



We Value Nature 10-Day Challenge Event

To what extent is biodiversity a material issue to IBEX 35?

11 March 2021-online event

Context

Biodiversity loss is recognized as a **planetary emergency**, as it is occurring at rates unprecedented in human history according to recent landmark reports on the state of global biodiversity and ecosystem services and global risks. Given the increasing focus on biodiversity, public policies at national, regional and global scale, as well as the investment community and sustainability-oriented customers are demanding **more transparency** from business sector in terms of **biodiversity-related issues disclosure and reporting**.

What is the situation of the **IBEX 35 listed companies** in this regard? To shed light on these questions, Ecoacsa Reserva de Biodiversidad and the Universidad Politécnica de Madrid have conducted an assessment across Spanish Stock Exchange Market corporates according to a **transparent methodology** developed by the Endangered Wildlife Trust (EWT) and based on publicly available data (including corporate websites, annual reports, among others).

Why is biodiversity relevant to economic activity?

Humberto Delgado Rosa, Natural Capital Director, DG Environment, European Commission

We are at a time when the scientific evidence is very clear: we are experiencing a great serious ecological crisis. Without a doubt we are also in the middle of a climate crisis, but we also face a crisis of loss of biodiversity and general degradation of the environment. We are at risk of losing more than a million species in a few years, which is no small thing. The novelty is that the perception of these scientific realities now coincides with scientific reality more and more, because extreme climatic events, loss of pollinators, plastics in the oceans, huge forest fires, etc. are increasingly occurring. The European Green Deal is precisely a political response to this perception of citizens demanding to raise the profile of environmental and climate agendas.

Fortunately, there are plenty of evidence that investors are beginning to act. Some examples are:

- Allianz published in 2019 a report about business risks associated to natural capital.
- HSBC launched a publication called *Paradise Lost*, to draw attention to the need for investors to address biodiversity crisis.
- The Dutch Central Bank published a document in 2020 showing how only Dutch financial institutions have € 510,000 millions exposed to risks linked to biodiversity loss.
- An analysis by Swiss RE about *Biodiversity and ecosystem services: A business case for re/insurance* recognizes that half of global economy depends on the natural world.
- The latest *Global Risks Report* by the World Economic Forum rates biodiversity loss and climate change among the most likely risks humanity will face in the next decade.
- The landmark report commissioned by the Government of the United Kingdom known as *The economy of biodiversity. The Dasgupta review* shows a clear economic evidence about there are not only impacts on nature, but also dependencies on nature.

In terms of action, our concern must be that there are very few financial entities capable of identifying and measuring their impacts and dependencies on nature. Most of the current management systems focus on financial performance, but do not adequately account for the relationship with services provided by nature.

The European Biodiversity Strategy for 2030 is the most ambitious which the world has yet seen, establishing that environmental aspects must be better integrated into business decision-making. Measuring and accounting for the value of nature is a key factor for better decision making.

The good news is that there are many initiatives encouraging businesses to act, such us Business for Nature, One Planet Business for Biodiversity (OP2B), Value Balancing Alliance (VBA) -which is developing methodologies to better integrate nature in decision-making.

If we wish to prevent impaired quality of life that the biosphere and biodiversity guarantee, it is essential that decision makers have natural capital accounting methodologies available supporting them to take action. These methodologies are already in place and are continuously improving.

References

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- *Paradise Lost?* <https://www.hsbc.com/insight/topics/biodiversity-in-the-balance>
- *Indebted to nature. Exploring biodiversity risks for the Dutch financial sector*
- <https://naturalcapitalfactory.es/en/2020/11/02/indebted-to-nature-exploring-biodiversity-risks-for-the-dutch-financial-sector/>
- *Biodiversity and ecosystem services. A business case for re/insurance*
- <https://naturalcapitalfactory.es/2020/11/10/biodiversidad-y-ss-ee-justificacion-empresarial-reaseguros/>
- *Global Risks Report 2021:* <https://naturalcapitalfactory.es/en/2021/01/21/global-risks-report-2021/>
- *The economics of biodiversity. The Dasgupta review:*
<https://naturalcapitalfactory.es/en/2021/02/02/dasgupta-review-warning/>
- *EU Biodiversity Strategy for 2030:*
https://ec.europa.eu/environment/strategy/biodiversity-strategy-2030_en
- Business for Nature: <https://www.businessfornature.org/>
- One Planet Business for Biodiversity: <https://op2b.org/>
- Value Balancing Alliance: <https://www.value-balancing.com/>

Main conclusions of the analysis conducted to assess the performance of the IBEX 35 with respect to the disclosure and reporting of biodiversity-related information

Carmen Avilés, Professor, ETSIFMMN, Universidad Politécnica de Madrid

David Álvarez, Executive Director, Ecoacsa

- 51,4% of IBEX 35 listed companies do not recognize biodiversity as a material issue.
- By sectors of activity, energy is the largest producer of biodiversity-related public information (53%), followed by basic materials (24%) and consumer goods (22%).
- Generally, biodiversity policies of corporates of Madrid Stock Exchange unambitious.
- It is necessary that companies understand benefits and associated costs associated to their impacts and dependencies of biodiversity.
- IBEX 35 companies need to extend the training, information and knowledge about how to responsibly identify, measure, value and manage direct and indirect impacts and dependencies of biodiversity.
- Businesses have to inform about the effects that their activities produce in biodiversity in a structured and standardized form.
- There is a significant ignorance over biodiversity indirect impacts, in particular, those related to the value chain.
- Public information provided by the IBEX 35 is sparse overall and it doesn't to appear to be standardized.

Recommendations

- Incorporate biodiversity among material aspects.
- Carry out an analysis of dependencies on nature (both direct and dependencies of the value chain).
- Start to identify nature-related risks, including financial risks.
- Apply the double materiality approach (impact of the company on biodiversity and vice versa, as happens with climate information).
- Establish more ambitious biodiversity policies.
- Improve their knowledge about the relationship between the company and biodiversity by identifying, measuring impacts and dependencies (direct, indirect and related to value chain) **in the whole life cycle** of the activity.
- Generate specific reports about **biodiversity.**
- Participate in sector initiatives that facilitate measurement and standarization.

- Establish internal governance mechanism that allow to bring biodiversity to the maximum level within the management board.
- Participate in Phase 2 of the Task Force for Nature-related Financial Disclosure (TNFD) -which will be launch during the first half of 2021-, consisting in testing & refine the non-financial information reporting frameworks under development this year, scheduled to take place in early 2022.

Is biodiversity a material issue?

Vicente J. González López, Head of Sustainability, Grupo Red Eléctrica

- In the framework of its Commitment to Sustainability 2030, Grupo Red Eléctrica (GRE) carried out a materiality analysis in 2019 according to GRI methodology, to formulate the Sustainability Plan 2020-2022. 16 relevant aspects were identified, among them “biodiversity and natural capital” occupy an important place (5th).
- The Commitment to Sustainability sets out 11 sustainability objectives to 2030. Number 8th states that Grupo Red Eléctrica should make a net positive impact on natural capital in the surroundings of its facilities by 2030.
- Stakeholders’ management related to the most relevant aspects to GRE is key. This is why within the stakeholders’ perception studies conducted in 2019 and 2020 it has been included a specific module to know their sensibilities regarding the 16 material aspects identified. “Biodiversity and natural capital” are considered very relevant by GRE, although it is not critical.
- To place biodiversity and natural capital at the forefront of its business strategy, GRE reviewed in 2020 its commitment to biodiversity (defined in 2011) and added natural capital as a key element reinforcing other commitments such as to avoid the development of new infrastructures in areas with the most richness in terms of biodiversity, and the establishment of mechanism that guarantee its protection and conservation (mitigation hierarchy).
- GRE is currently working in the design of a sufficiently detailed roadmap in natural capital to address the aforementioned goal to 2030. This roadmap should be completed by the end of 2021. Among most distinguished activities, it is worth mentioning to boost the power transmission network as a key element for the development of biodiversity in the complex circumstances of the nowadays world.
- GRE wants to foster the great potential of the power transmission network to connect natural spaces of high ecological value in terms of biodiversity.
- Given the importance that biodiversity represents to GRE, Group’s biodiversity performance can be found in the Sustainability Report, which is an independent specific report. This publication goes far beyond requirements of the Law 11/2018, concerning non-financial information management statements, included in the Management Report.

References

- *Sustainability Report 2019* (materiality matrix and 11 Sustainability Objectives to 2030 of Grupo Red Eléctrica, pp. 30-33). https://www.ree.es/sites/default/files/downloadable/REE_Sustainability_Report_2019.pdf
- Commitment to Sustainability of GRE and 11 Sustainability Objectives <https://www.ree.es/en/sustainability/commitment-to-sustainability/sustainability-objectives-2030>
- Commitment to Biodiversity of Grupo Red Eléctrica
- <https://www.ree.es/en/sustainability/the-natural-environment/commitment-to-biodiversity>
- Graphic of the priority for the most material issues to Group Red Eléctrica’s suppliers. Study of Red Eléctrica de España suppliers’ perceptions (2017-2019), p. 6. https://www.ree.es/sites/default/files/08_PROVEEDORES/Documentos/Informe_Notificacion_Proveedores.20200928.pdf

Reporting frameworks:

- Law of 11/2018, of December 28: <https://www.boe.es/boe/dias/2018/12/29/pdfs/BOE-A-2018-17989.pdf>
- GRI: <https://www.globalreporting.org/>
- TCFD: <https://www.fsb-tcfd.org/>
- Sustainability Accounting Standard Board, SASB: <https://www.sasb.org/>.
- Climate Disclosure Standard Board, CDSB: <https://www.cdsb.net/>
- EU Eco-Management and Audit Scheme (EMAS)
- https://ec.europa.eu/environment/emas/index_en.htm

- Pacto por la Biodiversidad: <https://ieeb.fundacion-biodiversidad.es/content/pacto-por-la-biodiversidad-0>

To what extent is biodiversity a material issue to Iberdrola?

Emilio Tejedor, Head of Environment, Iberdrola

- Iberdrola carries out very relevant activities in the five main countries of the Atlantic framework and in other countries in the rest of the world, with almost 55 GW of installed power and more than one million kilometers of power lines. The main activity of Iberdrola is the development of infrastructures and focuses its activities on the production, transportation, distribution and supply of electricity through different technologies. This is why its relationship with biodiversity is clear.
- The Spanish energy company develops an analysis of its interactions with natural capital in the different phases of the value chain, from construction of the facilities and operation stages to the eventual dismantling. The results show that interactions with land and living beings are important, although not critical. Iberdrola gives special relevance to analyzing, understanding and acting accordingly to improve its impact on the natural environment.
- Since the Group was created, its commitment to sustainability has been clear and unappealable. This has led to build a structure of commitments and policies that supports commitments referred:
 - Iberdrola's first environmental policy dates back to 1996.
 - In 2000 took place the Group's paradigm shift towards renewable energies.
 - The first biodiversity policy was launched in 2007.
 - Deepening the life cycle approach to understand impacts on biodiversity and the services provided by nature in its broadest sense has been. Furthermore, Iberdrola's commitment to the United Nations Sustainable Development Goals has been firm since the adoption of the 2030 Agenda.
 - Iberdrola's ambition: To achieve No Net Loss of biodiversity by 2030 -whenever possible in all new projects that are being developed- to achieve a Net Positive Impact. This is a very ambitious challenge Given the variety of activities carried out by Iberdrola and their different characteristics, this goal is very ambitious.
 - This goal is based on three pillars: 1) Evaluate: measuring to know the environmental impacts of Group's activities and their sources. When a quantitative objective is defined, it is essential to be able to measure. The main focus of work is now to know how the impacts can be quantified. Once they are quantified, you can act. As long as it is not possible to evaluate and compare results in a homogeneous way, it will not be possible to strongly affirm that a company is biodiversity-neutral or biodiversity-positive. 2) Act: assist in the management process. Evaluation of the process and effectiveness of the measures. 3) Facilitate communication and transparency. It is vital that companies with a great commitment and responsibility due to its tractor effect on customers and suppliers are transparent and reports on its impacts and activities.
 - Iberdrola has been working for years on its corporate environmental footprint (verified by Aenor since 2016, with a life cycle approach) to define how to assess its impacts and understand not only impacts derived from operations, but all those occurring from the origin until the end of the life of its products and services.
 - Numerous studies related to the concept of natural capital have also been carried out, such as analysis conducted by the University of Salamanca to learn about the ecosystem services provided by hydraulic infrastructures; experiences to calculate impacts applying the *Natural Capital Protocol*, and other work done using different platforms and databases to value ecosystem services.
 - Iberdrola supports the premise that working for sustainability must build on three pillars: social, economic and environmental. This is the basis for numerous strategic decisions adopted by the Group in recent years, such as shifting the energy generation mix to renewable-sourced generation model in order to add value and protect the environment. Iberdrola has also tested other methodologies for identifying and measuring impacts, such as the LIFE Methodology, by the Brazilian LIFE Institute. In 2021, the Group will continue to test other methodologies to strengthen its goal of being biodiversity-positive.
 - Communicating is vital. The lack of transparency in communications with stakeholders (investors, clients, consumers...) can seriously damage the image of the company. It is necessary to transmit trust and transparency. Iberdrola publishes very detailed reports about actions and activities implemented to protect and conserve biodiversity within the Groups' areas of influence. In this regard, reports on biodiversity are published on the website of the company for more than 10 years. Additional

reports on corporate environmental footprint and greenhouse gas emissions (climate change is a major driver of biodiversity loss) are also available on the website.

- Biodiversity work is reflected in the indices that measure companies' biodiversity performance.
- Any company wishing to establish an objective related to biodiversity cannot ignore its interactions with the natural environment. Stakeholders are increasingly demanding companies to keep them informed and take action; and administrations are also going to be more demanding in this regard. Furthermore, the objectives derived from the EU Biodiversity Strategy for 2030 and the new post-2020 global framework on biodiversity that is being defined are also aligned to these trends affecting business sector. For this reason, companies should be clear that biodiversity is crucial element for their competitiveness and survival.

References

- Biodiversity Report 2018-2019 (graphic about the interaction of Iberdrola's activities with natural capital, pp. 30-38).
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- Corporate Environmental Footprint Report 2019:
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- Greenhouse Gas Report 2019:
https://www.iberdrola.com/wcorp/gc/prod/en_US/sostenibilidad/docs/Informe_GEI.pdf
- *Natural Capital Protocol*: <https://capitalscoalition.org/protocol>
- LIFE Methodology: <https://institutolife.org/o-que-fazemos/desenvolvimento-de-metodologias/como-surtiu-a-metodologia-life/?lang=en>

Q&A

Question: Is biodiversity a material issue to your organization?

Answer: Attendees participating in the poll = 62,5%.

Yes: 80%

No: 16%

I am not sure: 4%

Question: How to make stakeholders to prioritize biodiversity among their material issues?

Answer: The approach must be different. Once the most relevant and material aspects are identified by the company, we bring the attention of our stakeholders and ask them to determine which of them are the most important/material to them.

With the decisions made by the company and the requirements that it establishes to interact with its suppliers, companies have a great capacity to influence their value chain and to emphasize the importance of biodiversity. And also, that these decisions influence even your customers; for example, through education and information on the actions that are carried out.

Indirectly, the day-to-day work that companies carry out and help to define their policies also contributes that certain aspects are positioned in the stakeholder's agenda.