

Bridging the biodiversity data gap – how WWF’s new Biodiversity Risk Filter helps companies and financial institutions translate science into action

There is a growing acknowledgement that nature and the economy are inextricably linked. We know [biodiversity is being lost at an unprecedented rate](#). We also know that our economy depends on nature - more than [50% of global GDP, or approximately US\\$44 trillion](#), is moderately or highly dependent on nature and its services. This means that biodiversity loss is creating systemic financial risks and can have direct impacts on the profitability and future resilience of individual companies, and thus also affects the performance of investment, financing and underwriting activities of financial institutions.

As a result, understanding and managing corporate impacts and dependencies on nature is increasingly becoming a high priority for companies and financial institutions around the world. Both corporate actors and financial institutions are working to meet growing expectations to assess, disclose and address their impacts and dependencies on biodiversity, for example, through establishing [Science-based Targets for Nature](#) or engaging in the [Taskforce on Nature-related Financial Disclosures](#) framework.

But so far, effective action on this front has been slow, in part because many companies and financial institutions find it challenging to access and analyze the diverse and complex data that is needed to truly understand biodiversity-related risks. This is because biodiversity-related risk can be driven by many different factors – for example, the presence of at-risk species, the locations of protected areas, the ability of natural areas to mitigate the effects of extreme weather, or the status of pollinators in a region. Collecting and analyzing the vast array of relevant data is a huge undertaking for any company.

Without a good understanding of these location-specific factors, it is nearly impossible for companies to understand where and how they should be changing their practices and investing in conserving and restoring nature. Companies need to know how they should prioritize their resources to make sure that they are both managing their nature-related risks and achieving the best possible outcomes for species and ecosystems.

That’s why WWF is launching the new [Biodiversity Risk Filter](#). This new tool, which forms part of our free, online platform Risk Filter Suite, builds on the success of our long-standing WWF Water Risk Filter tool to bring comprehensive geospatial biodiversity data to business. We’ve partnered with leading data providers, like the [Integrated Biodiversity Assessment Tool \(IBAT\)](#), [ENCORE](#), and [RepRisk](#) to provide a single, free-to-use platform that brings together over 50 biodiversity-relevant data sets to give companies and financial institutions the information they need to start to take effective action on nature loss.

The Biodiversity Risk Filter allows companies to take a close look at the locations where they are operating or sourcing from, and understand where and how they may be exposed to the highest risks because of the ways that their value chains are impacting nature, or because of how they depend on nature for their profitability.

This means that companies can prioritize investments in conservation and restoration where it matters most.

An example of how risk assessment leads to targeted action can be found in the WWF and H&M Group partnership. H&M Group commissioned a study to assess the highest biodiversity impact risk areas in their supply chains for their highest volume raw materials. One high risk area was determined to be cotton sourcing from India. Consequently H&M Group and WWF worked together to identify and invest in strengthening the ecological resilience of an important cotton production landscape, by supporting a [regenerative farming project in the Satpura-pench ecological corridor](#) in Central India. The aim is to support 6000 small-holder cotton farmers to adopt regenerative agriculture practices that enhance on-farm biodiversity, support healthy ecosystems, enhance livelihoods, and produce more sustainable cotton. The project aims to boost soil health, increase agricultural productivity, improve farmers' livelihoods, and contribute to a well-connected and thus resilient landscape.

"The fantastic thing with this project is that it will have so many positive outcomes. Farmers could get more money for their crops, reduce their costs and improve soil health on their farms. Animals will be able to continue moving along wildlife corridors between protected areas. For H&M Group this is an investment in increasing regenerative cotton production, demonstrating how the textile sector can reduce the impact of producing a key input material and ultimately contributing to our goal of only sourcing recycled or more sustainably sourced materials by 2030." – Jennie Granström, Biodiversity Lead, H&M Group

Financial institutions are also exposed to biodiversity-related risks through their investment, financing, and underwriting activities. Any loss of biodiversity, and therefore reduction in nature's capacity to provide ecosystem services, may have negative financial implications for financial institutions, whether in the form of insurance claims, investment losses, or an inability to recoup loans. In addition to this, financial institutions have an important role to play in the transition towards an economy that halts and reverses biodiversity loss, as they can influence businesses through their investments, financing and underwriting activities.

WWF and Climate & Company have therefore also developed specific [methodological guidance](#) to support especially financial institutions in using the WWF Risk Filter tools, to better understand biodiversity- and water-related risks within their portfolios. The guidance explains how financial institutions can use the existing data to understand risk at operational and supply chain sites, and highlights how they can apply the results of the tools to get an overview of risk at the company- and portfolio-level.

To show how the WWF Biodiversity Risk Filter with the support of the additional guidance can be applied to a portfolio of listed companies, [a case study](#) was conducted on a representative investor portfolio. The results indicate that the vast majority of the portfolio companies have a medium to high exposure to biodiversity-related risks. The results also show that there are differences between companies operating in the same sector that allow prioritizing specific high-risk companies for engagement and further exploration. The case study clearly

demonstrates the added value of the WWF Biodiversity Risk Filter as a prioritization and hotspot identification tool for financial institutions.

The WWF Risk Filter Suite gives corporates and financial institutions the insights they need to take effective action to address biodiversity loss, and to support their own continued profitability by understanding and managing their own risks. Strong and effective private sector action will be critical in achieving the ambitions of the newly adopted [Kunming-Montreal Global Biodiversity Framework](#) - under which nearly every country in the world has agreed “to take urgent action to halt and reverse biodiversity loss to put nature on a path to recovery for the benefit of people and planet...” by 2030.