



Review and recommendations for mainstreaming of biodiversity in EU policy

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Acronyms

| | |
|-------|---|
| BF | Biodiversity Footprinting |
| CAP | Common Agricultural Policy |
| CSDDD | Corporate Sustainability Due Diligence Directive |
| CSRD | Corporate Sustainability Reporting Directive |
| DNSH | Do No Significant Harm |
| EC | European Commission |
| EMAS | Eco Management and Audit Scheme |
| ESRS | European Sustainability Reporting Standards |
| GPP | Green Public Procurement |
| LCA | Life Cycle Assessment |
| NCA | Natural Capital Accounting |
| OEF | Organisational Environmental Footprint |
| PEF | Product Environmental Footprint |
| SBTN | Science-Based Targets for Nature |
| SFDR | Sustainable Finance Disclosure Regulation |
| TNFD | Taskforce on Nature-related Financial Disclosures |
| WP | Work package |

Section 1 – Introduction and description of the task process

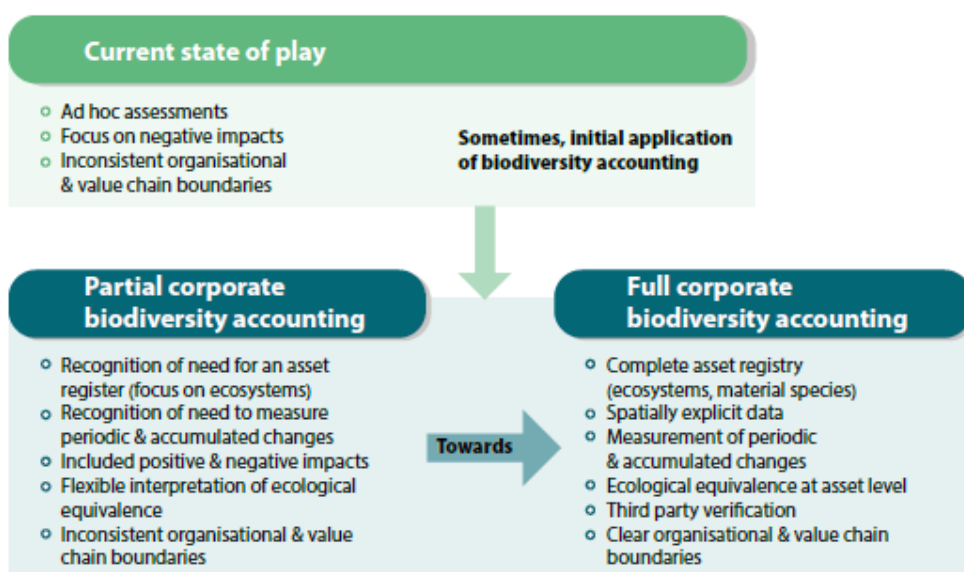
Terms and definitions

A **biodiversity footprint** (BF) can be defined as the impact of a commodity, company, person or community on global biodiversity, measured in terms of biodiversity change as a result of production and consumption of particular goods and services¹. It can be negative or positive.

Natural Capital Accounting (NCA) is the process of compiling consistent, comparable and regularly produced data using an accounting approach on natural capital and the flow of services generated in physical and monetary terms².

In simple terms, BF applies any time biodiversity-related data is disclosed at a single point in time. NCA is applied when data needs to be consistently reported and changes tracked over time. For a broader discussion around the current state of corporate biodiversity measurement and accounting, see **Error! Reference source not found.** and reference therein. These terms apply for the current status of the report and are still subject of

Figure 1 - Current state play of accounting withing biodiversity measurement and direction of development towards full biodiversity accounting



debate in the project.

Source: UNEP-WCMC, Capitals Coalition, Arcadis, ICF, WCMC Europe (2022) Recommendations for a standard on corporate biodiversity measurement and valuation, Aligning accounting approaches for nature (ALIGN)

¹ IEEP (2021). Biodiversity footprints in policy- and decision making. https://ieep.eu/wp-content/uploads/2022/12/Biodiversity-Footprint_Report_IEEP.pdf.

² Lammerant (2019). NCAVES – State of play of business accounting and reporting on ecosystems. https://seea.un.org/sites/seea.un.org/files/background_paper_release_for_unseeaforum.pdf.

Purpose of this report

This report is the first draft of a living document that will be updated throughout the CircHive project timeline (i.e., from 1.12.2022-30.11.2027). The purpose of the report is to identify policy opportunities for the CircHive project to influence and help **develop policy and legislation that determine how and why companies measure and report their impacts, dependencies, risks and opportunities in relation to biodiversity and ecosystem services**. The report reviews existing and upcoming EU policies and legislation related to biodiversity footprinting (BF), NCA, sustainability reporting, and sustainable finance to identify areas for improvement and opportunities for policy innovation. Over the course of the CircHive project, based on other WPs and their work, the living review approach will strengthen the analysis by adding policies as relevant and building detail.

This draft report and policy analysis is meant for internal use within the CircHive project – to inform other WPs and to plan WP3 engagement with policy and the project partners. This can be done mainly through the project's case studies, and later on in the project the formulation of best practices for companies and cities on how to report on biodiversity impacts through EU legislation requirements. This draft report is complementary to the report of Task 3.1, which compares the European Sustainability Reporting Standards (ESRS) for biodiversity with international voluntary standards (CircHive WP3 Deliverable 3.1.1). The European Standards fall under the new European Corporate Sustainability Reporting Directive (CSRD).

This first draft report scopes the role of public policy and the links between EU environmental policies and BF/NCA for internal use within the project across WPs (Section 2). This analysis will be the basis for CircHive's policy engagement including the formulation of best practices and policy recommendations, which will be addressed in the final version of the report (Section 3). The final report will be also used as a basis to disseminate the results of the policy analysis, as well as best practices and recommendations (Section 4).

Progress in this draft:

This first version of the review report summarizes research done in Task 3.4, namely a review on existing and upcoming EU policies and legislation related to BF, NCA, sustainability reporting, and sustainable financing and establishes next steps towards the formulation of policy recommendations based on this analysis.

Policy background to the task

The loss of biodiversity and ecosystem services is a systemic risk for the corporate sector and addressing these risks in business and investment decision-making is increasingly critical. Capturing, measuring and visualising the impact of private companies and financial investors on biodiversity, as made possible through BF and NCA, is crucial to advance national and international biodiversity goals.

Particularly in the area of environmental risks, both the variety and complexity of individual aspects and the potential damage can be significant, and hence require increased transparency and quality of data. The use

of BF and NCA could advance the practice of quality data collection within the private sector, and thereby create awareness of environmental and climate risks, and guide future investment decisions³.

While action from the private sector is necessary, the public sector is in the position to create the framework conditions for investment in biodiversity, guide business decisions, and set long-term goals and objectives^{4 5}. As businesses are exploring how their impact on biodiversity can be measured, they are simultaneously looking towards public policy to create a framework for their activities, and obligations they need to fulfil. With the support of financial institutions, governments have the opportunity to mobilise public and private finance for nature protection⁶.

Providing guidelines or support on how businesses can measure their impact should be part of the EU policymaker's mission. There is a need for improved methods to assess the value of and impacts on biodiversity. This report addresses whether public policy has put the appropriate tools in place to incentivise the use of BF and NCA for companies and financial institutions. Are corporate sustainability actors supported and guided to use BF and NCA approaches – or could the integration of biodiversity and natural capital considerations be improved? And what can companies and financial institutions do to enhance their integration of biodiversity considerations into their activities and reporting?

The EU is in a unique position to advance the mainstreaming of biodiversity concerns in relevant strategies and legislation to steer business practices that affect a wide variety of stakeholders and regions across the world. Strategies aim to foster a voluntary approach to BF and NCA, while legislation defines obligatory reporting rules and minimum standards. Many policy areas touch upon biodiversity. As a central policy, the EU Biodiversity Strategy for 2030⁷ aims to drive conservation and restoration measures and their synergies with the agricultural and land use sectors. It acknowledges that biodiversity considerations need to be better integrated into public and corporate decision-making, but this will require an improved understanding of biodiversity services and values. EU legislation for the corporate sector to report on their activities includes the Corporate Sustainability Reporting Directive (CSRD) and its European Sustainability Reporting Standards (ESRS), the Sustainable Finance Disclosure Regulation (SFDR), and the EU Taxonomy for investment guidance and its mandatory reporting guidelines. These are central policies in our analysis of whether public policy is currently providing the right incentives for biodiversity to be included in business and investment decision-making. In the next steps of the Circhive project, WP3 will feed – through policy recommendations and engagements – the technical outputs of Circhive into relevant policy instruments and processes.

³ United Nations Environment Programme (2021). State of Finance for Nature 2021. Nairobi.

⁴ Aldergate Group (2017) Increasing investment in natural capital. https://www.aldersgategroup.org.uk/content/uploads/2022/03/1711-Increasing-investment-in-natural-capital-updated_for-web.pdf.

⁵ Wildner, T.M., Förster, J., Hansjürgens, B. (2022) Sustainable Finance – Die Berücksichtigung von Biodiversität und Ökosystemleistungen: *Bestandsaufnahme, vorläufige Bewertung und Handlungsempfehlungen*. Studie im Auftrag des NABU.

⁶ World Bank Group (2020) Mobilizing private finance for nature. <https://thedocs.worldbank.org/en/doc/916781601304630850-0120022020/original/FinanceforNature28Sepwebversion.pdf>.

⁷ COM(2020) 380, May 2020. https://eur-lex.europa.eu/resource.html?uri=cellar:a3c806a6-9ab3-11ea-9d2d-01aa75ed71a1.0001.02/DOC_1&format=PDF.

Task and methodology

Objective and outcome of Task 3.4

The overall objective of WP3 is to identify policy areas that have the potential to integrate BF and NCA considerations into decision making at all levels of policy making. It also aims to identify critical gaps that may need to be filled in the future.

The objective of Task 3.4 is to review existing and upcoming EU policies and legislation related to BF, NCA and sustainable financing to identify areas for improvement and opportunities for innovation. Based on this assessment, the report will identify best practices and policy recommendations focusing on key areas and processes. This deliverable focuses on the review of the existing and upcoming EU policies and legislation and takes stock of the current level of BF and NCA integration and their framing, as well as opportunities for improvement.

The report's policy focus within the project were identified in the proposal as CSRD, SFDR, and EU Taxonomy, as these were relatively new or developing pieces of legislation with a direct link to BF and/or NCA and hold potential for mainstreaming biodiversity into corporate reporting. Secondly, we identify policies relevant for public organisations such as the EU Product Environmental Footprint and Organisational Environmental Footprint (PEF/OEF), the role of cities in mainstreaming BF and NCA through green public procurement (GPP), and the EU Ecolabel and the Eco Management and Audit Scheme (EMAS) as opportunities to enhance public sector standards of biodiversity integration. Finally, we also identify EU environmental policy in the broadest sense, including trade policy (since all EU trade agreements are subject to impact assessment, including on biodiversity), circular biomaterials policy, and land use policy – notably the Common Agricultural Policy (CAP) – as relevant to our objective.

Methodological approach

For the purposes of this deliverable, we created a policy tracker, in the form of an Excel spreadsheet, with a worksheet for each policy identified as potentially relevant for BF and NCA. This Excel document is meant for internal purpose only, due to its complexity, the summary and analysis are included in this report. We developed a list of elements to extract from each policy, assessing each policy under several points – including the connection to biodiversity goals, reporting requirements and data generation (see below). These steps supported the collection of critical information to then meet the task objective. We then assigned each policy to the most appropriate WP partners and established a leading, supporting and peer reviewing system to ensure that partners were supported throughout the process (Annex, Table 4 - List of partner acronyms Table 4).

We held a WP meeting to introduce the tool and associated methodology and to carefully explain what was expected of all partners. Once all the information had been collected and the peer review process completed, we were able to compile and summarise it in the summary table (Section 2, Table 2). The final report will include a more detailed outline and additional information on the policy relevance for BF and NCA (Section 3).

Method – assessment

The following questions guided our initial analysis for the policy tracker:

1. Is Biodiversity footprinting mentioned explicitly or implicitly? What does it imply?
2. Is NCA mentioned explicitly or implicitly? What does it imply?
3. Sustainability reporting requirement for biodiversity: if applicable, what is the reporting requirement?
4. Are other policies or approaches referenced?
5. Is there a proposed methodology or indicator?
6. Can you think of a best practice example?

The policy tracker facilitated the collection of relevant information from the policies, which required the scanning of substantive and longer policy documents for links to BF and NCA, and mostly other key words including life cycle, ecological footprint, and environmental value chain impacts. This first step of extracting the details from the policies will facilitate us to answer more substantive questions.

From this policy analysis undertaken for this first report (see Table 1), we plan a more detailed analysis of key priorities as having the most potential to drive BF and NCA, using the following structure. This will be done in collaboration with relevant WP3 partners based on their expertise.

1. Status of the inclusion of BF and NCA on biodiversity, in selected policies
 - a. Explicit mention or reference to other policies
 - i. Is there a definition/explanation of what a biodiversity impact/dependency is?
 - ii. What elements of biodiversity should be measured?
 - iii. How should the information be compiled for different purposes (single metric, different KPIs, etc.)
 - b. Is there an existing method, standard, criteria to assess the status of biodiversity in the policy/instrument? Are they EU, global, national?
2. (Corporate) reporting requirements on biodiversity
 - a. What is the level/scope of reporting?
 - b. What is the extent of the biodiversity disclosure? (requirement, degree of precision, are there derogations)
 - c. Does the policy/requirement say anything about how to access data, or the challenges to do so?
 - d. In the way that BF and NCA, or other requirements, are integrated, how do the measures and reporting requirements generate valuable data?
3. Concluding whether the data that can be generated under the conditions laid down in the legislation and strategies can provide sufficient information. Could the integration of biodiversity and natural capital considerations be improved? Does this allow a correct understanding of the risks and opportunities relating to biodiversity and NCA? Are corporate sustainability actors supported and guided to use BF and NCA approaches?

This last part will highlight crucial elements which will then enable us to formulate policy recommendations and highlight best practices (see Section 3).

Section 2 – Policy review

The policy tracker presents for each of the relevant EU policies: 1) policy objectives and background information, 2) relevance for BF, 3) relevance for NCA. The table gives indication whether the policies display a connection to biodiversity, BF and NCA, and whether policies present requirements to employ BF and NCA.

Legislation and strategies analysed in this task

Table 1 - Reviewed legislation and strategies

| Policy | Policy description |
|---|---|
| Corporate Sustainability Reporting Directive (CSRD) | DIRECTIVE (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting COMMISSION DELEGATED REGULATION (EU) of 31.7.2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards |
| Sustainable Finance Disclosure Regulation (SFDR) | REGULATION (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector COMMISSION DELEGATED REGULATION (EU) 2022/1288 of 6 April 2022 containing technical standards to be used by financial market participants when disclosing sustainability-related information under the SFDR |
| EU Taxonomy | REGULATION (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 |
| Corporate Sustainability Due Diligence Directive (CSDDD) | Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937 COM/2022/71 final Amendments adopted by the European Parliament on 1 June 2023 on the proposal for a directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937 (COM(2022)0071 – C9-0050/2022 – 2022/0051(COD))(2) |
| Green Claims Directive | Proposal for a Directive of the European Parliament and of the Council on substantiation and communication of explicit environmental claims COM(2023) 166 final 2023/0085(COD) |

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| EU Product Environmental Footprint (PEF) / Organisational Environmental Footprint (OEF) | Commission Recommendation (EU) 2021/2279 of 15 December 2021 on the use of Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations (Annex I-II on PEF, Annex III-IV on OEF) |
| EU Ecolabel | Commission Decision of 5 June 2014 establishing the ecological criteria for the award of the EU Ecolabel for textile products |
| Green Public Procurement (GPP) | EU Green Public Procurement Criteria for Road Design, Construction and Maintenance SWD(2016) 203 EU green public procurement criteria for public space maintenance SWD(2019) 404 |
| Circular Biomaterials | EU Bioeconomy Strategy COM(2018) 673 EU policy framework on biobased, biodegradable and compostable plastics COM(2022) 682 EU Strategy for Sustainable and Circular Textiles COM(2022) 141 Chemicals Strategy for Sustainability COM(2020) 667 + annex (Action Plan) |
| Circular Economy Action plan | A new Circular Economy Action Plan For a cleaner and more competitive Europe COM(2020) 98 |
| Common Agricultural Policy (CAP) | REGULATION (EU) 2021/2116, repealing Regulation (EU) 1306/2013 on the financing, management and monitoring of the CAP REGULATION (EU) 2021/2115, establishing rules on support for national CAP strategic plans REGULATION (EU) 2021/2117 |
| EU Biodiversity Strategy to 2030 | EU Biodiversity Strategy for 2030: Bringing nature back into our lives COM(2020) 380 |
| Forest Strategy | New Forest Strategy for 2030 COM(2021) 572 |

The following policies are not included because they have not been assessed yet but will be in the final report:

- Eco Management and Audit Scheme (EMAS)
- Trade policy
- Sustainable Food Systems Law (has not been published)
- Soil policy

Table 2 - Policy review

| Policy | Summary of the policy's objective and relevance | Relevance to BF | Relevance to NCA |
|--|---|---|--|
| Corporate Sustainability Reporting Directive (CSRD) | <p>Under the CSRD, which entered into force in January 2023, large companies and listed small and medium-sized companies will be required to report according to European Sustainability Reporting Standards (ESRS). The aim is to increase access to information and transparency by the financial sector, investors and other stakeholders.</p> <p>The European Commission (EC) has the power to produce delegated acts to supplement elements of the legislation. The first delegated act agreed in July 2023 adopts the first set of ESRS that undertakings will report on. This first set is sector-agnostic and therefore applies to all undertakings under the scope of the CSRD. After a four month scrutiny period, the ESRS have been formally adopted and will be published in the Official Journal of the European Union. Large companies will therefore start assessing their value chains using the ESRS in January 2024 and disclosing their information in their management report accordingly by 2025.</p> <p>The EC will adopt additional delegated acts on sector-specific standards, proportionate standards for listed SMEs and standards for non-EU companies. The EC is proposing to delay the date of</p> | <p>The CSRD is relevant for BF as it includes a set of reporting standards, some of which directly relate to biodiversity and ecosystems (Article 29(b)).</p> <p>This is one of the central policies that we looked at during this review and it was updated throughout the process after publication of the delegated regulation.</p> <p>'Biodiversity and ecosystems' are the topic of ESRS E4, a dedicated set of standards for biodiversity. For undertakings of less than 750 employees, ESRS E4 is a voluntary option during the first two years of reporting.</p> <p>Information of relevance to BF required in ESRS is:</p> <ul style="list-style-type: none"> • Biodiversity pressure metrics (as part of ESRS E4 but also other Environment disclosures) • Extent and condition of ecosystems • Information for impacts, dependencies, risks and opportunities in the value chain as part of Impacts, Risks and Opportunities management (IRO) disclosure under ESRS 2: General disclosures <p>CirCHive Deliverable 3.1.1 offers more information on potential links to BF and NCA for ESRS E4. The final report for Task 3.4 will</p> | <p>NCA is mentioned explicitly in the Directive. There is no explicit requirement for companies to adopt NCA methodologies but NCA is applicable in several areas of ESRS:</p> <p>Tracking of performance over time – companies need to disclose comparative information over time (ESRS 1: General requirements), which necessitates consistent accounting. For biodiversity-relevant disclosures (ESRS E4 but also pressure information under other ESRS-E), NCA is applicable.</p> <p>The above is applicable for metrics relating to impacts, risks and opportunities management, targets, commitments, financial effects, as well as where relevant for narrative disclosures (ESRS 1 §83)</p> <p>ESRS E4 requires disclosure of dependencies on ecosystem services. NCA is applicable for linking corporate performance to specific natural assets.</p> <p>E4-5, §35 specifically requires an inventory of assets in or near biodiversity-sensitive areas.</p> |

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| | <p>adoption of the sector-specific standards from 2024 to 2026, as a response to demands from the corporate sector.</p> <p>The EC has mandated EFRAG to provide technical advice and elaborate a set of ESRS, which it submitted in November 2022. After a public consultation was ran on the standards, the EC modified some of the requirements and added phase-ins. EFRAG remains active and is advising the European Commission, among others, on double materiality, the XBRL taxonomy and sectoral standards.</p> | <p>provide further and more detailed analysis of ESRS and their use.</p> <p>It should be noted that the draft ESRS as proposed by EFRAG (Nov 2022) had much more relevance to biodiversity as it included a set of mandatory requirements for biodiversity, namely a mandatory transition plan, for specific sectors identified by TNFD, with regards to biodiversity targets and an explanation as to why the undertaking may consider a particular sustainability topic not to be material. With the adoption of the Delegated Act, the EC has converted these mandatory datapoints proposed by EFRAG into voluntary datapoints. This considerably lessens the relevance of the policy for BF as the scope for reporting on biodiversity impacts is lessened and at the discretion of the company. The EC explains this setback by explaining that some of the most challenging disclosure requirements in the EFRAG draft standards related to biodiversity, among others.</p> | <p>The EC is required to take into account existing NCA frameworks in the Delegated Acts. For instance, the LEAP approach (used in the TNFD) is mentioned in ESRS IRO-1 from ESRS E4.</p> <p>CircHive Deliverable 3.1.1 offers more information on potential links to BF and NCA for ESRS E4. The final report for Task 3.4 will provide further and more detailed analysis of ESRS and their use.</p> |
| Sustainable Finance Disclosure Regulation (SFDR) | <p>The SFDR is an EU Regulation which aims to improve transparency in the market for sustainable investment products. It imposes sustainability disclosure obligations for manufacturers of financial products and financial advisers toward end-investors at entity and financial product level. It focuses particularly on sustainability risks and on principal adverse sustainability impacts.</p> <p>The EC adopted a Delegated Regulation in April 2022 which specifies the content,</p> | <p>At the entity level (Article 4), financial market participants and advisers will need to demonstrate that the activity is not negatively affecting biodiversity-sensitive areas (through evidence of ecological assessments, due diligence, and continual monitoring of positive and negative impacts). There is an explicit indicator for adverse impacts on biodiversity.</p> <p>At the product level (Articles 6 to 9), products are divided between three categories: products which do not always integrate sustainability and ESG into the investment decision process, also known as 'mainstream products' (Article 6), products which promote</p> | <p>The Regulation does not make any explicit reference to NCA. However, NCA can be a useful tool for data collection and financial reporting, especially through the continual monitoring of positive and negative impacts on biodiversity-sensitive areas (at the entity level) over time and space, addressing requirements for disclosure of comparative information.</p> |

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| | <p>methodology and presentation of the information to be disclosed, thereby improving its quality and comparability.</p> | <p>sustainable characteristics, but these are not core to the product (Article 8) and products which have sustainable investment as their core objective (Article 9).</p> <p>Financial market participants and advisers will need to disclose sustainability risks in pre-contractual disclosures, periodic reporting and on websites.</p> <p>Biodiversity impact assessment and footprinting is therefore implicit here (it is not listed specifically in 'sustainability risks'). Article 8 and 9 products are the subject of additional disclosures.</p> | |
| EU Taxonomy | <p>The Taxonomy is a classification system of economic activities based on their contribution to environmental sustainability, to classify whether an investment is green. To claim substantial contribution, the entity must prove the alignment of the economic activity with the criterium in one of the six environmental objectives (climate mitigation, climate adaptation, water, pollution, circular economy and biodiversity) and showcase that the activity does no significant harm (DNSH) to the remaining environmental objectives. Reporting taxonomy-eligibility and alignment of turnover, capital expenditure (CapEx) and operational expenditure (OpEx) is mandatory for certain (large) financial and non-financial undertakings. All other undertakings can report voluntarily to the EU Taxonomy.</p> | <p>The Delegated Acts to the Taxonomy Regulation define technical screening criteria and DNSH criteria, and two criteria for substantial contribution concern biodiversity. There are no requirements for BF, but there are elements required which relate to BF.</p> <p>A connection to BF is made for certain activities with the environmental objective of <i>Protection and restoration of biodiversity and ecosystems</i>: activity 1.1 Conservation, including restoration, of habitats, ecosystems and species (calling for a detailed description of the initial ecological conditions with a number of elements.); 2.1 Hotels, holiday, camping grounds and similar accommodation (defined areas).</p> <p>An indirect connection to BF based on the requirements in the criteria can be made for the criteria of Climate adaption – 14.1 Disaster risk management (incl. the need for Identification of harmful impacts on biodiversity-sensitive areas); Climate mitigation: Forestry (activities 1.1,1.4, 1.3,1.2) (incl. the requirement information of forest</p> | <p>No direct connection to the requirements of the legislation.</p> <p>However, NCA is potentially useful for more accurate assessment of biodiversity impacts.</p> <p>For example, substantial contribution for <i>Protection and restoration of biodiversity and ecosystems</i>: activity 2.1 Conservation, including restoration, of habitats, ecosystems and species constitutes:</p> <p>maintaining good condition of ecosystem, species, habitats or of habitats of species</p> <p>re-establishing or restoring ecosystems, habitats or habitats of species towards or to good condition, including through increasing their area or range</p> <p>A management plan is required, incl. guarantee of permanence. Demonstration of</p> |

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| | | <p>habitat context), 2.1 restoration of wetlands (restoration plan).</p> <p>In instances, there is no direct link to BF or no unit measure is proposed, but elements which could be part of a BF, such as providing a management plan, however no unit measure is proposed.</p> <p>In order to make a substantial contribution to biodiversity, the economic activity must provide information – such as related to effects on Natura 2000 sites, definition of forest habitat context, including main existing and intended forest tree species, and their extent and distribution, a restoration plan.</p> | <p>progress over time is thus implicit, for which NCA is an applicable approach.</p> |
| <p>Corporate Sustainability Due Diligence Directive (CSDDD)</p> | <p>In February 2022, the EC published its proposal for a Directive on Corporate Sustainability Due Diligence (CSDDD). The EU Parliament adopted the CSDDD in June 2023 and the trilogues are ongoing.</p> <p>The CSDDD requires companies to undertake due diligence on their own activities and those of their value chains by identifying and preventing, mitigating or bringing to an end adverse environmental impacts. These impacts constitute violations of the 12 objectives and prohibitions included in environmental conventions specified Annex (Part II) to the CSDDD, which cover key drivers of biodiversity loss.</p> | <p>The CSDDD would require due diligence measures for companies to identify and address adverse environmental impacts which “occur in particular at the level of raw material sourcing, manufacturing, or at the level of product or waste disposal”. This covers adverse impacts generated throughout the life cycle of production and sale and waste management of product or provision of services, at the level of companies' own operations, subsidiaries and in value chains.</p> <p>BF can be an applicable methodology for establishment of adverse environmental impacts relevant to biodiversity.</p> | <p>The CSDDD proposal points that, where the adverse impact cannot be brought to an end, companies should develop and implement a corrective action plan with reasonable and clearly defined timelines containing qualitative and quantitative indicators for measuring improvement.</p> <p>The implementation of a corrective plan requires companies to measure the changes in the condition of the affected natural capital over time, in order to demonstrate improvement and thus ensure compliance with the CSDDD obligation to mitigate the adverse impact. NCA is an applicable tool to assess losses and gains over time.</p> |

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| Green Claims Directive | <p>In March 2023, the EC published a proposal for a directive on substantiation and communication of explicit environmental claims, also called the Green Claims Directive. The proposal on green claims aims to make green claims reliable, comparable and verifiable across the EU and to protect consumers from greenwashing.</p> <p>The proposal does not prescribe a single method and does not require a full life-cycle analysis for each type of environmental claim. Different types of claims therefore require different types of substantiation.</p> <p>The EU Council and Parliament reached a provisional agreement on the final legal text on 19 September 2023.</p> | <p>The proposal is relevant for BF, although it might not be expressed explicitly, as it will require an assessment of the environmental impact of a given product or service on the environment, including on biodiversity. Indicators for the relevance of the environmental impact aspects can stem from assessments taking into account the life cycle, including from the studies based on Environmental Footprint methods, which cover 16 environmental impacts. Biodiversity is explicitly mentioned as an impact on the environment in provisional Article 3(g).</p> | <p>The Directive would not apply to explicit environmental claims prescribed by EU legislation, including on methodological frameworks, assessment or accounting rules related to measuring and calculating environmental impacts.</p> |
| EU Product Environmental Footprint (PEF) / Organisational Environmental Footprint (OEF) | <p>The Product Environmental Footprint (PEF) and the Organisation Environmental Footprint (OEF) are life cycle assessment (LCA) standards. They provide methods to measure and communicate the potential life cycle environmental impact of products (goods or services) and organisations, respectively. By taking into account supply chain activities (from extraction of raw materials, through production and use to final waste management), the environmental impact of goods, services and organizations can be minimized.</p> | <p>Biodiversity is currently not included as an impact category in PEF/OEF.</p> <p>Multiple PEF/OEF midpoint impact categories relate to biodiversity-relevant pressures.</p> <p>Each PEF/OEF study is required to explain whether biodiversity is relevant for the modelled system and in such cases, biodiversity indicators are included under <i>additional environmental information</i>. The choice of relevant indicators is voluntary.</p> | <p>Incorporation of NCA in LCA-based studies (such as PEF/OEF) is currently not standard practice.</p> <p>PEF/OEF does not contain a requirement for spatial dimension (location of impacts it not explicit), while NCA under applicable standards such as SEEA-EA is explicitly spatial.</p> <p>LCA-based studies do not typically consider “stocks” of environmental assets, only certain flows from the environment (energy and materials, i.e. provisioning ES). NCA is inherently built on a stocks-and-flows model. There is some consideration of</p> |

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| | | | <p>natural capital stock in certain PEF/OEF midpoints e.g. water impacts factors under the AWARE methodology are derived by considering used versus available water at the level of sub-watersheds, though the inclusion of spatial information in LCA studies is not common practice and not available in common LCA software.</p> <p>There are multiple potential opportunities for linking NCA and BF and their inclusion in PEF/OEF – this is an active field of research and also the Circhive project. will develop policy recommendations how to improve the integration of BD and NC in PEF/OEF</p> |
| EU Ecolabel | <p>Introduced first in 1992, the EU Ecolabel is the only EU-wide ISO 14024 Type I ecolabelling scheme. Recognised throughout Europe, it is multi-criteria and tackles the main environmental impacts of products along their full lifecycle, from extraction of raw material to disposal. Decision 2014/350/EU involves a large proportion of EU Ecolabel for textile products.</p> | <p>Biodiversity is in principle part of the thematic scope, however there are no requirements for BF.</p> <p>BF is not mentioned explicitly, and no specific methodology or indicators are proposed.</p> <p>The label requires sustainability reporting, including test reports and audited accounting documents, related to biodiversity (water, material sourcing, materials that can have significant environmental and health impacts).</p> | <p>The Ecolabel does not mention NCA directly and there are no requirements for tracking of performance over time, though some information on biodiversity-relevant pressures is required to be gathered for a defined of time period, but only to demonstrate one-off performance in order to gain certification.</p> |
| Green Public Procurement (GPP) | <p>EU GPP criteria aim at facilitating public authorities the purchase of products, services and works with reduced environmental impacts. The use</p> | <p>The only more substantial requirement in relation to BF under the criteria for road design, construction and maintenance is that an Environmental Integration</p> | <p>There does not seem to be requirements relating to NCA in the GPP criteria assessed.</p> |

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| | of the criteria is voluntary. The criteria are formulated in such a way that they can be, if deemed appropriate by the individual authority, integrated into its tender documents. | and Restoration Plan shall be provided as part of the road design, indicating the type, location and quantities/densities of all plant species. LCA is mentioned as a proposed method for measuring the environmental impact. | |
| Circular Biomaterials | Concerns about the viability of the resource-intensive economic model introduced the concepts of bioeconomy and circular economy. Biomaterials and bio-based products, being wholly or partly derived from materials of biological origin, are a priority area of innovation for the EU on the path to reducing the use of fossil materials. As there is no singular policy which corresponds to the production and consumption of circular biomaterials, several strategy documents were analysed, such as the EU Bioeconomy Strategy. | While reference is made to the need to avoid ecosystem degradation, restore and enhance ecosystems, indirect references to biodiversity, there is no reference or connection to BF. Reference is made under action areas for environmental footprints, to enhance methodology and data collection (SWD(2018) 431). Further references are made to other policies and approaches, including RED II, EU ecolabel, green public procurement, green claims initiative, product safety regulation, etc. | The EU Bioeconomy Strategy) refers to the use of NCA: 4.3 Understand the ecological boundaries of the bioeconomy: action 3.1 and assessing the environmental and socio-economic dimensions of the bioeconomy, incl. Ecosystem accounts at EU level developed under the Knowledge Innovation Project on an Integrated accounting system for Natural Capital and ecosystem services (KIP INCA) ...action 3.2: ecosystem assessments and accounts] |
| Circular Economy Action plan | The 2020 Circular Economy Action Plan presents a policy framework to make sustainable products, services and business models the norm and transform consumption patterns so that no waste is produced in the first place. In its thematic scope are circular economy and pollution, only indirectly touching upon biodiversity. | The action plan is indirectly relevant for BF, with the text mentioning biodiversity loss and circular economy's potential to reduce negative impacts of resource extraction. While biodiversity is not the focal point, references are made to consumption and environmental footprinting for achieving sustainable products and value chains (reference to other policies, including PEF/OEF, GPP). | Biodiversity forms part of the cross-cutting issues, where the plan points to the opportunity to establish a regulatory framework based on carbon accounting, paving the way for further environmental accounting. |
| Common Agricultural Policy (CAP) | In December 2021, the European Parliament and the Council adopted Regulation 2021/2115 on the management, financing and monitoring of the Common Agricultural Policy (CAP). It lays down provisions | While the CAP covers biodiversity in its thematic scope, it does not feature explicit references to BF. The CAP aims to protect biodiversity, support genetic diversity and improve the sustainable management of natural | The CAP does not include references to NCA. However, it sets specific objectives for areas where NCA may be applied. In particular, the CAP aims to foster sustainable |

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| | <p>on the general and specific objectives to be pursued under the CAP, the types of interventions and common requirements for the attainment of these objectives and the content of the CAP Strategic Plans to be drawn up by Member States.</p> | <p>resources. The CAP allocates financial support to sustainable farming practices that are beneficial to biodiversity and ecosystem services. There are however no direct connections to or requirements for BF.</p> <p>The CAP Regulation references the EU Biodiversity Strategy to 2030, the Farm to Fork Strategy, and the EU Habitats and Birds Directives.</p> | <p>development and efficient management of natural resources, as well as to enhance ecosystem services, preserve habitats and landscapes and reverse biodiversity loss. The achievement of these objectives is assessed based on common output, result, impact and context indicators outlined in Annex I of the Regulation.</p> |
| EU Biodiversity Strategy to 2030 | <p>The EU Biodiversity Strategy to 2030 was published in May 2020. It outlines the EU's long-term plan to protect biodiversity and reverse ecosystem degradation and loss. The Strategy aims to put Europe's biodiversity on a path to recovery by 2030, and contains specific actions and commitments, such as the protection of 30% of land and sea in the EU and the proposal of legally binding targets for nature restoration. It covers a wide range of policy areas, such as agriculture, pollution, business responsibility, etc. The EU Biodiversity Strategy is a core part of the European Green Deal.</p> | <p><u>Relevance for both BF and NCA</u></p> <p>The Strategy is relevant for both BF and NCA in that it acknowledges that biodiversity considerations need to be better integrated into public and business decision-making at all levels. The EC commits to developing methods, criteria and standards to better integrate biodiversity considerations into public and business decision-making and to measure the environmental footprint of products and organisations on the environment, including through life-cycle approaches and NCA. In this context, the EC will support the establishment of an international NCA initiative.</p> <p>Notably of importance to NCA, the Strategy asks Member States to take stock of issues relating to pressures on ecosystems and to monitor progress once actions are undertaken, allowing for tracking the performance of measure over time.</p> <p>The EC published an EU Guidance on integrating ecosystems and their services into decision-making in May 2019 to help decision-makers improve the impact, cost-effectiveness and sustainability of their policies, plans and investments by promoting the benefits of protecting ecosystems for people and by providing an overview of tools which can be used to integrate these benefits into policy and planning decisions.</p> <p>More broadly, the Strategy is relevant for BF through commitments and targets aimed at reducing our impact on nature in specific sectors. It promotes the stepping up of efforts to reduce a number of pressures on ecosystems, such as harmful agricultural and forestry practices, deforestation, overgrazing, construction activities and land sealing.</p> | |
| Forest Strategy | <p>The EU Forest Strategy for 2030 is an initiative of the European Green Deal and builds on the EU Biodiversity Strategy for 2030. It stresses the importance of coordinated actions to reach</p> | <p>The Strategy may be relevant for BF. It aims to promote, among other things, a forest bioeconomy for long-lived wood products. Indeed, it is crucial that, when building a sustainable and climate-neutral</p> | <p>The Strategy is of no relevance for NCA.</p> |

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| | <p>climate, biodiversity and other sustainability targets.</p> <p>It recognises the crucial role of forests and the contributions of foresters for achieving a sustainable and climate neutral economy by 2050.</p> | <p>economy, we optimise the use of wood in line with the cascading principle, in particular through market incentives. This means that wood should be used as much as possible for long-lived materials and products to substitute their carbon intensive and fossil-based counterparts, for example in buildings and furniture, whilst acknowledging that not all wood is fit for such purpose. The processing innovations in this field also provide bio-based material and products with lower environmental footprint than the fossil-based ones.</p> | |
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Section 3 – Towards policy recommendations effective integration of BF and NCA

The wide range of policies we have tracked and analysed is intended to provide a comprehensive overview of the state of play of EU policies related to BF and NCA. This in-depth expert assessment has enabled us to understand which policies hold most promise to guide or mandate private actors to measure and report relevant impacts on biodiversity.

From the initial analysis based on the policy tracker, through the extraction of key information, we could identify that the policies related to sustainability reporting provide the most prominent link to BF and NCA, for instance through requirements to gather spatial and time specific data or the use of specific methods. At this stage of the project, we would highlight the **CSRD, SFDR, the EU Taxonomy and the CSDDD** as key priority policies, as they provide the most prominent links to BF and NCA in their current form, and **as they have the most potential to create the relevant legal framework for tracking private actors' impacts on biodiversity**.

As outlined in Section 1, we will be conducting a more detailed analysis of these priority policies following the submission of the draft report, with a view of identifying other potential priority policies. Indeed, since companies and financial undertakings may be subject to different reporting requirements under the policies we assessed, we want to guide them through this process in a way that is manageable for them and that integrates biodiversity aspects. Since they are relatively new pieces of legislation, tracking their development and implementation will be important to follow and integrate in our analysis. For example, the ESRS have just been adopted in October 2023 by the European Parliament and will be formally adopted by the end of the year.

This assessment will then be used to identify best practices and formulate policy recommendations for both policymakers and undertakings to improve the integration of biodiversity and natural capital considerations in key policy instruments and processes. For policymakers, this information provides an opportunity to consider the importance of BF and NCA and to potentially include them in existing or upcoming policies. Companies and financial actors have the opportunity to use BF and NCA methods to comply with current and upcoming legislation in a way that integrates biodiversity considerations and provides a tool to manage their impact on biodiversity.

Next steps

In the following steps, we will use the policy tracker to plan our policy engagement, including policy recommendations for the effective integration of BF and NCA into business practice and policy.

This policy work will link to CircHive's work on voluntary methods and frameworks, such as the Taskforce on Nature-related Financial Disclosures (TNFD) and Science-Based Targets for Nature (SBTN).

Section 4 – Dissemination of results of Task 3.4 and WP3

After this first version of the report is submitted, WP3 will aim to inform development and implementation of EU policies by following the living review approach. We will disseminate the results of the policy analysis through **workshops** with relevant partners and with the case study partners, with the view of making the link between the companies and the biodiversity reporting requirements they might be subject to. The report's findings will also be disseminated through the publication of **targeted briefings**, such as on priority policies identified by WP3 leads.

Dissemination will also occur through the participation of WP3 members in relevant external events, during which we can share our findings, the organisation of policy dialogues, and engagement with relevant policy makers.

We will continue to monitor policy developments throughout the project and widen the scope of the scope of policies, if and when relevant.

The main results of the report and the policy recommendations will be presented during the final conference of the project.

Annex I – WP3 partner contributions to the policy tracker

Table 3 - Policies assigned to WP3 partners for analysis and review

| Policies | IEEP | LUKE | IUCN | Denkstatt | EFI | JH | UEDIN | ECOACT | Status |
|---|------|------|------|-----------|-----|----|-------|--------|-----------|
| Corporate Sustainability Reporting Directive (CSRD) | L | S | | S | | S | S | S | Completed |
| Sustainable Finance Disclosure Regulation (SFDR) | L | S | | S | | S | S | | Completed |
| EU Taxonomy | L | S | | S | | | S | S | Completed |
| Corporate Sustainability Due Diligence Directive (CSDDD) | S | P | | L | | | | P | Completed |
| Green Claims Directive | S | L | | P | | | L | | Completed |
| EU Product Environmental Footprint (PEF) / Organisational Environmental Footprint (OEF) | | P | | L | | | | P | Completed |
| EU Ecolabel | | S | | L | | | | | Completed |
| Green Public Procurement (GPP) | | | | L | | | | | Completed |
| Circular Biomaterials | S | P | | | L | | | | Completed |
| Circular Economy Action plan | | | S | P | L | | | | Completed |
| Common Agricultural Policy (CAP) | L | S | P | | | | | | Completed |
| EU Biodiversity Strategy to 2030 | L | P | | S | | S | | P | Completed |
| Forest Strategy | S | S | | | L | | | | Completed |

Notes: L = Lead; S = Support; P
= Peer review / cross check

Table 4 - List of partner acronyms

| Acronym | Partner |
|---------|--|
| IEEP | Institute for European Environmental Policy |
| LUKE | Natural Resources Institute Finland |
| IUCN | International Union for the Conservation of Nature |
| EFI | European Forest Institute |
| JH | The Biodiversity Footprint Company |
| UEDIN | University of Edinburgh |

Project Partners



Recognising, measuring and reporting on the value of nature

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