



## **BIODIVERSITY: A SASSY SALES PITCH?**

Biodiversity is a beautiful but complex concept. In the face of the current biodiversity crisis, the value of this complexity in ecosystem dynamics, species richness and genetic diversity is being recognised beyond the 'ecologists niche'. This is a value which we aim to capture in SAIL Ventures' first investment mandate, the &Green Fund.

Unfortunately, complex concepts don't naturally lend themselves to sassy sales pitches. When we try to highlight the impact that our investments have on biodiversity, we quickly find ourselves knee-deep in technical explanations of "wild-fire impact on soil microfauna", "ecological corridors in fragmented landscapes", or "climate-related human-wildlife interactions" etc. . Nuanced stories with many angles and considerations. How do we make this story accessible to a broader audience? How can we make biodiversity a part of our sales pitch? How can we give our investors confidence that their funding is not harming, but driving the preservation of biodiversity?

The answer to those questions, in our view, is two-fold: (1) increasing awareness by putting biodiversity on the global political agenda and (2) creating a common language and transparent tools to communicate about biodiversity, outside of academic circles. In this paper we will discuss these two solutions.

### **PUTTING BIODIVERSITY ON THE AGENDA**

2022 was an important year for biodiversity in finance. Several initiatives were launched to help create awareness of biodiversity in global politics and markets: the Taskforce for Nature-Related Financial Disclosures (TNFD) published their first beta framework; the EU reached (provisional) agreement on an EU Regulation on deforestation-free supply chains; and, of course, it was the year of the historic adoption of a global biodiversity framework at the UN Biodiversity Conference of the Parties in Montreal (COP 15).

These events have each seen a significant increase in participation from, and therefore understanding of, the financial sector over the last few years. At COP 15, SAIL connected with representatives from large banks, investors and other financial institutions, that had travelled to Montreal to learn about the latest developments in policy, technology and voluntary disclosures. We discussed the opportunities and challenges that investors face in realizing a nature-positive investment strategy - with the financial sector fully engaged in the debate.

TNFD<sup>1</sup> provides an important platform to promote this engagement. Through &Green, SAIL Ventures is one of the first asset managers to pilot the TNFD beta framework. Our investment processes, through our proprietary Forest & Biodiversity Framework, align with the TNFD's LEAP<sup>2</sup> Approach to assess nature-related risks and opportunities. We were hosted by the TNFD Piloting Clinic in 2022 to speak about our experience with the LEAP Approach for Financial Institutions at an event that drew over 500 participants in two sessions, signalling a keen interest in biodiversity from the financial sector. While TNFD does succeed in putting biodiversity on the agenda for the private sector, in our opinion it does not (yet) facilitate a simplified common language on biodiversity.

### CREATING A COMMON LANGUAGE

It is a challenge to find a balance between completeness and pragmatism in transaction monitoring. With a complex concept like biodiversity, this balance is particularly hard to strike. It is tempting to list all potentially relevant data points to make sure that all potential impacts are captured. To illustrate this, the TNFD Beta Framework lists over 100 disclosure metrics, each to be reported separately, for an organisation's direct operations, upstream activities, downstream activities and any financed activities.

However, this often clashes with resource constraints (capacity mostly, but also money) at the operator level. It also creates challenges in linking the data to impact afterwards: "How does the pesticide concentration per square meter relate to biodiversity loss?" "What is the link between species density and ecosystem intactness?" New technological

developments, like quick sampling of soil, water, or even aerial DNA, help reduce resource constraints but add tremendously to the complexity of the data analysis. This results in a lot of data – but not a lot of clarity on whether or not an investment is now harmful, helpful or neutral in terms of its impact on biodiversity.

At SAIL Ventures, we work backwards to design our set of biodiversity metrics. Looking at the impact objectives for each transaction, we establish the data points that are relevant to collect (e.g., if we aim to protect forest in a landscape, simple indicators like crown cover and vegetation index already provide a good indication as to where biodiversity is going over time). Metrics should aid business decisions and integrate biodiversity logically into our investment process, as well as in to our client's operational management. For each transaction, we build a comprehensive set of nature and biodiversity baseline disclosures, complemented by transaction-specific metrics. Finally, we look beyond a client's operations to the wider landscape in which they operate. This fits the Fund's internal processes and helps to streamline the data collection and reporting which demonstrate that our investments 'do no harm' to biodiversity but rather provide a net biodiversity gain.

For better communication on biodiversity across the asset management industry, we rely on the standardization and simplification of disclosures – this would make our claims more comparable and would reward those asset managers that make the effort to collect real field data rather than proxies, where cause and effect are only loosely linked. Perhaps the renewed efforts to create a biodiversity credit market may provide an avenue towards the 'unitization' of biodiversity? Although it is

<sup>1</sup> The Taskforce for Nature-related Financial Disclosures (TNFD) was established in 2021 to develop a disclosure framework for organisations to report and act on nature-related risks. It brings together interested parties from the finance and service

sectors in their TNFD Forum, to provide input and pilot the draft framework, and hosts virtual 'clinics' for the Forum community to exchange learnings.

<sup>2</sup> Locate, Evaluate, Assess, Prepare (LEAP)

hard to imagine a few simple metrics (or maybe a single metric?) to capture all facets of biodiversity, it is an essential step towards creating a consolidated, non-expert language that enables the sought-after benchmarking against peers and facilitates the financial sector being able to deploy capital in a biodiversity positive way.

**We see these developments as a keen opportunity to bring our biodiversity impact to life for the investment community. We believe that our strategy to push for conservation, restoration and resilience in tropical landscapes can generate important biodiversity benefits and we continue to look for ways to strengthen those outcomes in our portfolio.**

## SAIL

SAIL Ventures (“SAIL”) is an emerging green alternative asset manager headquartered in The Netherlands. The company was founded in early 2017. SAIL acts as the Investment Manager to the &Green Fund (“&Green”).

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The &Green Fund (“&Green”) is a private structured credit investment Facility that was launched in 2017 with the goal to drive the transformational change of agri-commodity production. &Green’s aim is to shift production models from expansion and deforestation to businesses and supply chains that empower communities and protect forests.

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