

Regulations are evolving in favor of biodiversity

The international legislative framework, particularly in Europe, encourages companies to question their challenges in terms of biodiversity. These reflections feed into the financing and investment decisions of financial institutions which, at the same time, refine their convictions on the risks and opportunities that result from them.

Many economic actors, and therefore those who finance them, are dependent on biodiversity, even though their activities sometimes have a negative impact on nature. This dependence on ecosystem services introduces a risk to their ability to repay a loan or influences their stock price. The ECB has calculated that about 72% of euro area firms are highly dependent on ecosystem services and that these account for almost 75% of all corporate lending by European banks. The Banque de France, for its part, estimated that 42% of the shares and corporate bonds held by French financial institutions were highly or very strongly dependent on at least one ecosystem service. To ensure the financial stability of economies, financial institutions are therefore beginning to have very specific expectations about the proper management of issues related to biodiversity issues. But if the management of risks related to climate change is complicated to understand, that of risks related to nature is even more so, given the complexity of the subject.

The international community and companies are nevertheless mobilising against the erosion of biodiversity. "The Kunming-Montreal Global Biodiversity Framework adopted in 2022 commits us collectively to a process of protecting and restoring biodiversity," says Antoine Helouin, Partner in EY's Sustainable Finance teams. This

has resulted in several international initiatives more specifically dedicated to companies, such as the TNFD, which is an international voluntary reporting framework, aimed at disclosing nature-related financial opportunities and risks through the integration of biodiversity issues into governance, strategy, risk management and monitoring indicators, and the SBTN framework, which sets scientific objectives to be respected in order to work in favour of nature.

At the European level, the fixed European Green Deal has raised the region's environmental ambitions. In terms of biodiversity, the European strategy aims to strengthen the protection and restoration of nature and aims to "put European biodiversity on the path to recovery by 2030". It is currently being implemented in France, through the National Biodiversity Strategy 2030. "In addition, three other European regulations (European Taxonomy, CSRD and SFDR) are pushing companies and investors to be more transparent about their biodiversity issues. The European Taxonomy defines an official European-wide extra-financial analysis of what is a beneficial activity for the environment in the broad sense and for the protection and restoration of biodiversity and ecosystems in particular. In line with this nomenclature, the CSRD invites companies to disclose informa-

tion on how biodiversity poses risks or creates opportunities for their business models and on the significance of the positive and/or negative impacts of these models on biodiversity. For its part, the SFDR, via Principal Adverse Impacts No. 7 for example, invites investors to report the impact of their assets under management on biodiversity-sensitive areas," he adds. In France, in addition to the application of European legislation, the reporting framework, which includes the bio-diversity component, is set out in particular by Article 29 of the Energy-Climate Law (LEC). For Alix Faure, Director of ESG, Sienna IM, "this regulatory framework contributes to the joint work on biodiversity, by defining the rules of the game, by obliging financial players to adopt a biodiversity strategy and by also measuring the impact."



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