

CDC Biodiversité's answer - Targeted consultation on the implementation of the Sustainable Finance Disclosures Regulation (SFDR)

December 2023

CDC Biodiversité has been working on biodiversity-related risks measurement since 2015. In 2020 CDC Biodiversité released the first version of the Global Biodiversity Score (GBS), its **biodiversity footprint assessment tool that allows companies and financial institutions to measure their impact and dependency on biodiversity across their entire value chain**. The B4B+ Club (Business for Positive Biodiversity Club), a network of companies and financial institutions wishing to measure quantitatively their impact on biodiversity, has participated closely in the development of the tool. Since then, a first assessment has been carried out by Schneider Electric, quickly followed by several other companies to reach over 55 assessments conducted to date.

To meet the specific need of financial institutions for accurate biodiversity data on listed assets portfolios, the **Biodiversity Impact Analytics powered by the Global Biodiversity Score (BIA-GBS)** database was launched in July 2021 in partnership with Carbon4 Finance, a pioneer and leader in climate data and methodologies. Several methodologies have also been developed by CDC Biodiversité to extend the coverage of biodiversity footprint measurement to a wider range of financial assets: real estate, private equity, infrastructure, etc. These use cases are grouped under the umbrella term **Global Biodiversity Score for Financial Institutions (GBSFI)**.

As a specialist dedicated on biodiversity, CDC Biodiversité would like to make a few suggestions on the existing Principal Adverse Impacts, and also to suggest the addition on new ones.

First, the expected materiality of each indicator per sector of investment (for corporate) and asset type should be indicated in the regulation, to avoid financial institutions defining themselves what is material.

- **PAI 7: "Activities negatively affecting biodiversity-sensitive areas". This PAI needs to be defined more clearly:**
 - o "Biodiversity-sensitive area" should be defined, for instance using the definition from the TNFD.
 - o Buffers of influence within which an activity is considered to negatively affect biodiversity should be clarified. It determines the minimum distance away from a biodiversity-sensitive area required to consider that an activity cause no negative impact (e.g. the buffer is set at 50km, and an economic activity is 55km away, then it is considered to have no negative impact).
 - o The value chain boundaries should be defined, and the upstream Scope 3 should be considered when applying the PAI.
- **PAI 8: "Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average"**
 - o Emissions should be clearly defined and distinguished between types of pollutants: fertilizers, phytosanitary products ...
- **Voluntary PAI 6.: "Water usage and recycling"**
 - o "Water usage" is not sufficiently clear, the PAI should require disclosure of yearly withdrawal and consumption, expressed in m3. For the definitions of withdrawal and consumptions, refer to CREEA_D8.1_Water Case Study Report*, p. 10.
 - o For the manufacture of food, beverage, or textiles, the Upstream Scope 3 should be covered.
- Other key topics that are not addressed in the regulation:

- Use of **critical metals**.
- **Deforestation**, as defined by the European Deforestation-free Regulation or by the Accountability Framework initiative, and which would require to be divided in two indicators:
 - Yearly deforested surface (ha)
 - Share of the portfolio that measures its impact on deforestation, or with a zero-deforestation policy (%)
- **Biodiversity footprint**: three dedicated PAI should be added (similarly to existing PAI for GHG emissions):
 - Share of the portfolio that conducted a biodiversity footprint.
 - Share of the portfolio that indicated quantified goals regarding biodiversity.
 - Biodiversity impacts:
 - Biodiversity impacts in Scope 1 (MSA.km²).
 - Biodiversity impacts in Scope 2 (MSA.km²).
 - Biodiversity impacts in Upstream Scope 3 (MSA.km²).
 - Biodiversity impacts in Downstream Scope 3 (MSA.km²).

We remain available to discuss biodiversity-related PAI.