ADM CAPITAL FOUNDATION





Accounting for Biodiversity



Working Paper:

Towards measuring and valuing the biodiversity impacts of financial investments



Executive Summary

Over the past sixteen years, ADM Capital Foundation has engaged in research, policy action, and thought leadership on issues relating to nature, climate, and sustainability across Asia. Established by the partners of ADM Capital in 2006, the Foundation has played a key role in supporting the firm's investment activities and Environmental Social Governance (ESG) integration, most recently through its Finance for Nature programme.

ADM Capital is a private credit firm, lending across Asia since 1998, initially starting with distressed assets. At present, the firm manages USD2.5 billion across Asia Pacific and Europe, with sustainability and ESG themes playing an integral part of investment decisions. Beyond Asia Private Credit, the firm manages the private equity Cibus Funds out of London. These series of funds focus on sustainable food, agriculture, and agricultural technology.

While sustainability has been a factor in ADM Capital investment decisions for many years, the funds have not had a clear strategy with regard to biodiversity except in terms of excluding investments that represent bad practice in this regard. Increasingly, particularly through ADM Capital's new ACLF fund, investment team members are looking to invest in companies that embrace good practices relative to biodiversity in an effort to promote environmental and societal benefits. We believe the value of these companies' impact is yet to be priced in.

Through our Finance for Nature programme, the ADM Capital Foundation looks to promote new strategies to execute on biodiversity objectives that can be adopted not just by our parent funds, but also by others. We are constantly looking for new methods and approaches that are both feasible and impactful, including the considerations put forth in this paper. We welcome any questions, feedback, dialogue directed to ashley@admcf.org.

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Executive Summary

The need for biodiversity accounting

Global biodiversity is declining rapidly as a result of human activities and climate change. Without peaking global greenhouse gas emissions before 2025, the world risks crossing irreversible thresholds that could trigger permanent losses in biodiversity and the human systems that rely on them.[5] Impacts range from resource scarcity and lack of food security to public health risks, all of which have the potential to disrupt global supply chains and economic systems. Consequently, businesses and investors face growing operational and market risks.

In light of this, guidance on assessing biodiversity risks and impacts has begun to emerge at the nexus between climate, nature, and finance. This space, however, remains relatively fragmented and without standardised metrics or approaches. There is an urgent need for practical examples of how to quantitatively assess the impacts of investments on biodiversity, the risks that biodiversity loss poses to investments, and subsequently develop nature positive investment strategies: a process that we refer to as **biodiversity accounting**.

Developing and documenting the process

This working paper seeks to close this gap by providing examples of a process towards developing a scientifically robust and practical framework to measure biodiversity impacts and manage nature-related risks. The framework is being developed with a Private Credit application in mind, focusing on investments with a defined location where biodiversity impacts are to be measured. Our aim is to share insights, challenges, and resources that financial stakeholders can apply to inform their own biodiversity approaches. This paper also serves to inform readers on the fundamental concepts of biodiversity, its materiality, and the range of guidance, metrics, and initiatives that are emerging.

Acknowledging that much of the high-level guidance lacks real-world examples of implementation, we provide such an application to exhibit how these metrics are being used for the ongoing development of ADM Capital's **Asia Climate-Smart Landscapes Fund** (ACLF). ACLF is the first in a series of funds under a new climate vertical within the firm. The Fund looks to offers medium-term senior secured lending to SMEs in Indonesia that are engaged in sustainable agriculture, agroforestry, and aquaculture while integrating climate, livelihood, land use and gender equity targets.

Through this real-world application, we showcase a variety of analytical tools and metrics that assess biodiversity under three key pillars: habitats, species, and human activities. Our approach seeks to address the need for globally comparable metrics that can be applied to any investment location, whilst also applying locally-specific and granular data to gain a deeper understanding. Two levels of analysis were employed in our framework:

Level 1: high-level snapshot of biodiversity that applies the same metrics to all projects

Level 2: detailed accounting and monitoring of biodiversity that applies metrics specific to the context of each project, selected and shaped by insights from the Level 1 analysis

Level 1 Analysis

The IUCN's Integrated Biodiversity Assessment Tool (IBAT) platform was identified as a practical and user-friendly way to generate baseline insights about the biodiversity characteristics of an investment project. IBAT was used to calculate:

a) Species Threat Abatement and Restoration (STAR) metrics, which characterise species extinction threats; and

b) IFC Performance Standard 6 (PS6) metrics, which describe the key biodiversity areas, protected areas, and endangered species that lie within the vicinity of the project site.

The Level 1 analysis is quick to execute without a need for technical expertise, and its results can be compared for all projects regardless of geography or investment type – so long as they possess a physically-defined project site. These analytical insights also shape the development of project management strategies that align with the IFC PS 6 and Mitigation Hierarchy principles, particularly the first stage, Avoidance.

Level 2 Analysis

This analysis builds upon the high-level context drawn by the Level 1 analysis with a suite of metrics and indicators that provide a deeper dive into the drivers impacting biodiversity on a local and landscape level. The tools, software, and analyses that are performed at this stage will differ from project to project depending on:

- the availability of local data;
- the way in which the investment affects the surrounding ecosystem; and
- the project's specific biodiversity goals.

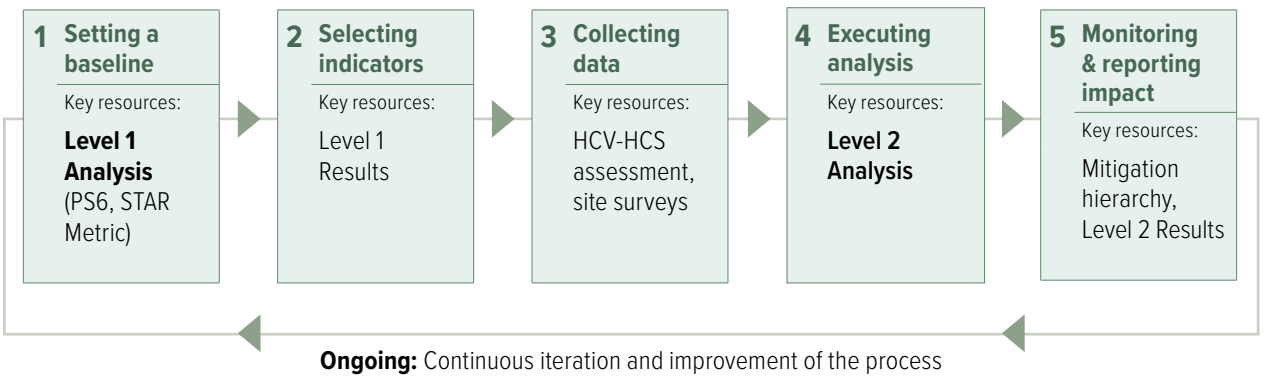
Achieving the level of depth to account for biodiversity at the project level requires companies to devote resources to collecting site-based data through established methodologies, such as the High Conservation Value and High Carbon Stock (HCV-HCS) approach, and working with geospatial data. These capabilities can be enabled through partnerships with local NGOs, academic institutions, or emerging biodiversity tech start-ups, as well as through accessing pools of grant/blended capital that target this sort of support.

Real-world Application

The real-world application presented in this report applies both the Level 1 and Level 2 analyses to serve as a foundation for the ongoing biodiversity accounting process for ACLF. This application demonstrates how the framework can be used to approach biodiversity in investment projects that are still in the pipeline development stage. Without the availability of data collected on site at this early stage, the ACLF biodiversity accounting process relied on the creative use of global datasets and geospatial analyses (e.g., spatial analysis of historical forest cover changes) to quantify biodiversity impacts.

The Level 2 analysis was particularly useful for producing insights to inform key biodiversity management strategies to prioritise during the execution of each project. As these investments mature, they will require the collection of data on-site, through the HCV-HCS approach and others, to set the foundation for future biodiversity monitoring and impact measurement.

Framework development process



Key Recommendations

Our initial framework development and trialling process yields three key recommendations for those seeking to develop their own biodiversity and natural capital accounting strategies:

a) Develop and improve site-base data collection capabilities;

b) Integrate geospatial modelling tools with in-house workflows; and

c) Support and contribute to cross-sectoral dialogues that facilitate the alignment of standards, taxonomy, and frameworks.

Looking forward, we will continue to develop our biodiversity accounting framework in conjunction with the launch and implementation of ACLF. With this initial phase of the framework, the next stages of development will detail the process of measuring tangible changes through the suite of indicators established. In particular, we hope these measurements will translate to quantifying the biodiversity impacts achieved through ACLF.

The approach outlined here is currently only focused on terrestrial ecosystems. Nevertheless, there will also be ongoing development to expand the suite of metrics and techniques to also evaluate and account for freshwater and marine biodiversity impacts. As we continue to document our journey towards enabling a nature positive future, we look forward to engaging closely with other financial sector stakeholders to accelerate positive change.

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