Deploying an ambitious biodiversity strategy

Biodiversity funding must increase every year to reach the 2030 zero loss target set by the UN Global Biodiversity Framework. Hadrien Gaudin-Hamama, Impact & ESG specialist at Mirova, explains the challenges investors are facing regarding biodiversity, and the crucial role they play in acceleration actions.

By *our editorial team*

What is behind the need to increase funding for biodiversity?
'Our planet's natural heritage is the result of the living world's gradual evolution since the first organisms appeared more than 3 billion years ago. Biodiversity, the living fabric of the Earth, is an extremely complex assembly of parts. As fragile as it is varied, the balance of the world's biodiversity is now under serious threat. Nearly 70% of wild vertebrate species have disappeared over the last 50 years[1] and 1 million animal and plant species are now endangered.[2] Through deforestation, urbanisation, pollution, overexploitation[3] and other pressure drivers, human activities are endangering the natural wealth of our planet.'

Why should biodiversity be a focus for investors?
'Like climate change, the decline in biodiversity is threatening our activities, lifestyles and, ultimately, our very survival. Food production is currently on an unsustainable pathway and current agriculture practices, which are the main pressure drivers on biodiversity, are jeopardizing the capacity of agriculture to sustainably feed the world. Degradation of soil threatens essential ecosystem services such as water regulation and filtration, which reduces resilience to climate change.

Ecosystems are key carbon sinks, and their restoration by food sector corporates willing to insert their impact, can play a significant role in the path towards emissions neutrality by 2050 and achieving net zero biodiversity loss by 2030.

In strictly economic terms, 55% of global GDP depends directly on biodiversity[4] being in a healthy state. Additionally, biodiversity erosion induces transition and physical risks that can materialize as immediate profit loss for investors, but also as systemic risks affecting financial market stability.

Achieving zero biodiversity loss by 2030 requires a rapid systemic change in the way humanity produces and consumes. In this regard, active selection of assets can play a major role.'

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What are the responsibilities as investors?
'We believe private investors have a key role to play in accelerating the momentum of biodiversity action by allocating capital to support companies that provide solutions.

The World Bank's nature stress tests highlight three priority actions. The first, reducing detrimental subsidies,[5] is the prerogative of governments. The other two are in the hands of private sector: remunerating natural assets owners to avoid land conversion, and investing in research on agriculture. To achieve this and reach the 2030 zero loss target, the financial sector needs to mobilize to reach a $ 200 billion funding target.

The bulk of the required funding will need to be directed, through equity investment, to agriculture transition (54%), urban environment (10%) and fisheries and forest maintenance (6%). Other activities, such as conservation, mitigation of invasive species and coastal restoration, require 30% of the total funding and can be addressed through other asset classes.'[6]

What are your concrete actions as an investor in sustainability?
'In response to such huge investment

‘Private investors have a key role to play in accelerating the momentum of biodiversity action.’

requirements, we have been reviewing our sustainability methodologies while aligning with regulatory frameworks. To illustrate this, our portfolios’ compliance with SFDR article 9 ensures a clear definition of positive impact, which is reflected in our sectoral ESG methodologies.

Our focus is on companies that contribute to reducing pressures on biodiversity through circularity improvement, pollution reduction, and climate change mitigation, including sustainable land uses through synergies with sustainable forestry. Deployment of ‘do no significant harm’ criteria supports risk reduction. As material sectors such as agriculture are insufficiently covered by the taxonomy, we are filling the gap through an internal taxonomy of positive impact, designed to converge with future taxonomy updates.’

Is there a roadmap for biodiversity investment?

‘There are a growing number of targets, frameworks, standards, commitments, and recommendations around the world that guide the finance sector in integrating biodiversity considerations.

The best known of these is probably the GBF, the Global Biodiversity Framework, which was agreed at the 15th Conference of the parties to the Convention on Biological Diversity in Montreal in December 2022. It was signed by nearly 200 countries and a large chunk of the business and finance sector. It has since become widely known as the ‘Paris Agreement’ for Biodiversity. It sets six over-arching targets to which we have committed to the three which are most relevant to equities and bonds: recognizing the role of nature-based solutions for climate mitigation – which is relevant for forestry and food companies, reducing the footprint of large companies, and mobilizing additional finance for biodiversity.’

What is your starting point for making a positive impact on biodiversity?

‘Our biodiversity approach contributes to the Convention on Biological Diversity’s objective of halting and reversing biodiversity loss by 2030, while remaining consistent with the <2°C climate scenario set out by COP15 in Paris.

To stop and reverse biodiversity loss, we adopt the mantra set out by the Science Based Targets for Nature – also known as the mitigation hierarchy: avoid, reduce, restore.’

How do you measure a company’s impact on biodiversity?

‘The complexity of measuring biodiversity is a significant hurdle for investors who want to integrate nature-related metrics in their analysis. The need for clear global standards and guidelines has resulted in new indicators. Adopting a parallel approach to climate, where the main indicator is greenhouse gas emissions, researchers have established the Mean Species Abundance, or MSA, as a standard to measure biodiversity.

MSA is a biodiversity indicator expressing the average abundance of native species in an ecosystem compared to their abundance in undisturbed ecosystems.’ ■

1 Source: https://livingplanet.panda.org/
2 Source: https://www.ipbes.net/sites/default/files/2020-02/ipbes_global_assessment_report_summary_for_policymakers_fr.pdf
3 Source: https://royalsociety.org/topics-policy/projects/biodiversity/human-impact-on-biodiversity/
4 Source: https://www.pwc.com/gx/en/news-room/press-releases/2023/pwcboosts-global-nature-and-biodiversity-capabilities.html
5 Subsidies which have been identified as environmentally harmful
6 Source: https://www.climatepolicyinitiative.org/wp-content/uploads/2021/10/Global-Landscape-of-Climate-Finance-2021.pdf

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SUMMARY

Biodiversity funding must increase every year to reach the 2030 zero loss target set by the UN Global Biodiversity Framework.

Bridging the financial gap is challenging. The financial sector needs to mobilize to reach the $ 200 billion target.

Private investors have a key role to play in accelerating biodiversity action by allocating capital to support and engage with companies that provide solutions.

Equity investment enables rapid financing of solutions that reduce pressures on biodiversity across the value chain.

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