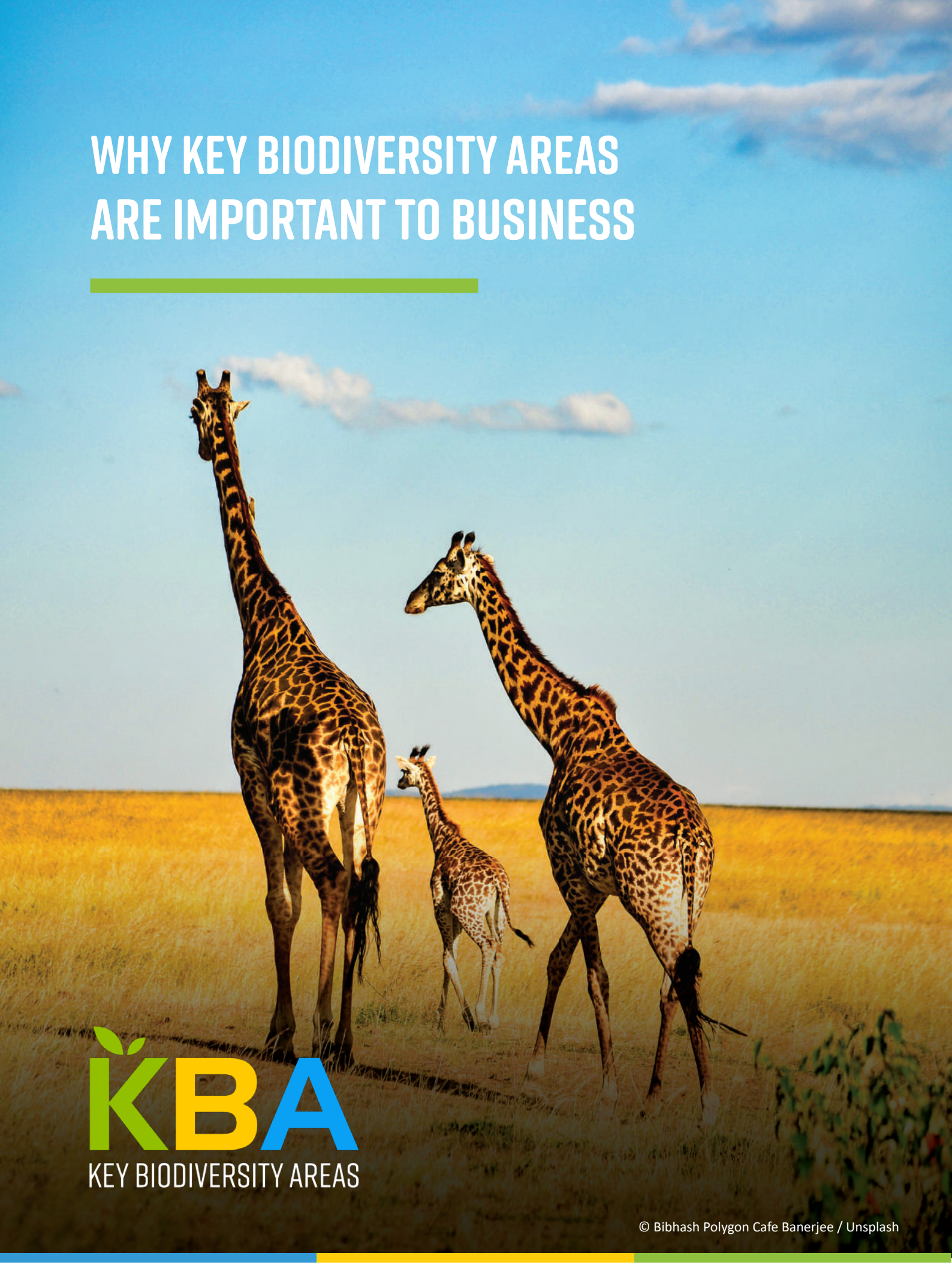
WHY KEY BIODIVERSITY AREAS ARE IMPORTANT TO BUSINESS



KBA
KEY BIODIVERSITY AREAS

KBA PARTNERS:

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WHY ARE KEY BIODIVERSITY AREAS IMPORTANT TO BUSINESS?

Back in 2020, the World Economic Forum released its Nature Risk Rising report series, declaring more than half the world's GDP to be at moderate to high risk from nature loss. The situation has deteriorated, and the stark reality is that most of the vital ecosystem services on which business and society depend, and which provide the foundation for every economy, are in decline. Despite this, most companies, investors, and lenders do not adequately understand their nature-related dependencies, impacts, risks, and opportunities. To change this, companies should leverage key data sets to develop clear understanding of commitments they should make, how to transform their operations (including their value chain) to avoid and reduce negative impacts, and how to measure, value and prioritise their impacts and dependencies on nature.

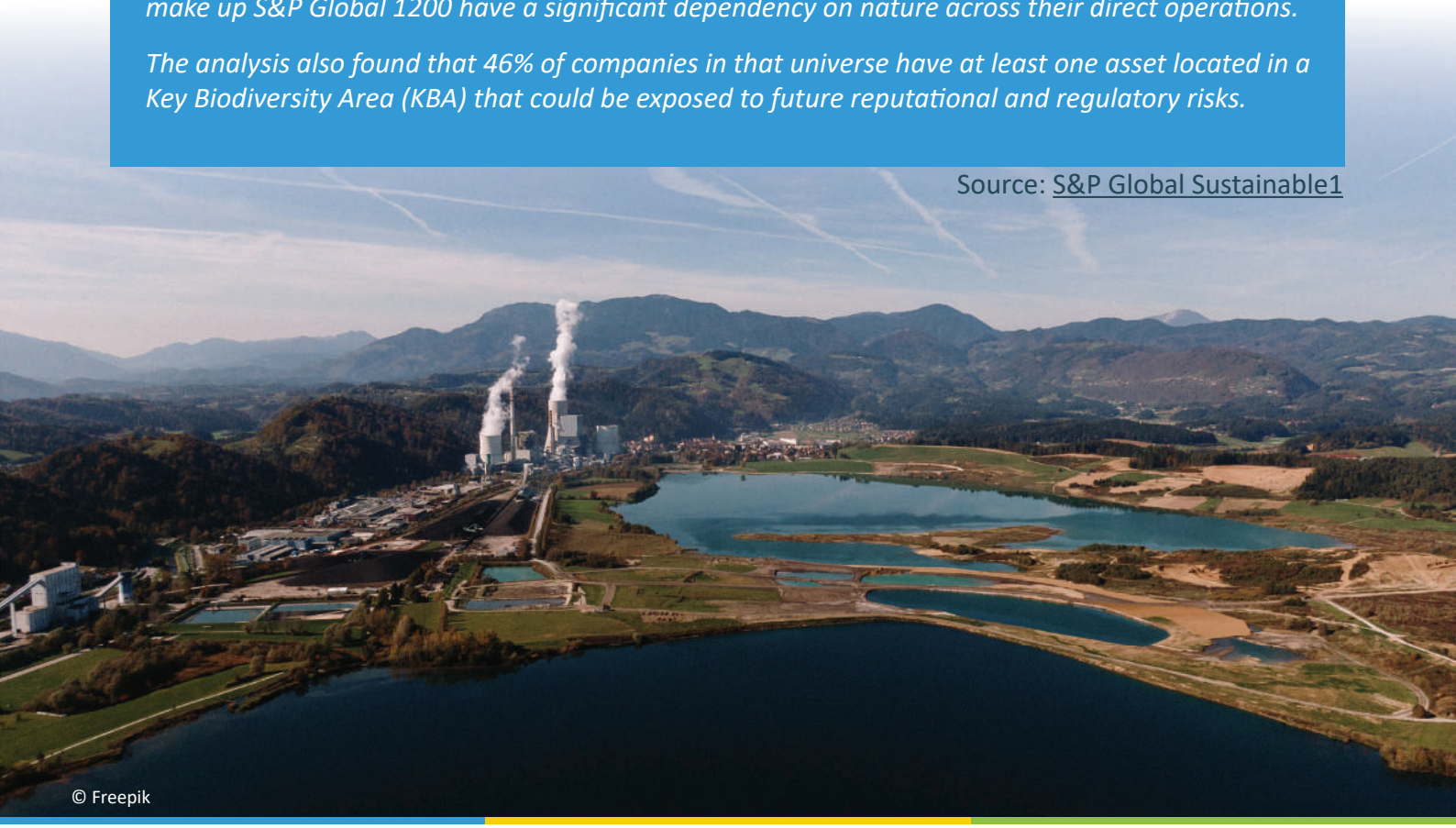

Cofán-Bermejo Ecological Reserve © RoFra

This is where data on Key Biodiversity Areas (KBAs) – globally significant sites for biodiversity- can provide much needed information and insights. Furthermore, this knowledge can support companies disclose their risks, dependencies and impacts on biodiversity in line with the Taskforce on Nature-related Financial Disclosures (TNFD) framework and Target 15 of the Kunming-Montréal Global Biodiversity Framework (KMGBF).

New research from S&P Global Sustainable1 finds that 85% of the world's largest companies that make up S&P Global 1200 have a significant dependency on nature across their direct operations.

The analysis also found that 46% of companies in that universe have at least one asset located in a Key Biodiversity Area (KBA) that could be exposed to future reputational and regulatory risks.

Source: S&P Global Sustainable1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HOW CAN KBAS BE USED BY BUSINESSES?

KBAs help businesses and financial institutions to both identify risks and provide opportunities to guide nature positive actions.

- **Identifying and addressing risks:** As a spatial dataset, KBAs are key for locating the overlap of operational footprints and value chains with globally significant areas for conservation.
- **Focusing efforts where they will have greatest impact:** The KBA data allow efforts to be focussed in the most important sites for biodiversity globally, exponentially increasing their impact.


Lioness, Amboseli National Park, Kenya © Ray in Manila

1. Assessing and addressing risks

Understanding how operations and value chains interact with the most globally important sites for biodiversity is essential to understanding a business' biodiversity risk. Operating or sourcing from within or near a KBA can result in several risks:


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- **Reputational risk:** Such risks can become highly material, with an increasing number of cases of corporate operations in or near KBAs being revoked as a result or local or global opposition.
- **Transition risk:** KBAs are often prioritised for the establishment of new protected areas therefore operating in a KBA may subject a company to increasing restrictions on their operations in the future.
- **Systemic risk:** Contributing to KBA degradation can lead to ecosystem collapse.

To address these risks, a company can use the KBA data to **identify interactions between operations/ supply chains and KBAs** ensuring all operations in or near KBAs are designed and managed in ways that support the critical biodiversity values for which the KBA was identified – see the KBA Business Guidelines for more detail on how to achieve this.


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2. Accessing finance


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The majority of project sector finance institutions have specific requirements around KBAs:

- **The International Finance Corporation (IFC)'s Performance Standard 6**[1]. IFC PS6 identifies areas with high value for the conservation of biodiversity (Critical Habitats) which include KBAs and areas meeting the KBA criteria. IFC PS6 requires that any project in Critical Habitats will first look for viable alternatives, if these do not exist it will ensure no negative impacts on the biodiversity values that determine critical habitat, not lead to a decline in threatened species and implement a long-term monitoring programme to ensure any negative impacts are acted upon and addressed effectively. Sites that meet KBA sub-criterion A1e (Alliance for Zero Extinction sites) are not be acceptable for financing, with the possible exception of projects specifically designed to contribute to the conservation of the area.


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- **Most multilateral development banks have policies closely aligned with IFC PS6** (including the Asian Development Bank, the Inter-American Development Bank, the African Development Bank and the European Bank for Reconstruction and Development).
- **More than 130 private banks signed up to the** Equator Principles have also committed to implementing PS6 for their project financing.

3. Addressing disclosure requirements

Assessing a company's footprint on KBAs by comparing a company's operations and value chains against the World Database of KBAs will be an essential part of emerging disclosure requirements:

- **TNFD recognises KBAs as a key dataset** to support organisations to report and act on evolving nature-related risks and opportunities. A key component of the Framework- the Criteria for Priority Location Identification[2]- **identifies areas of biodiversity importance as including those that meet the KBA criteria**.

[1] IFC PS6
[2] Component L3 of the LEAP Approach and recommended disclosure Strategy D (Beta v0.4, June 2023: to be updated)


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- **The Science Based Targets Network (SBTN) recognise KBAs[3]** in their Assess and Prioritise steps, as well as in their draft land guidance which recommends zero conversion of all areas that meet the criteria of KBAs in all corporate supply chains.
- **KBAs are also used for the Global Reporting Initiative** (GRI), particularly GRI 304 on Biodiversity, in identifying operational sites or significant impacts of activities, products or services on areas of high biodiversity value outside of protected areas.

- **KBAs are recognised by the EU Sustainable Finance Taxonomy[4]** which sets performance thresholds for economic activities by companies operating in the EU. Under this, KBAs are identified as areas that require site-level biodiversity management plans, mitigation measures for any negative impacts, and long-term monitoring programmes for biodiversity impacts.
- **The draft European Sustainability Reporting Standards E4 on Biodiversity and Ecosystems[5]** identifies KBAs as biodiversity sensitive areas and that companies should report on the size, scale and frequency of impacts at sites.


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4. Business becoming more Nature Positive

Effectively conserving the global network of KBAs will be essential to achieving the Global Goal for Nature[6] of halting and reversing biodiversity loss by 2030 with full recovery by 2050. Progressing towards Nature-Positive requires a concerted effort across society to address the drivers of biodiversity loss. This necessitates that companies broaden their scope of action to think and act beyond their direct operational footprint, encompassing supply chain and end-of-life impacts. Companies should also engage in sector-wide efforts to increase industry sustainability, working with other stakeholders and with government to improve regulatory frameworks and reform economic structures and incentives.


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[3] SBTN: Initial guidance for business
[4] EU Taxonomy Technical report
[5] ESRS E4 Biodiversity and ecosystems
[6] A Nature-Positive World: The Global Goal for Nature. (Locke et al., 2021)

How can KBA data be accessed and used?

The Integrated Biodiversity Assessment Tool (IBAT) is the leading biodiversity data provider for the private sector, licencing commercial access to the three main databases that inform global conservation and business and lender decisions: the World Database of Key Biodiversity Areas (WDKBA), the IUCN Red List of Threatened Species™ and the World Database on Protected Areas (WDPA).

IBAT provides access to biodiversity reports that offer fast, easy and web-based methods of querying these global datasets to gain site-specific insights on biodiversity risk and opportunities. IBAT reports include a Proximity Analysis, IFC & World Bank PS6/ESS6 Report on Critical Habitat, Freshwater Report, Multi-site Analysis and Species Threat Abatement and Restoration Metric Report. Examples of all the reports and an extract of GIS data can be downloaded **here** or requested on demand.

Other IBAT collaborations providing the KBA dataset for asset level and due diligence assessments include RepRisk Geospatial Analytics, Nature Alpha, RS Metrics, S&P Global and WWF Biodiversity Risk Filter.

Go to **https://www.ibat-alliance.org/** to find out more.

More information on business and KBAs can be found here.

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