

WWF Biodiversity Risk Filter Methodology

Documentation: Methodological Guidance A, B & C

Introduction and background

Building on the success of the long-standing **WWF Water Risk Filter (WRF)**, WWF launched a new tool in January 2023: the **WWF Biodiversity Risk Filter (BRF)**. **These two tools are available through a single, free-to-use online platform: the [WWF Risk Filter Suite](#).**

To support companies and especially financial institutions, in using the WWF Risk Filter Suite and its tools, **WWF and Climate & Company have developed additional methodological guidance on input data collection and output data aggregation**. The methodological guidance is included in the [WWF Biodiversity Risk Filter Methodology Documentation](#), where also the underlying methodology of the WWF BRF tool is detailed.

The methodological guidance has undergone multiple testing iterations over the last year and has been applied to assess investment portfolios during a pilot test with the project's Investor Group. In addition, **a case study on a financial portfolio with more than 600 listed companies operating across all industries and most geographies was conducted** to highlight how the WWF BRF tool with the support of the methodological guidance can be applied to an equity investment portfolio. The case study is presented in the report [Tackling Biodiversity Risk – A Biodiversity Risk Assessment Guide for Companies and Financial Institutions](#).

This document provides Frequently Asked Questions (FAQs) about the WWF BRF Methodology Documentation's methodological guidance for companies and financial institutions. If your question remains unresolved, please contact fee.reinhart@wwf.ch.

1. What is the WWF Biodiversity Risk Filter Methodology Documentation?

The WWF BRF Methodology Documentation contains broadly two elements:

- the **description of the underlying methodology of the Inform, Explore and Assess Modules integrated in the WWF BRF tool**, including a description of the biodiversity risk assessment framework, underlying structure and data and limitations (see also FAQ on WWF Risk Filter Suite); and
- **methodological guidance**, particularly for financial institutions, to provide support on collecting the required location-specific input data at scale (Guidance A and B) and on aggregating the results of the WWF WRF or BRF respectively to the company and portfolio level (Guidance C).

2. What does the methodological guidance cover?

Guidance A and B provide support for companies and financial institutions on collecting the required input data (i.e., coordinates or address of company and supply chain sites, industry classification of the sites according to WWF Risk Filter Industry Classification, business importance of the sites) for the WWF BRF and WRF Assess Modules.

- **Guidance A** supports financial institutions with collecting the required location-specific data on portfolio companies' operational sites using existing data sources as proxies. It highlights four available data sources (i.e., asset-level data, company structure data, city of headquarters data and disaggregated revenue data), their coverage, advantages and disadvantages, and explains how the required input data can be extracted from them and what workarounds exist in case of missing values. Guidance A also contains an extensive list of open-source and commercial asset-level data.
- **Guidance B** supports companies and financial institutions with collecting location-specific proxy data on (portfolio) companies' supply chain sites. It highlights how they can make use of existing supply chain data solutions and input-output models as a proxy for the required supply chain-specific input data.

Guidance C supports financial institutions on how the output data from the WWF BRF and WRF Assess Modules can be further processed and aggregated to the company and portfolio level to identify hotspot companies within financial portfolios.

3. Where can I find the Biodiversity Risk Filter Methodology Documentation?

The WWF Biodiversity Risk Filter Methodology Documentation including the methodological guidance can be accessed and downloaded in the section [Data and Methods on the WWF Risk Filter Suite platform](#).

The description of the underlying methodology of the WWF BRF Inform, Explore and Assess Modules can be found in the chapters 'Step 0: Scoping the assessment' and 'Step 2: Assessing biodiversity-related risks'. Guidance A and B on the required input data can be found in chapter 'Step 1: Collecting location-specific company and supply chain data' and

Guidance C on aggregating the results to the company and portfolio level in chapter 'Step 3: Aggregating risks to the company and portfolio level'.

4. Who is the methodological guidance for?

Guidance A on location-specific company data targets **financial institutions that want to assess a broad range of portfolio companies** but that have no or limited access to company-reported location-specific information.

Guidance B on collecting location-specific proxy data on supply chains targets **companies and financial institutions that want to do a first assessment of the water- and biodiversity-related risks of supply chains** but have no or limited access to the required upstream location-specific information. However, as existing supply chain data products lack sufficient coverage and as input-output models operate spatially at the country level (instead of address level), both approaches present only a first starting point to assess supply chain risks. To perform a location-specific assessment of biodiversity- or water-related supply chain risk, companies are suggested to engage their key suppliers on the location-specific data required to increase the accuracy of the assessments.

Guidance C on aggregating the location-specific risk scores of the Assess Module to the company and portfolio level is primarily aimed at **financial institutions that want to understand overall company and portfolio risk hotspots and exposure levels**.

5. How does the methodological guidance support companies and financial institutions?

Guidance A helps financial institutions to get an overview of

- available data sources that contain location-specific information on portfolio companies direct operations;
- the coverage, advantages and disadvantages of the available data sources;
- potential workarounds in case missing values occur;
- open-source and commercial data providers;
- recommendations on which data source to use in which context; and
- a case study on comparing different data sources with regards to their coverage and accuracy.

Guidance B helps companies and financial institutions to get an overview of

- the required location-specific data input to assess supply chains;
- two approaches that can be applied to assess biodiversity-related supply chain risks and their advantages and disadvantages;
- step-by-step guidance on using input-output models for a first assessment of biodiversity-related risks in supply chains;
- existing input-output models; and
- proxies for the supplier-customer relationship, indicating the importance of the supplier for the company.

Guidance C helps financial institutions to get an overview of

- how to further process and aggregate the tool output of the WWF BRF or WRF to the company level;
- how to aggregate the company-level results to the portfolio level; and
- different aggregation methods, their advantages and disadvantages and how to interpret the results depending on the aggregation method used.

6. What financial asset classes are covered by the methodological guidance?

The WWF BRF and WRF provide location-specific assessments of biodiversity- and water-related risks across all industries, encompassing the full spectrum of corporate activity. Since the data collection is the responsibility of the user, all asset classes with underlying physical operations (e.g., private equity, listed equity, corporate bonds, real estate or other tangible assets) can be assessed. However, if using the data sources presented in Guidance A to collect the required input data, the coverage will be best for large and listed companies and might have a narrower scope for SMEs.

7. What are the benefits of the methodological guidance?

Location-specific information on (portfolio) companies operational and supply chain sites is not yet readily available or publicly disclosed. This makes it difficult for companies and financial institutions to follow a truly bottom-up approach to assess the exposure to nature-related risks of supply chains or portfolio companies and their suppliers respectively as, for example, recommended by the Taskforce on Nature-related Financial Disclosures (TNFD). To assess nature-related risks, location-specific information is needed, as the importance and state of biodiversity can vary across the location of company and supply chain sites.

In the absence of company-reported location-specific information, Guidance A and B provide an overview on existing data sources and tools that can be used as a starting point to obtain location-specific information on portfolio companies and suppliers.

Most of the data sources assessed are already used by financial institutions in other contexts (e.g., data on the corporate hierarchy, disaggregated revenue data). As a result, financial institutions can work with what they already have. However, to increase the depth and accuracy of the assessment, they are encouraged to look into other data sources (for example asset-level data) and to engage with hotspot companies on the precise location of their operational and supply chain sites.

8. What are the current limitations with regards to financial portfolio assessment?

The methodological guidance is currently not integrated in the WWF Risk Filter Suite tools. Therefore, financial institutions are asked to familiarise themselves with the presented data sources in Guidance A and B to gather location-specific company and supply chain information, which might be time and resource intensive. In the tools, the company sites are analysed individually, and the risks are not aggregated to the company level. Aggregation of company and portfolio risk must be conducted outside of the tool using the tool's export files and Guidance C.

In addition, the WWF Risk Filter Suite tools are mainly aimed at large companies that operate across various locations globally. The more sites users want to assess, the longer the assessment might take to compute the risk scores per site. Therefore, for financial institutions that want to assess a broad portfolio of companies, the assessment might take some time to calculate the individual risk scores.

For specific limitations of the underlying methodology of the Biodiversity Risk Filter tool and the methodological guidance, please see [WWF BRF Methodology Documentation](#).

9. What is the case study and where can I find it?

The case study examines biodiversity risks of an investor portfolio of over 600 global listed companies operating across all industries. The aim of the case study was to showcase how with the help of Guidance A location-specific information on portfolio companies own operations can be gathered at scale to input in the WWF BRF Assess Module and how its results can be aggregated to create company or portfolio overviews following Guidance C. The case study thus visually illustrates the usability and capacity of the WWF BRF tool and methodological guidance to conduct biodiversity-related risk assessments of broad financial portfolios.

The case study is presented in the report [Tackling Biodiversity Risk – A Biodiversity Risk Assessment Guide for Companies and Financial Institutions](#).

10. What data sources have been used to conduct the case study?

To obtain the required location-specific input data for running the WWF BRF Assess Module (i.e., longitude and latitude or address of sites and the industry classification of sites) and to further process and aggregate the results of the tool (i.e., the business importance of a specific site), asset-level data from the [Spatial Finance Initiative](#) was used for cement companies, and corporate structure data from [FactSet's Data Management Solutions](#) was used for all other industries.

The sample of 605 listed companies was selected from the MSCI All Country World Index (MSCI ACWI). The MSCI ACWI was used because it includes companies in both developed and developing countries, making it more representative of a global landscape that includes heterogeneous biodiversity risks. The 605 companies were selected to cover all industries and most geographies to show the applicability of the WWF BRF to all industries and across all geographies.

11. Can WWF help me? Can I partner with WWF?

Yes, the WWF Risk Filter Team can provide basic technical support on use of the tool to more tailored expert support for partners.

By partnering with WWF, we can deliver bespoke risk assessments to help you better understand your risks and prioritize on what and where it matters the most to take action. If you are interested to partner with WWF for tailored expert support, please contact us at riskfilter@wwf.de.



Frequently Asked Questions

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For questions unanswered related to the methodological guidance, please send your question to fee.reinhart@wwf.ch.