

# The role of investors in fighting biodiversity loss

Biodiversity is declining at an alarming rate and this is mainly due to human activity. Companies generally underestimate their impact on biodiversity and their dependency on it. To address biodiversity loss, investors need to better understand and estimate these matters.

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Biodiversity is essential for the well-being of our societies and for a healthy economic system, as it provides fundamental life-support functions. It is estimated that \$ 44 trillion<sup>1</sup> of economic value generation, over half of the world's GDP, is dependent on biodiversity. Food security, health and well-being are also fundamentally dependent on biodiversity: most of its resources are non-replaceable. For example, land and ocean absorb around 60% of greenhouse gas emissions, over 75% of crops rely on animal pollination, around 4 billion people rely primarily on natural medicines, and 2 billion people



rely on wood as their primary energy source.<sup>2</sup>

Biodiversity is declining at an unprecedented pace, mainly due to human activity. This alarming rate of biodiversity decline has reached unprecedented levels in such a short space of time compared to other periods of mass extinction. Changing land and sea use, unsustainable rates of natural resource extraction, climate change, pollution, and the rise of invasive species, have caused biodiversity to decline sharply. These drivers are fueled by societal norms and behaviors such as patterns of production and consumption, trade, technological advancements, and local and international governance. Human activity has significantly altered 75% of terrestrial and 66% of marine environments.<sup>3</sup> This loss in biodiversity is known as the 'sixth mass extinction', which reveals the extent of the phenomenon that we are currently facing.

## What role can investors play in fighting biodiversity loss?

It is estimated that annual global investment in biodiversity conservation and restoration will need to reach a total annual \$ 536 billion by 2050. Current annual global expenditures for biodiversity conservation fall heavily short of that, amounting to \$ 133 billion.<sup>4</sup>

In December 2022, the Kunming-Montreal Global Biodiversity Framework (GBF) introduced clear targets for biodiversity, among them the ambition to protect and conserve 30% of land and oceans by 2030. Countries also agreed to mobilize a minimum of \$ 200 billion per year from both public and private funds, and to raise \$ 30 billion per year from developed nations to benefit developing countries. These announcements represent a step in the right direction as investment needs are mas-

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sive and must come from both the public and private sectors.

In light of these commitments, there is a need to better understand how companies impact and depend on biodiversity, in order to direct investments towards biodiversity preservation and conservation. For this, companies must provide dedicated information in order for investors to better consider biodiversity related risks and opportunities in their investment decisions. Biodiversity disclosure will help drive capital allocation from biodiversity harming activities to those limiting negative impacts or even providing solutions. It will also contribute to the assessment of physical and transition risks in investment portfolios. Key biodiversity linked elements, such as climate, water, pollution, and resource use, need to be properly accounted for as a foundational element of corporate environmental strategy.

For investors, being able to assess their portfolios’ biodiversity impacts and dependencies is particularly important in light of the recently introduced disclosure requirements (for example the SFDR). As of today, there are significant hurdles to effectively account for biodiversity, such

as challenges around data measurement and a lack of clear standards and guidelines for reporting. However, this complexity should not be an excuse for inaction. There are some emerging targets and frameworks, such as Taskforce on Nature-related Financial Disclosures (TNFD) and the Post 2020 Global Biodiversity Framework, which seek to provide corporates with more guidance on how to accelerate action to address biodiversity loss. There are also developments regarding biodiversity data, with metrics increasingly available such as the Mean Species Abundance (MSA) that help to measure biodiversity footprint. However, the process is still evolving and there is a long road ahead.

Last but not least, financial actors can also play an important role in fighting biodiversity loss by making it one of the key priority areas for engagement with investee companies. As shareholders in those companies, investors are well-placed to influence corporate’s strategies and draw attention to specific issues. For example, our organization launched an engagement campaign dedicated to biodiversity strategy in 2021 to help companies address biodiversity risks. The initial pool included 56 companies and in 2022, we grew our

biodiversity strategy dedicated engagement pool, expanding to 92 issuers.<sup>5</sup> The expansive nature of the initial engagement sample meant that we could identify best practices within and across sectors and geographies, and use this as guidance for companies.

Time to act is running out. Biodiversity is the core of the well-functioning of our society, and without a defined strategy and collaborative approach to combat the complexities, biodiversity loss will be irreversible. With the momentum developed by the Kunming-Montreal Global Biodiversity Framework in 2022, and with the TNFD this year, corporations have the opportunity to shift the needle in their focus when approaching biodiversity preservation, government bodies have a window of opportunity to collaborate with businesses to halt biodiversity loss in their respective fields, and financial actors have to scale up their investments in biodiversity-related solutions as well as engage with companies to support them in their understanding of the matter. ■

- [https://www3.weforum.org/docs/WEF\\_New\\_Nature\\_Economy\\_Report\\_2020.pdf](https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf)
- <https://zenodo.org/record/3553579# and https://www.who.int/europe/publications/i/item/9789289055581>
- [https://www.oecd-ilibrary.org/environment/biodiversity-natural-capital-and-the-economy\\_1atae114-en](https://www.oecd-ilibrary.org/environment/biodiversity-natural-capital-and-the-economy_1atae114-en)
- <https://www.unep.org/resources/report/state-finance-nature-g20-report>
- To note: In 2022, 344 companies were engaged with on natural capital preservation in general.

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## SUMMARY

Biodiversity is declining at an unprecedented pace mainly due to human activity.

The UN Environment Programme (UNEP) estimates that annual global investment in biodiversity will need to reach \$ 536 billion by 2050.

Financial actors can and must play an important role in fighting biodiversity loss.

Despite challenges around data measurement and a lack of clear standards for reporting, financial actors can make biodiversity a key priority area for engagement with investee companies.