

Biodiversity – to be or not to be!

Efforts to combat biodiversity loss are gaining momentum. Developments have not gone unnoticed at CFA Society Netherlands, which organized a seminar to dive deeper into what is happening and what can be done.

Human activities – such as land and sea use change, exploitation, climate change, pollution, introduction of invasive species – have rapidly deteriorated biodiversity, impacting global GDP and posing risks to investors. Biodiversity loss and climate change exacerbate each other's negative impacts. The economic implications are substantial, with over half of global GDP depending on high-functioning biodiversity, and ecosystem degradation costing over \$ 5 trillion annually.

Alice Sireyjol, Deputy Head of ESG Development at Amundi, stresses: 'With a global 69% decline since the 1970s, the world is facing a sixth mass extinction, caused by humans. Biodiversity loss represents a significant impact and risk for our society and global economy.' Sireyjol offers several pragmatic perspectives for investors: 1) It is key to invest in solutions as well as in the transition. 2) Investments should be made towards both listed and unlisted companies to be holistic on biodiversity. 3) Biodiversity approaches should continuously improve based on the best available methods. 4) Stock picking for portfolios shouldn't be based solely on data but should be combined with a top-down and bottom-up approach. 5) Active engagement is fundamental for a transition on biodiversity.

Simona Kramer, Senior Portfolio Manager Socially Responsible Investing at pension fund Rail & OV, looks at the strategic implications from an asset owner perspective: 'Biodiversity is becoming an increasingly relevant topic for pension funds. There is more guidance on biodiversity integration,

target setting, reporting and active ownership. There are even new investment products being introduced for this. This is a positive development, because the uptake of biodiversity is faster than that of climate change. Nevertheless, data and frameworks available now address biodiversity loss in a silo and do not really look at the interaction with climate change, or the impact of these two crises on people and communities. Hopefully, this is an area that will gain more focus in the future.'

Jeroen Bos, Global Head of Equity at AXA Investment Managers, shares his experiences on how to implement biodiversity in a global listed equity portfolio: 'One can use four different ways of approaching biodiversity in investing. First, invest in companies that have a low negative impact on biodiversity through their operations, and hence such a portfolio will have a low biodiversity footprint. Second, construct a portfolio of companies that provide solutions to help society transition to a lower biodiversity impact society. Such a portfolio can clearly be very different from a low biodiversity footprint portfolio. Third, construct portfolios that invest directly in natural capital itself to help protect and restore biodiversity. Fourth, one can simply integrate material biodiversity aspects in security selection, portfolio construction and active ownership (voting & engagement). The different options will result in different ways of making an impact as investors.'

Listening to these experts, my conclusions are: start now with incorporating biodiversity into (strategic) investment decisions, do not wait until 'perfect' data is available for decision making or reporting. Investing in solutions can deliver good returns and might be the preferred way. However, the risks and costs involved should be considered and justified. Biodiversity loss or gain makes a huge difference for the future of humanity, both economically and socially. ■



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