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# Integrating biodiversity consideration into the financial system

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# My background 😊

- Associate professor in finance and accounting, Lund University
- Program director of Mistra BIOPATH
- Director of SSCEN (Sparbanken Skåne's Center for Sustainable Enterprising)
- Coordinating Lead Author (CLA) of Chapter 5 in IPBES Business and Biodiversity Assessment
- Chairperson for the Swedish Corporate Sustainability Ranking (project with the Swedish business paper Dagens Industri)
- Member of Lund Municipality Climate Council
- Member of Sustainability Forum at Lund University

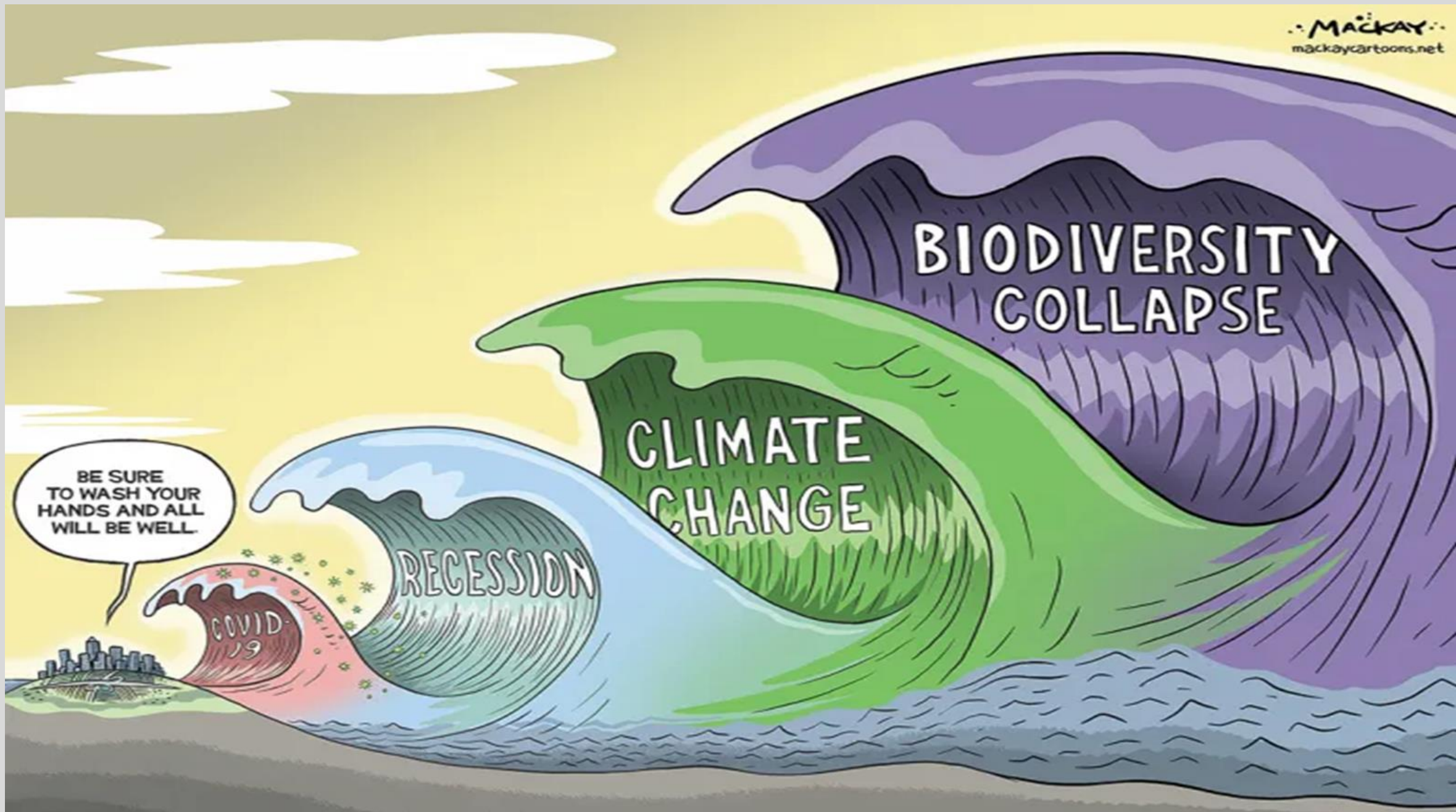


LUNDS KOMMUNS  
KLIMATPOLITISKA RÅD

# The dire state of biodiversity







BE SURE  
TO WASH YOUR  
HANDS AND ALL  
WILL BE WELL

COVID  
19

RECESSION

CLIMATE  
CHANGE

BIODIVERSITY  
COLLAPSE

## Nature, Numbers and the Financial system



- No single indicator like CO<sub>2</sub>
- Goal conflicts between climate and biodiversity, as well as, goal conflicts within biodiversity
- In search of approaches to capture the values of nature
- A multitude of scientific projects, political initiatives and awakened interest from actors in the financial system (asset managers, investors, lenders, insurers)...

## Two fundamental questions

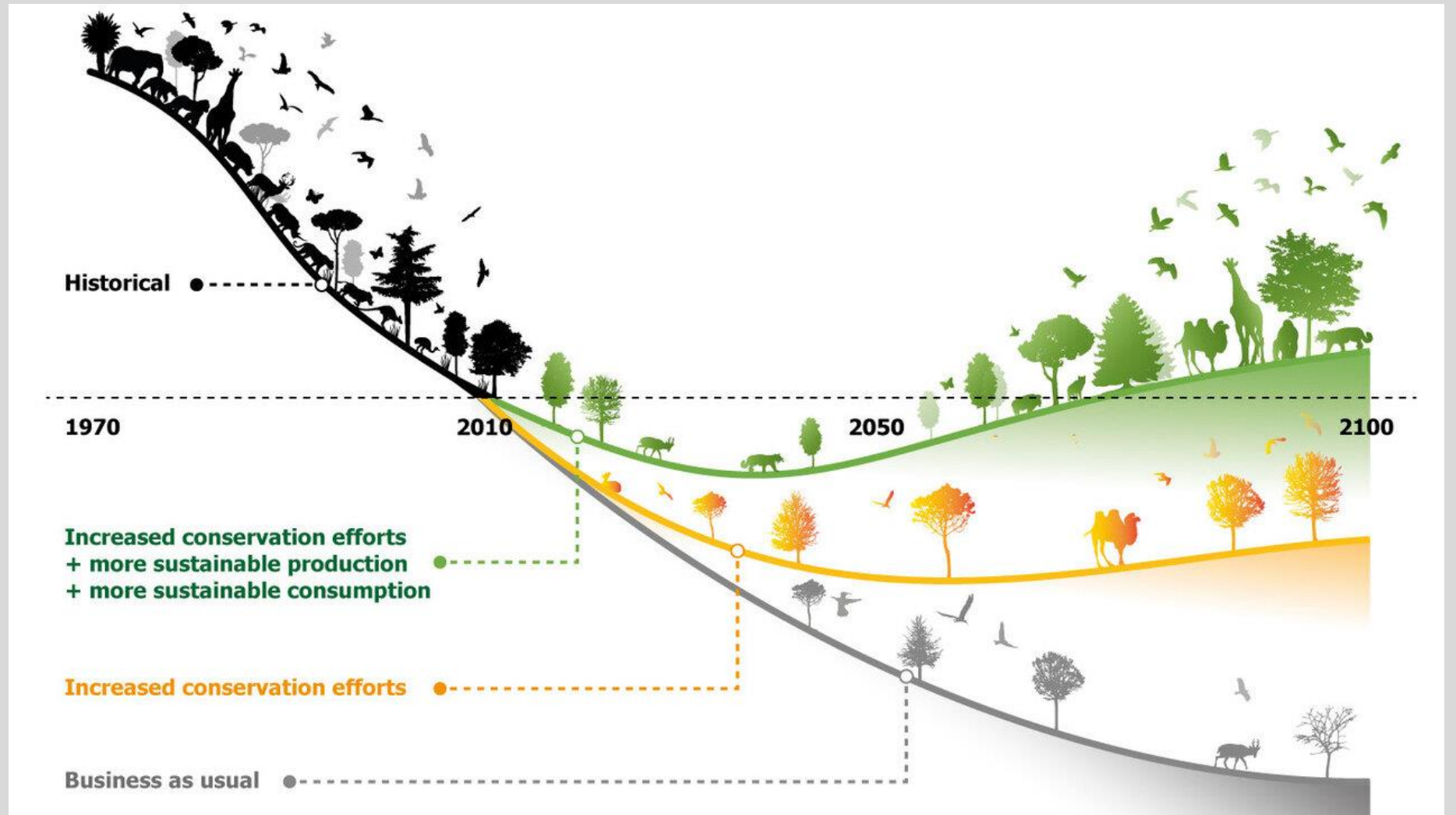


- **Why** a focus on quantifying, monetizing and assigning values to nature?
- **Can** we quantify, monetize and assign values to nature?





# Why?





# Why make Nature's values visible?



- Assigning values to nature can **incentivise nature-friendly behaviour and decision making**
- Nature-related considerations are **only to a limited extent integrated in today's decision making** in industry and the financial system
- This integration is vital to halt and reverse biodiversity loss!





## Can we?



- **Yes!** We can quantify, monetize and assign values to everything
- **The accuracy of it is, however, highly questionable**
- Nature and ecosystems are complex, not static, and depend on numerous interactions.
- The diversity and complexities of ecosystems can probably never be accurately captured in metrics
- **Joint efforts** by biologists and finance experts are needed!

## Wish list!



- Simple applicable metrics that capture the diversity of nature's value and are easily integrated into decision making in both industry and in the financial system.

## The scope of Mistra BIOPATH



- A research programme funded by Mistra
- The research consortium includes:
  - 30 senior researchers and
  - 34 high-profile partners from industry and the financial system
- A budget of MSEK 100



# Academic partners



# Partners from industry, financial sector and public authorities



## PATHWAYS TOWARDS IMPACT

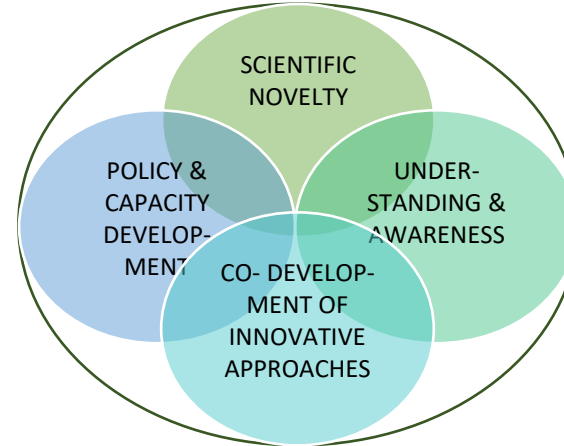
1. Scientific Novelty

2. Understanding & Awareness

3. Co-development of Innovative Approaches

4 Policy & Capacity Building

## SHORT-TERM IMPACTS



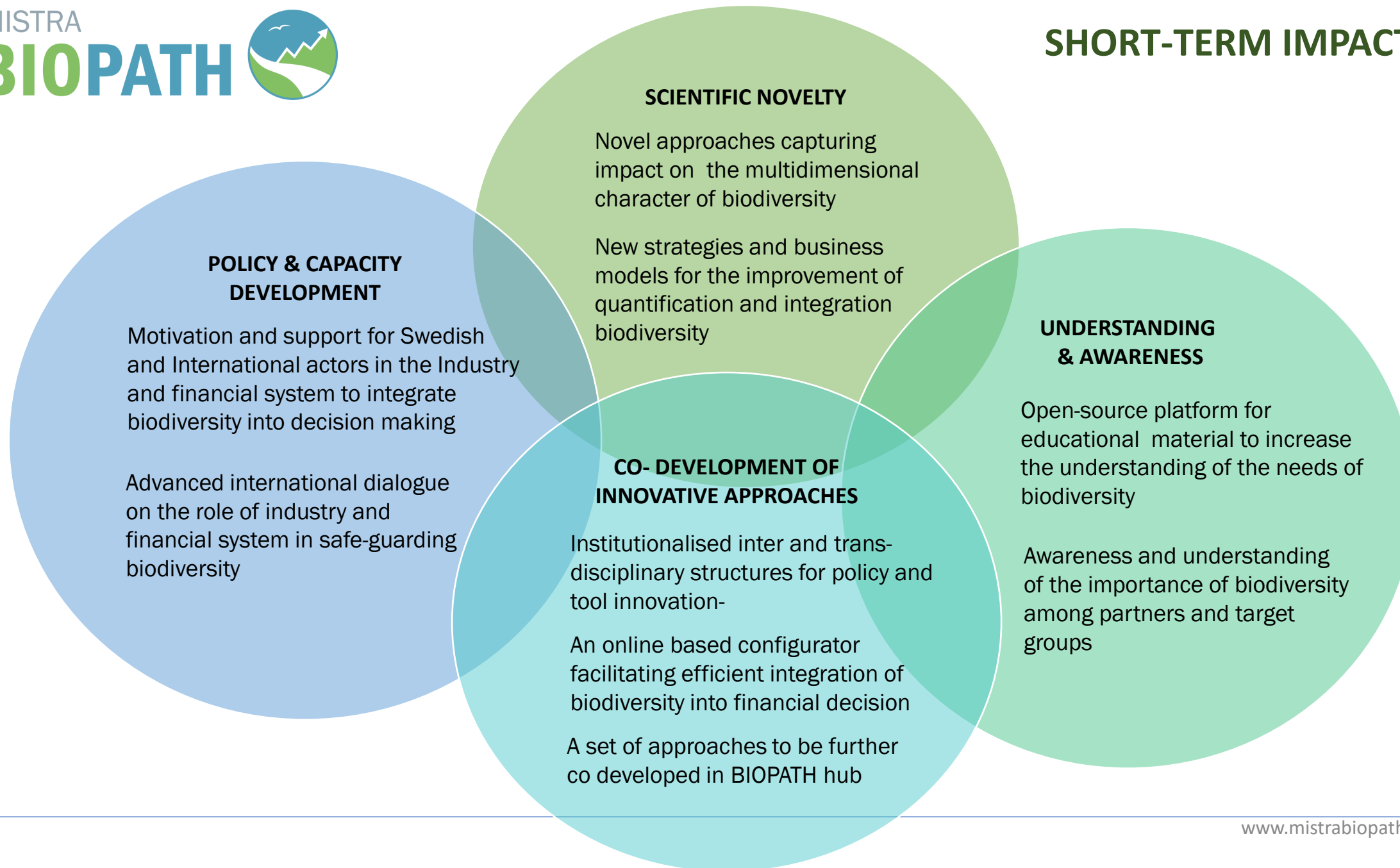
## LONG-TERM IMPACT

An efficient integration of biodiversity considerations in financial decision-making halting and reversing biodiversity loss

Activities → Results → Outcomes

**Impacts** through changed behaviour

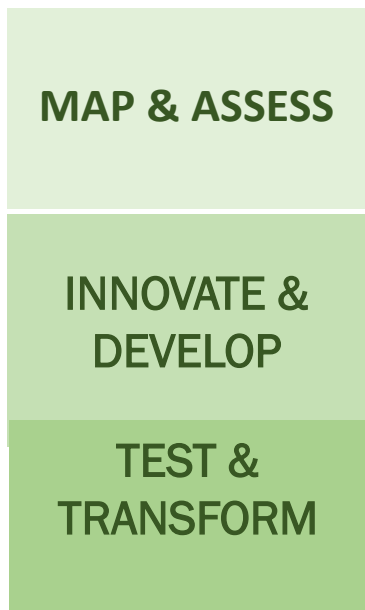
## SHORT-TERM IMPACTS







## CAUSES OF ACTION



WP1 - Quantifying Biodiversity Impact for Industry & Financial system

Critically assess and improve the landscape of biodiversity impact assessment approaches to support financial decision-makers with guidance on their use

WP2 - Integrating Biodiversity Considerations into Financial Decision-making

Improve existing financial decision-making processes in industry and the financial system & develop innovative approaches to leverage the transformative power of the financial system

WP3 - Mainstreaming biodiversity through governance innovations

Critically assess existing governance solutions and analyze the institutional and policy implications of potential transition pathways.

As good and useful as possible



Perfect metrics, indices and methods

**VS**

Simple applicable metrics, indices and methods





Policy shift



Transition finance



Accelerate and redirect financial flows towards sustainable and biodiversity friendly organisations, investments and projects



Place the financial market in the driver seat – new role as push factor in the transformation

READY?

HOW?



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How should **the capital flows** be directed to push for a transformation towards more sustainable organisations and a global sustainable development

Psst. We need value relevant, credible and comparable information on how companies perform on the the different sustainability arenas.

Are our investment and valuation models redy to integrate sustainability-related information?



**Solution?**

EU Taxonomy

TCFD

TNFD

CSRD

"The alphabetical soup"



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EU  
Taxonomy on  
Sustainable  
Activities



Climate change mitigation



Climate change adaptation



sustainable and protection of  
water and marine resources;



transition to a circular economy



pollution prevention and control;



protection and restoration of  
biodiversity and ecosystems.



- As part of the CSRD reporting framework, the European Financial Reporting Advisory Group (EFRAG) has drafted a series of European Sustainability Reporting Standards (ESRS), to give specific disclosure requirements for each topic. **ESRS E4 is titled Biodiversity and Ecosystems.**

Under this set of disclosure requirements, companies will not only need to **assess their impacts on biodiversity, but will also need to have plans in place that guide a transition towards being nature positive by 2050, in alignment with the Post-2020 Global Biodiversity Framework and the EU Biodiversity Strategy for 2030 goals.**



- Taskforce on Nature-related Financial Disclosures
- Nature loss poses a major risk to businesses, while moving to nature-positive investments offers opportunity. The market-led, science-based TNFD framework will enable companies and financial institutions to integrate nature into decision making.
- <https://framework.tnfd.global/executive-summary/v02-beta-release/>





## Research specialists *and* high-profile partners



*“Science needs to come up with quicker and effective solutions for complex grand challenges and analyses of complex systems that call for **crossing departmental boundaries and inter-disciplinarity to generate new knowledge of transformative power.**”*

(EU, 2020: Quests for interdisciplinarity: A challenge for the ERA and HORIZON 2020)

# The way forward towards halting and reversing biodiversity loss



- Good intentions
- Joint efforts
- Regulative guidance
- Development of innovative approaches to support the integration of biodiversity considerations into financial decision making in industry and in the financial system

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MISTRA

# BIOPATH



Pathways for an efficient  
alignment of the  
Financial System  
with the needs of  
Biodiversity

Thank you!