



The OECD Guidelines for Multilateral Enterprises and related due diligence guidance represent internationally recognized and government-backed standards for Responsible Business Conduct and provide a multilateral framework to help companies understand how they can address adverse impacts on people and the planet, including those related to biodiversity.

The role of business in meeting global biodiversity objectives

Biodiversity plays a unique role in long-term business survival and profitability. According to conservative estimates, over half of the world's GDP is moderately or highly dependent on nature and its services. However, environment-related risks and the adverse impacts of companies' operations, supply chains and investment decisions can put biodiversity at risk. For example, production shifts that go hand-in-hand with globalization and international trade can lead to land use change, pollution or to the introduction of alien species, all contributing to biodiversity loss.¹ Recent reports stress that current declines in biodiversity are occurring faster than at any other time in human history, undermining the productivity, resilience and adaptability of nature and thereby posing risks and severe costs to businesses that depend on biodiversity and related ecosystem services. Therefore, while business activities can contribute to biodiversity loss, business dependency on biodiversity also translates into various risks, including ecological risks or adverse impacts, i.e. operational risks related to resource dependency, scarcity and quality, but also liability, regulatory, reputational, market and financial risks.² On the other hand, considering biodiversity can create opportunities, e.g. for the long-term viability of business models, cost savings, increases in operational efficiency, new business models, markets, products and services, increased market share or better relationships with stakeholders.³

At the global level, efforts are being made to counteract biodiversity loss, also taking into account the important contribution of companies in meeting this challenge. The UN Convention on Biological Diversity (CBD) aims to implement a global framework to promote the conservation, sustainable use and equitable sharing of benefits of biological diversity. While the former Aichi Biodiversity targets adopted by the CBD for the 2011-2020 period have not been met, and awareness and knowledge of how to take action on biodiversity related issues remained

¹ OECD (2021), "Biodiversity, natural capital and the economy: A policy guide for finance, economic and environment ministers", *OECD Environment Policy Papers*, No. 26, OECD Publishing, Paris, <https://doi.org/10.1787/1a1ae114-en>.

² OECD (2019), "Biodiversity: Finance and the Economic and Business Case for Action, report prepared for the G7 Environment Ministers' Meeting, 5-6 May 2019", <https://www.oecd.org/env/resources/biodiversity/biodiversity-finance-and-the-economic-and-business-case-for-action.htm>

³ OECD (2019), "Biodiversity: Finance and the Economic and Business Case for Action, report prepared for the G7 Environment Ministers' Meeting, 5-6 May 2019", <https://www.oecd.org/env/resources/biodiversity/biodiversity-finance-and-the-economic-and-business-case-for-action.htm>

limited among business, the post-2020 biodiversity framework is due to be agreed upon at the fifteenth meeting of the Conference of the Parties (COP15) of the CBD.⁴ The first draft of the framework published in July 2021 includes a call for action by business, with Target 15 demanding business of all sizes assess and report on their dependencies and impacts on biodiversity, reduce negative risks and impacts and increase positive action to achieve more sustainable “extraction and production practices, sourcing and supply chains, and use and disposal”.⁵ Further to this, Target 19 asks to increase financial resources from all sources to USD 200 billion per year, to ensure implementation of the Frameworks’ goals and targets. Positive signs of greater business engagement in support of the framework can already be seen, as more than 50 companies recently expressed their joint commitment to responsibly sourcing ingredients from biodiversity as part of the CBD’s Action Agenda for Nature and People.⁶ Further to these trends, the Taskforce on Nature-related Financial Disclosures (TNFD) was established to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. TNFD works to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks and thereby allow financial institutions and companies to incorporate nature-related risks and opportunities into their strategic planning, risk management and asset allocation decisions.

OECD RBC instruments and biodiversity

The **OECD Guidelines for Multinational Enterprises (OECD Guidelines)** are the only multilaterally agreed and comprehensive standard on RBC covering all areas of business responsibility and which include a number of expectations for business that are relevant to environmental objectives and challenges – including biodiversity.⁷ For example, the Environment chapter recommends businesses explore and assess “ways of improving the environmental performance of the enterprise over the longer term, for instance by developing [...] strategies on biodiversity”. All OECD member countries and 12 non-member countries have adopted the Guidelines, representing 61% of global trade and 80% of international investments.⁸

To support implementing the recommendations of the Guidelines and in providing more clarity on ways in which businesses can contribute to environmental objectives across their business operations, supply chains and relationships, the OECD has developed a **Due Diligence Guidance for Responsible Business Conduct** and complementary sector-specific guidance and tools - in particular, the OECD-FAO Guidance for Responsible

⁴ Convention on Biological Diversity (CBD), “Preparations for the Post-2020 Biodiversity Framework”, <https://www.cbd.int/conferences/post2020>

⁵ Convention on Biological Diversity (2021), “First Draft of the Post-2020 Global Biodiversity Framework”, <https://www.cbd.int/doc/c/914a/eca3/24ad42235033f031badf61b1/wg2020-03-03-en.pdf>

⁶ Convention on Biological Diversity (2021), “Leading companies respond to biodiversity loss by committing to the Action Agenda for Nature and People”, *Press Release*, <https://www.cbd.int/doc/press/2021/pr-2021-06-09-business-en.pdf>

⁷ OECD “Environmental Due Diligence and Business Tools to Manage Environmental Risks” (forthcoming)

⁸ The OECD Guidelines also commit adherent governments to set up National Contact Points (NCPs) which are state based non-judicial grievance mechanisms with a mandate to promote the Guidelines and provide a mediation platform for cases of alleged non-observance of the Guidelines by business. The network of National Contact Points for RBC plays a key role in not only resolving cases and promoting the OECD Guidelines, but also facilitating dialogue and progressing the understanding of all stakeholders on the intersections between RBC and evolving areas of risk and responsibility. Although biodiversity may not always be specifically stated, a number of environmental NCP cases concern impacts on biodiversity or biodiversity loss considerations. For more information, see the Working Party paper “The role of OECD Responsible Business Conduct tools and instruments in addressing environmental challenges” (forthcoming).

Agricultural Supply Chains.⁹ In addition, the OECD is currently developing a new OECD-FAO practical business tool on Deforestation, Forest Degradation and Due Diligence in Agricultural Supply Chains to help business better understand how to embed deforestation and forest degradation considerations into global supply chains, including with respect to biodiversity, and implement the five-step framework on due diligence.¹⁰

OECD-FAO Guidance for Responsible Agricultural Supply Chains

Given the potential impact for good and harm that agricultural investments and business activity can have on the environment, the OECD-FAO Guidance for Responsible Agricultural Supply Chains (OECD-FAO Guidance) refers to a number of critical environmental matters including: preventing or minimizing pollution and negative impacts on air, land, soil, water, forests and biodiversity; reducing greenhouse gas emissions; avoiding or reducing the generation of hazardous and non-hazardous waste; substituting or reducing the use of toxic substances; enhancing the productive use or ensuring a safe disposal of waste; ensuring the sustainable use of natural resources; increasing the efficiency of resource use and energy; reducing food loss and waste; promoting recycling; promoting good agricultural practices, including to maintain or improve soil fertility and avoid soil erosion; supporting and conserving biodiversity, genetic resources and ecosystem services; respecting protected areas, high conservation value areas and endangered species; controlling and minimising the spread of invasive non-native species; and increasing the resilience of agriculture and food systems, supporting habitats and related livelihoods in the face of climate change through adaptation measures. The OECD-FAO Guidance also encourages companies to contribute to the development and diffusion of environmentally friendly technologies.

In its due diligence recommendations, the OECD-FAO Guidance recommends enhanced due diligence in 'red flag' contexts, including for example when operating in or sourcing from areas affected by environmental degradation or protected areas (red flag locations), producing or sourcing agricultural commodities with adverse environmental impacts (red flag products) and business partners that have not observed the standards contained in the Guidance or linked to red flag locations or red flag products (red flag business partners). It further encourages businesses to use existing impact and risk assessments such as Environmental Impact Assessments (EIAs) to help identify and assess environment related risks in their own activities and supply chains.

OECD engagement in progressing biodiversity objectives by businesses and investors

The profitability of companies is often highly dependent on nature, translating into dependencies for the financial sector. Currently, nature-related risks for companies, financiers and investors remain poorly understood, largely invisible and mispriced. This includes a lack of assessment, management and disclosure of biodiversity related adverse impacts of investment decisions and material financial risks, which are also caused by data, measurement, and modelling challenges. Nevertheless, embedding biodiversity considerations in business and financial decision-making is necessary to reach a reduction in financial flows and firm level activities that result in harm.¹¹

⁹ OECD & FAO (2016), "OECD-FAO Guidance for Responsible Agricultural Supply Chains", OECD Publishing, Paris, <https://doi.org/10.1787/9789264251052-en>

¹⁰ OECD-FAO Practical Business Tool on Deforestation, Forest Degradation and Due Diligence in Agricultural Supply Chains. <https://mneguidelines.oecd.org/OECD-FAO-practical-business-tool-on-deforestation.pdf>

¹¹ See Chapter 4 "Embedding biodiversity in the financial sector" in OECD (2021), "Biodiversity, natural capital and the economy: A policy guide for finance, economic and environment ministers", *OECD Environment Policy Papers*, No. 26, OECD Publishing, Paris, <https://doi.org/10.1787/1a1ae114-en>

While the OECD Guidelines and related due diligence guidance are influential in underpinning a growing trend of policy initiatives and legislation addressing both human rights and environmental due diligence internationally¹² - capturing biodiversity considerations - no specific practical guidance has yet been developed. The OECD Working Party for Responsible Business Conduct has given high priority to the topic, reflecting the increasing interest in applying due diligence to biodiversity. In 2019, the G7 also underlined the importance of developing due diligence guidance for corporates and the financial sector for biodiversity and has given the OECD a mandate to develop such guidance.¹³ In addition, the OECD recently joined the TNFD Forum, a multi-disciplinary consultative group of institutions that provide global and cross-sector knowledge and experience.¹⁴

In the context of business dependence on biodiversity and the global risks associated with biodiversity loss, the OECD is looking to address policymakers' and business' need for support, including through the provision of new analysis, guidance and stakeholder dialogue. The OECD is working to help business and investors better identify, prioritize, manage and report on biodiversity risks and adverse impacts arising from their portfolios, investments and business decisions, building on existing RBC standards. This work would build on engagement of the OECD Centre for RBC on environmental due diligence, the role of the Guidelines in the context of biodiversity, and the development of relevant practical tools to support business in addressing environmental risks and adverse impacts as result of business operations – including across supply chains.

¹² OECD (2021), "Policy Trends in Environmental Due Diligence", *Briefing note*, <https://mneguidelines.oecd.org/policy-trends-in-environmental-due-diligence.pdf>

¹³ G7 Environment (2019), "G7 Environment Ministers' Meeting Metz, France 5-6 May, 2019, Communique", <https://www.elysee.fr/admin/upload/default/0001/04/7d84becef82b656c246fa1b26519567ce3755600.pdf>

¹⁴ <https://tnfd.global/about/the-tnfd-forum/>