically sensitive area, the distance to these areas, and whether these are: <ul style="list-style-type: none"> ▪ areas of biodiversity <u>importance</u>; ▪ areas of high ecosystem <u>integrity</u>; 	101-5-b

Main findings | Finance sector

- Findings comparative analysis of ESRS E4, TNFD and GRI 101 are highly relevant for financial institutions too
- On top of that, FI are subject to SFDR reporting, and those active in France also to Art 29 of French Energy and Climate regulation
- While TNFD has already a specific guidance for financial institutions, **FI sector standards** are under development under both ESRS and GRI
- **SFDR** requires FI to disclose both entity level performance and product level performance. Well-aligned with ESRS. Under revision.
- **Art 29** requires to disclose Information on the **strategy for alignment** with **long-term biodiversity goals**, which includes the use of a **biodiversity footprint indicator**, as well as Information on approaches to taking ESG quality criteria into account when managing physical, transition-related and liability **risks related to climate change and biodiversity**