



# The Partnership for Biodiversity Accounting Financials - PBAF

## Background

There is a growing awareness among financial institutions that impacts and dependencies on biodiversity play an important role, both from a risk and from an opportunity perspective. Economic sectors invested in impact on biodiversity and depend on the ecosystem services nature provides. These services are increasingly at risk as a result of the loss of biodiversity. Through their investments, financial institutions can play an important role in the conservation and sustainable use of biodiversity, contributing not only to the biodiversity targets of the Convention on Biological Diversity (CBD<sup>1</sup>), but also to the reduction of investment risks. For financial institutions to take up this role, the availability of science based, reliable data on the impacts on biodiversity is an important precondition.

## Working towards a globally used and accepted PBAF Standard

At the end of 2019, the Partnership for Biodiversity Accounting Financials (PBAF) was established.<sup>2</sup> PBAF is a partnership of financial institutions that work together to explore the opportunities and challenges surrounding the assessment and disclosure of the impact on biodiversity associated with their loans and investments.

Through discussions, the exchange of experiences and practical case studies, the PBAF partners cooperate in the development of a set of globally harmonized principles underlying biodiversity impact and dependency assessment in the financial sector. These principles will feed into the 'PBAF Standard'.

The PBAF Standard provides guidance to the impact and dependency assessment methodologies offered in the market, thereby contributing to the much needed development of a harmonised biodiversity accounting approach in the financial sector. In this way, PBAF will contribute to halting global biodiversity loss and bending the curve for nature in the next decades.

1 <https://www.cbd.int/convention/>

2 PBAF was started in 2019 by ASN Bank, ACTIAM, Triple Jump, Triodos, Robeco and FMO. PBAF's first publication can be found at: <https://pbafglobal.com/>

The PBAF initiative aims to follow into the footsteps of the Partnership Carbon Accounting Financials (PCAF)<sup>3</sup>, initiated by ASN Bank a few years earlier, an initiative which has now grown into a truly worldwide initiative. PBAF is actively supported by the Dutch government, strengthening the initiative's linkages to the international policy level (EC, CBD) and related initiatives in the financial sector, like the Taskforce on Nature related Financial Disclosure (TNFD).

### What does PBAF offer?

PBAF partners receive the following benefits:

- Introduction to biodiversity impact and dependency assessment in the financial sector through (individual) online training for their organisation.
- Support in taking the first steps in biodiversity footprinting.
- Participation in the development of impact and dependency assessment principles. Development of these principles will be based on the output of *PBAF Working Groups* focusing on specific topics, supported by experts. Topics are decided on by the PBAF partners and topics covered in 2021 are:
  - **Asset Management:** Investment management with different levels of engagement and influence, though rarely directly to the level of the land- or seascape (listed equity, funds, bonds).
  - **Agriculture:** Deep dive into this land-based sector, primarily aiming to avoid, reduce and mitigate negative impacts. Focus on direct engagements, e.g. loans or equity with a multi-year direct relationship between FI and investee.
  - **Positive impact:** Focus on positive impacts on biodiversity, including ecosystem restoration, (agro)forestry, reforestation, ecotourism, etc.
- Participation in (on-line) meetings to share practical experiences regarding biodiversity impact and dependency assessment by financial institutions (case studies).
- Regular online updates on the ins and outs of other initiatives relevant to biodiversity accounting in the financial sector, like the work of the Taskforce on Nature related Financial Disclosure (TNFD), the EU Taxonomy, the work of the UNEP-Finance Initiative on biodiversity targets, ENCORE and initiatives following the Finance for Biodiversity Pledge. See the explanation of some of these initiatives in the annex.

### Financial institutions can join PBAF as a 'partner' or as a 'supporter':

- **Partners** actively contribute to the development of the PBAF Standard, decide on the plans of action of PBAF (like the selection of topics for Working Groups) and receive active support on biodiversity impact and dependency assessment (like training and support in case studies). A small financial contribution is requested from partners.
- **Supporters** support the objective of PBAF, and will receive regular updates on new developments in the area of biodiversity impact and dependency assessment in the financial sector. Supporters are not expected to actively join PBAF Working Groups. No financial contribution is requested from supporters.

Supporters can decide to become a partner, for example if they want to be involved in one or more of the working groups, are interested in active support or simply because they have more time available to become active as a partner.

### More information

For more information see the PBAF website: [www.pbafglobal.com](http://www.pbafglobal.com)

### Or contact:

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# Annex

## **PBAF and other initiatives in the financial sector**

PBAF is not the only initiative that is looking at the role of the financial sector in the conservation and sustainable use of biodiversity. Various initiatives were initiated in 2019/2020 and alignment between these initiatives is important. How does PBAF fit in?

### *The Finance for Biodiversity Pledge*

Among others, financial institutions that sign the Finance for Biodiversity Pledge commit to "assess financing activities and investments for significant positive and negative impact on biodiversity and identify drivers of its loss".

**PBAF:** PBAF contributes to the quality and convergence of impact assessment methodologies, enabling the assessment of positive and negative impacts. Signatories to the Pledge can join the PBAF discussions and share experiences with regard to impact assessment and contribute to a common approach. Several signatories have already joined PBAF.

### *The Taskforce on Nature related Financial Disclosure (TNFD)*

The Taskforce Nature-related Financial Disclosure' (TNFD) aims to establish a reporting framework for finance sector impacts and dependencies on nature. The TNFD is coordinated by Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEP-FI), and the World Wide Fund for Nature (WWF).

**PBAF:** a reporting framework will require the generation of impact data to report on. PBAF contributes to the generation of reliable impact data and will align with TNFD results.

### *EU Taxonomy*

The EU Taxonomy aims to classify economic activities that are environmentally sustainable, covering six objectives, including the 'sustainable use and protection of water and marine resources' and 'protection and restoration of biodiversity and ecosystems'.

**PBAF:** The approach of the EU Taxonomy on biodiversity will be taken into consideration in the development of principles by PBAF. In addition, the results of the EU Taxonomy could be used to prioritise economic activities that require more/less attention in a biodiversity footprint.

### *UNEP Finance Initiative on biodiversity targets*

This initiative aims to develop guidance for signatories to the Principles for Responsible Banking (PRB) to achieve biodiversity targets in line with international frameworks. This includes guidance on metrics and methodologies.

**PBAF:** the aim of PBAF is to contribute to the methodologies needed to assess the impact on biodiversity, in other words the step that precedes target setting. Impact assessment principles published by PBAF could feed into the guidance of UNEP-FI on methodologies.

### *ENCORE*

ENCORE, developed by the Natural Capital Finance Alliance (NCFA) in partnership with UNEP-WCMC, is a tool showing how businesses across all sectors of the economy depend and impact on nature, and how these impacts and dependencies might represent a business risk if environmental degradation disrupts them.

**PBAF:** The integration of dependencies on ecosystem services in impact assessment methodologies is increasingly being taken up by methodology developers. PBAF will play a role in developing common principles underlying such dependency assessments.

### ***Product Environmental Footprint (PEF)***

The PEF is an EU initiative and aims to develop a harmonised methodology for the calculation of the environmental footprint of products and organisations. The PEF methodology has been designated to form the basis of the Circular Economy strategy. Current focus on biodiversity in the PEF is limited, but a working group has started to improve this focus.

**PBAF:** Unlike the PEF, PBAF focuses specifically on the impacts of the financial sector and related challenges. Since the PEF may also play a future role in the EU Taxonomy and Circular Economy strategy, PBAF will align with the work of the PEF where possible and necessary, especially on the update of its biodiversity assessment methodology.

### ***ALIGN***

ALIGN is a three-year EC-funded project with the objective (1) to establish and operate a natural capital management accounting platform facilitating best practice exchange, (2) to establish and operate a business-driven discussion and alignment process streamlining and strengthening methods and metrics for measuring biodiversity related business impacts and dependencies and (3) to define needs and opportunities related to education, training and research, necessary for mainstreaming natural capital management accounting in the business community. ALIGN is led by WCMC Europe, in cooperation with the Capitals Coalition, ARCADIS and ICF S.A.

**PBAF:** PBAF and ALIGN closely cooperate and the impact assessment principles developed by PBAF will feed into the finance-sector related work in the ALIGN project.