

How is biodiversity and nature considered in VBA's impact accounting?

What is biodiversity?

Based on the UN Convention on Biological Diversity¹, biodiversity is “The variability among living organisms from all sources including, inter alia, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.” Thus, it is not only the number of individuals or species such as bees, for example, but a much broader concept, comprising all life on earth, its interaction, or also the genetic diversity – biodiversity is nature.

How does impact accounting consider biodiversity (alias nature)?

In VBA's approach to impact accounting, nature is considered in line with the impact drivers of biodiversity loss identified by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Global Assessment Report from 2019². The IPBES framework identifies five main drivers for the loss of biodiversity, which are: land / sea use change, direct exploitation, climate change, pollution, and invasive alien species. If these five main impact drivers were mitigated and managed more sustainably, the threat to biodiversity could be reduced. Therefore, also regulation and reporting frameworks such as the Corporate Sustainability Reporting Directive (CSRD, in particular ESRS E4³) and the Taskforce on Nature-related Financial Disclosure (TNFD) ask corporates to address these five IPBES drivers within their materiality assessment. If found to be material, metrics for these impact drivers will have to be included in the CSRD reporting. Similarly, the sustainability of resources use is increasingly addressed by regulation such as the EU regulation on deforestation-free products (EUDR) requiring information on the origin for a range of resources that can potentially drive land use linked to deforestation.

In line with regulation, VBA develops and considers impact accounting methodologies along these five impact drivers. For example, land use change is considered in the impact accounting methodology within the indicator land use & conversion. Similarly, the impact driver pollution is considered via air and water pollution within VBA's impact accounting approach.⁴

VBA together with the IFVI are working on closing remaining gaps in the accounting methodologies and have – for example – started working on including impact accounting for resource use related to direct exploitation and the topic of invasive alien species. By including the five IPBES impact drivers relevant for CSRD reporting and resources addressed by the EUDR (wood and agricultural products) into the current piloting, VBA is translating information requirements of sustainability regulations into information for corporate decision-making.

¹ Convention on Biological Diversity (CBD): “Biological diversity” means the variability among living organisms from all sources including, inter alia, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. URL: <https://www.cbd.int/convention/articles/default.shtml?a=cbd-02>

² IPBES (2019): Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. E. S. Brondizio, J. Settele, S. Díaz, and H. T. Ngo (editors). IPBES secretariat, Bonn, Germany. 1148 pages. <https://doi.org/10.5281/zenodo.3831673>

³ The materiality assessment for CSRD ESRS E4 on Biodiversity and Ecosystems explicitly focuses on the IPBES impact drivers as well as possible dependencies on ecosystem services and thereby following a double materiality approach.

⁴ Please see this VBA blog post for more details on nature in decision making <https://www.value-balancing.com/en/blog-1/why-valuing-nature-matters-for-decision-making.html> and the environmental methodologies by IFVI and VBA for more details on the respective topic methodologies: <https://ifvi.org/methodology/environmental-topic-methodology/interim-methodologies/download-the-interim-methodologies/?submissionGuid=e6dbd4d1-1f62-4e4a-813f-fa9dccaaf8636#interimMethodology> and <https://www.value-balancing.com/en/publications.html>.



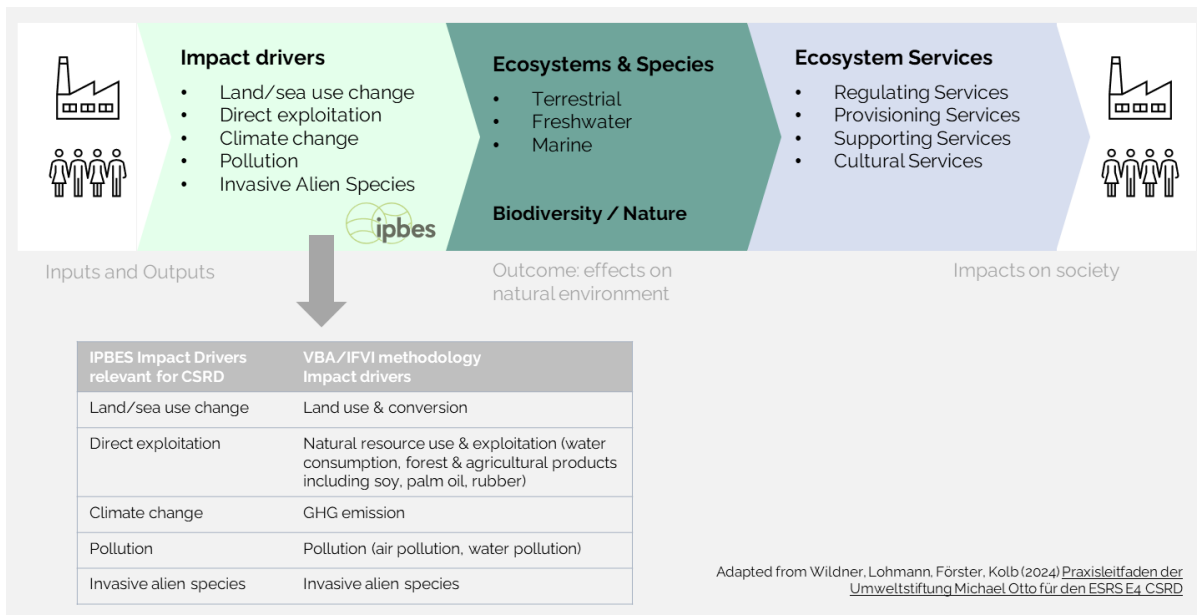


Figure 1: VBA's impact accounting and biodiversity⁵

Are there any differences between the IPBES impact driver framework and VBA impact accounting that users of impact accounting should be aware of?

Yes, there is one conceptual difference that users of impact accounting should be aware of. In fact, the IPBES framework – in particular, the concept of the main five impact drivers affecting nature – is not intended to be an accounting framework but to illustrate how corporate activity can be linked to biodiversity loss. As a result, the impact drivers not necessarily lead to distinct impacts but can interact and overlap in their outcome. For example, cutting down a forest is in scope of the impact driver “direct exploitation” since it directly uses the forest resources (corresponding to the VBA Forest resources use indicator). At the same time, the use of the forest resource can contribute to the conversion of the land to farmland (corresponding to the Land use & conversion indicator). This means that the impacts of the activity of cutting down the forest could be accounted for in resource use and in land conversion resulting from deforestation. Especially the indicators for natural resource use and land use & conversion bear a risk of double counting.

In the context of impact accounting such double counting should be avoided when calculating an impact statement since this may lead to distorted results and biased decisions. However, when using impact accounting as a tool for specific decisions related to resource use or biodiversity loss, assessing impacts from different perspectives can help in better understanding key drivers of impacts and inform decision making at a more granular level.

As a result, users of impact accounts need to be careful which impact pathways or approaches they want to use and communicate at the same time. For example, users may communicate overall land use impacts across different land use types together with water consumption and air pollution impacts, while they want to focus on impacts of particular resource use, when aiming to gain insights into supply chain management for business steering.

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⁵ Wildner, T.M.; Lohmann, K.P.; Förster, J.; Kolb, M. (2024) Naturbezogene Abhängigkeiten und Chancen verstehen: Die Wesentlichkeitsanalyse als strategisches Instrument. Ein Praxisleitfaden der Umweltstiftung Michael Otto für den ESRS E4 der CSRD. Hamburg: Umweltstiftung Michael Otto, URL: https://cdn.prod.website-files.com/63f8dbc6d226549adca272bb/6720af4b63e3ed87da3c0864_241028_UMO_CS RD-Leitfaden.pdf