Rathbone Greenbank Review

Biodiversity and business

23rd Annual Investor Day 2020

Darren Moorcroft
Woodland Trust

Annelisa Grigg
Globalbalance

Ed Ellis
IBAT Alliance

Krystyna Springer
ShareAction

Sophie Lawrence
Rathbone Greenbank Investments

Yadvinder Malhi
British Ecological Society

Rathbones
Look forward

Contents

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The views expressed are those of the speakers and do not necessarily reflect the views of Rathbone Greenbank Investments.

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Welcome to the Spring 2021 edition of the Rathbone Greenbank Review

This has been a year of unprecedented challenges, touching some more than others. While as a business, we have been fortunate to continue relatively as normal, we would like to offer our sympathy to those of our readers who have been directly or indirectly affected by the pandemic.

We had hoped to meet as usual for our annual Investor Day in June 2020, but it eventually took place online in October – the first time we have held a virtual event of this kind. With over 450 guests joining us, our expert speakers offered their insights on the theme of 'biodiversity and business'. Live contributions from our audience then fed into a discussion on what needs to happen to reverse the worrying trend of biodiversity decline.

In 2019, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services conducted the most comprehensive study on the state of the natural world – and its findings were frightening: up to one million species are threatened by extinction.

As Professor Sir Partha Dasgupta's recent report on '*The Economics of Biodiversity*' has highlighted, biodiversity and the natural world provide us with ecosystem services that are critical to our economy and our society.

Habitat clearance for agriculture is a significant contributory factor, along with pollution, the importation of invasive species, climate change and increased marine exploitation – all have combined to create a vicious cycle of biodiversity loss. Our intricate relationship with nature has come to the fore during the ongoing pandemic, with scientists connecting our disregard for nature to the emergence of the SARS-CoV-2 virus. So, it's never been more important for us to understand the causes of biodiversity loss and to act to reduce them.

Evidence suggests that few investors have a comprehensive understanding of biodiversity's relationship to economic stability. Barriers to this include the absence of agreed biodiversity measurement methodologies, a dearth of corporate data and the lack of any internationally agreed and binding goals similar to those embedded in the Paris Agreement on climate change.

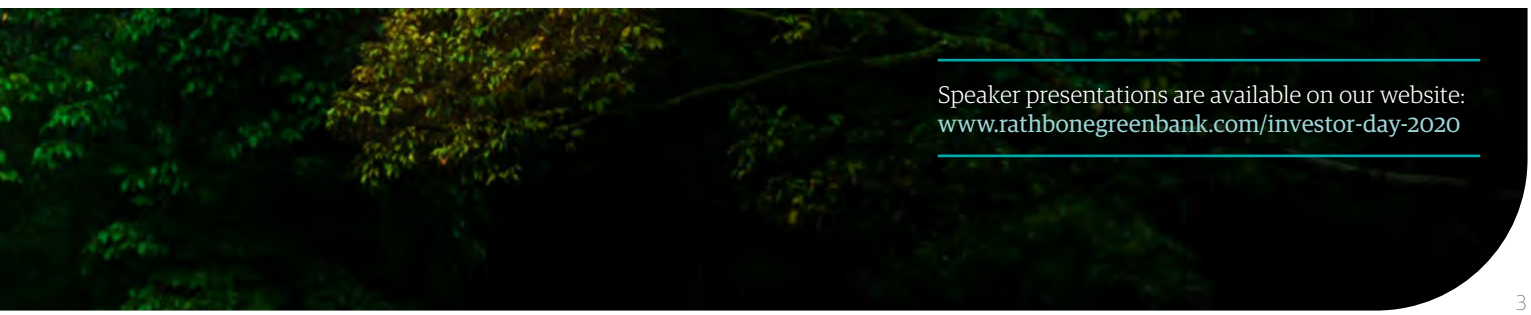
Nevertheless, there is scope for investors to create a new biodiversity narrative by emphasising the links to climate change, engaging with evolving metrics and supporting regulatory initiatives. This is why, in November 2020, Greenbank signed the Finance for Biodiversity pledge, committing to collaborate and share knowledge with other institutions, engage with portfolio companies and assess the impact of our investments on biodiversity. Signatories to the pledge will also call on global leaders to agree on effective measures to reverse nature loss this decade at the upcoming Conference of the Parties to the Convention on Biological Diversity, due to take place in China in May 2021.

Engagement with business is essential to promoting a nature-positive economy. Encouragingly, businesses are showing increased sophistication in their biodiversity management and a greater willingness to commit to net positive impacts. Progress is also being made in developing biodiversity metrics, business incentives and reliable datasets – but there are limitations.

As ethical, sustainable and impact investors, it's vital that we understand the impact that the companies we invest in have on biodiversity and that we engage with them effectively to bring about long-lasting and beneficial change. Additionally, we believe that those companies that are best placed to manage their biodiversity impacts and dependencies could present attractive opportunities for investors seeking sustainable long-term returns.

There is no doubt that the continuing loss of our natural biodiversity poses systemic risks to both the global economy and the wellbeing of our planet. Urgent action is required by investors, individuals, businesses and policymakers alike as time is not on our side.

John David
Head of Rathbone Greenbank Investments

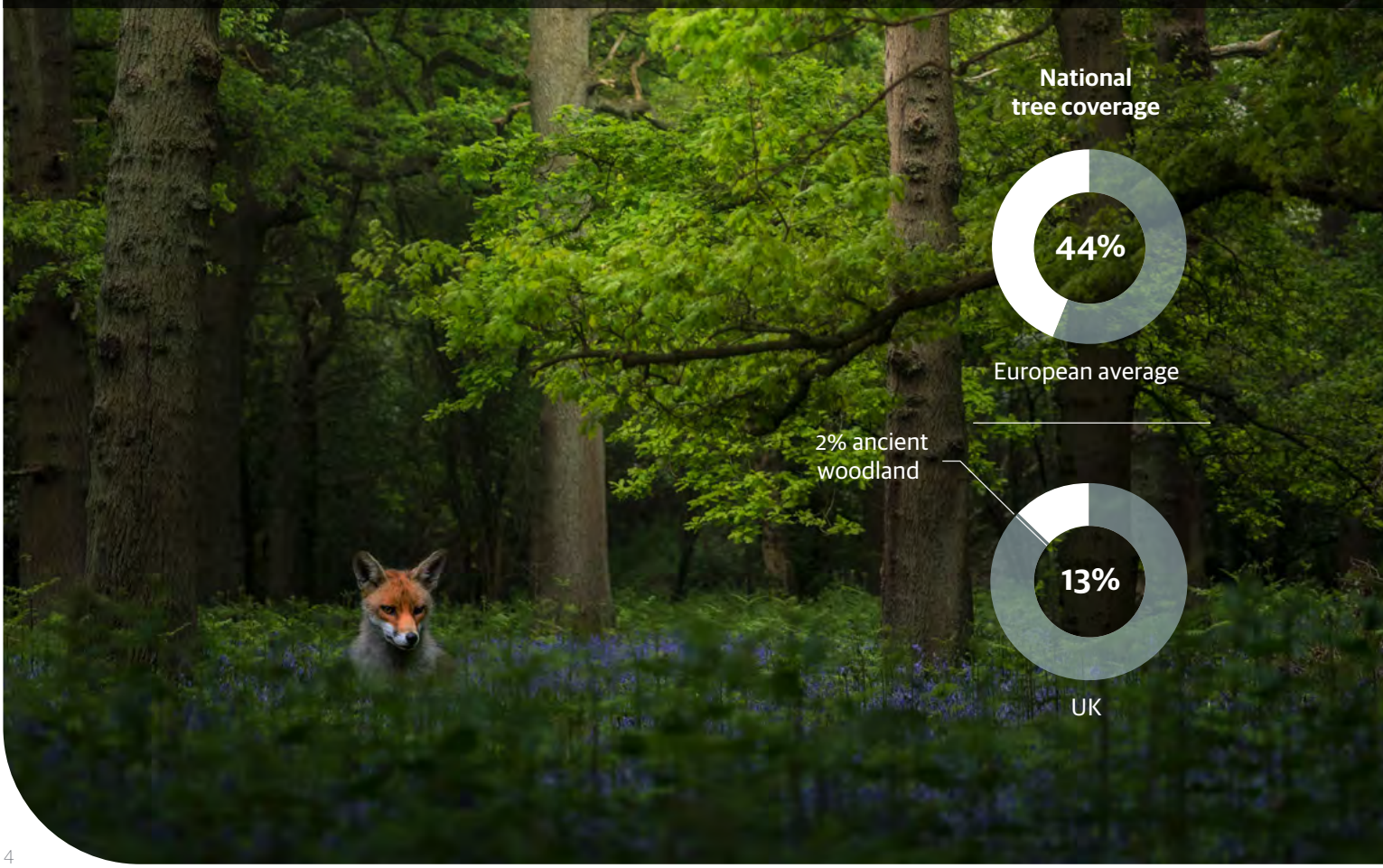


Speaker presentations are available on our website:
www.rathbonegreenbank.com/investor-day-2020

Darren Moorcroft
Woodland Trust

Darren Moorcroft is CEO of the Woodland Trust, the UK's largest woodland conservation charity. Supported by over 500,000 members of the public, the Trust has planted more than 50 million trees nationwide since its establishment in 1972. Recognising the value of nature to social wellbeing, the Trust ensures that every one of its 1,200 woodland sites are free to access.

"The Woodland Trust's core vision is to make a UK rich in native woods and trees a reality. Creating new and preserving existing woodlands is essential for biodiversity to thrive and important for people to enjoy reconnecting with nature. The protection and restoration of ancient woodlands is particularly important as they nurture and support a rich diversity of native wildlife; these long-established habitats are the crown jewels of the natural world.



Accelerating this vision to restore natural habitats and counter biodiversity loss will also help to combat a growing, observable climate crisis. Nature's greatest weapon in this multidimensional fight is the tree. A single mature oak can absorb a considerable amount of atmospheric carbon annually while also supporting around 2,300 different plant and animal species. Last year, the Trust wielded that weapon in earnest, planting 5.7 million trees across the UK with its corporate partners. Around 1.2 million were planted with schools, businesses and wider communities, giving a cross-section of society the opportunity to take an active part in nature restoration.

The Trust's vision is also evolving with a palpable shift in public and business attitudes towards climate change and biodiversity loss. After landmark recommendations by the UK Committee on Climate Change to target nationwide net-zero greenhouse gas emissions by 2050, part of the government's response was to commit to expanding UK tree cover from 13% to 19% over the same period. This is equivalent to an additional 30,000 hectares of UK tree cover every year to 2050. The significance of this commitment was highlighted soon after when a report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) warned that around one million global species were at advanced risk of extinction.

The UK government's commitment to the Leaders' Pledge for Nature ahead of the UN Summit on Biodiversity in September 2020 was particularly encouraging as we are one of the world's most nature-depleted countries. The UK is also the second least-wooded country in Europe – our 13% tree cover sits well below a European average of 44% and only 2% of that is ancient woodland. The government has also recently targeted the protection of 30% of the country's land for nature by 2030. This scale of conservation will shape new strategies for land use and management and protect many of the natural resources and materials supporting businesses and the wider economy.

Commitments like these from political actors will help to restore nature and sustainably integrate natural systems into our business models. Building back better means having to build nature back better too, so trees should feature prominently in any green recovery proposal. Healthy and diverse species are important symbols of a habitat in balance which of itself does so much to support social wellbeing. A greater appreciation of nature's capacity to inspire and raise public spirits was felt throughout the recent national lockdowns. People are increasingly engaging with the Trust's sites and other natural spaces, either by direct contact or via remote connections.

Nature is a solution that creates real and diverse value. Restoration is by no means an inexpensive process, but it's essential to preserve that value and maintain a delicate balance. Just as native trees are a powerful weapon in the fight against climate change, they are nevertheless highly vulnerable to its consequences. This is not least due to the increasing spread of imported pests and diseases. Where Dutch elm disease once accounted for the destruction of 60 million UK trees, ash dieback now threatens twice that number with an estimated cost to the public of £15 billion. The oak processionary moth is one example of an imported pest which has necessitated the destruction of large numbers of infested trees. In response, the Trust has championed the UK and Ireland Sourced and Grown Assurance Scheme (UKISG) which works to improve national biosecurity by establishing the provenance of tree stocks prior to planting.

> For the Trust, business partnerships mean that programmes of scale can become a reality.

Investing in trees and woodland conservation also represents a significant business opportunity. The planting of 30,000 hectares each year to 2050 means the procurement, planting and servicing of hundreds of millions of native trees. Companies are building partnerships with the Trust as they recognise the value of nature in supporting their supply chains, mitigating their environmental impacts and protecting their properties and operations from floods and other associated climate risks. For the Trust, business partnerships mean that programmes of scale can become a reality. One example is its Northern Forest project, bringing 50 million trees to the north of England, greatly increasing its current 7.6% tree cover and generating £2.5 billion of social, economic and environmental benefits in the process.

So much of what a thriving society and economy needs is underpinned by nature. The right tree in the right place is crucial to ensure we act in the right way, and create the right conditions for a productive and sustainable future.”

Annelisa Grigg
Globalbalance

For over 20 years, Annelisa Grigg, director of Globalbalance, has helped companies and civil bodies navigate the risks and opportunities associated with biodiversity loss. Through specialised guidance and the development of impact assessment tools, Annelisa is educating businesses on how their attitudes to nature will affect wider society and determine their capacity for future growth.

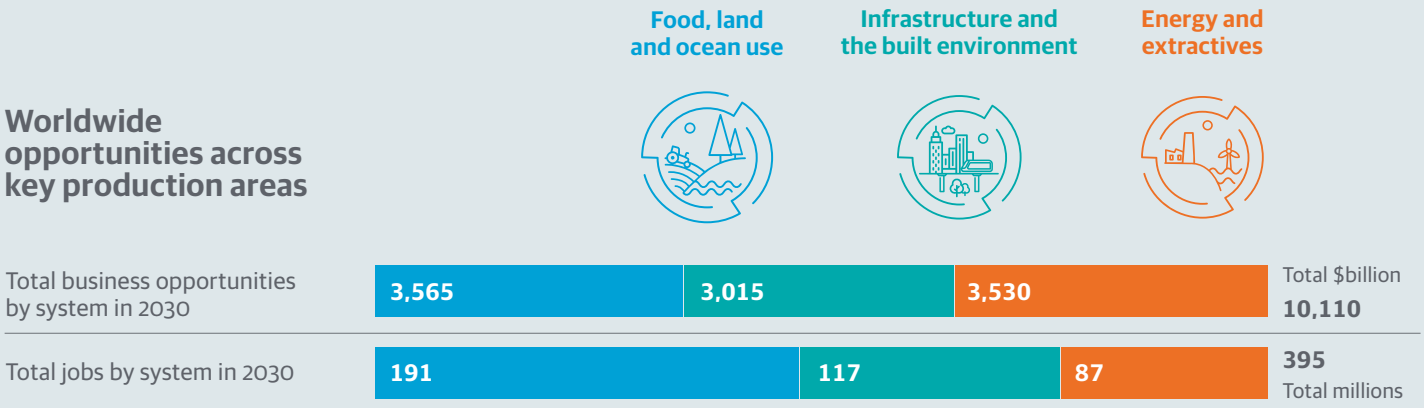
> There is widespread scientific consensus that human activities are accelerating the effects of what could be our planet's sixth mass extinction event. While extinction is a natural phenomenon, usually occurring over millions of years, we are currently experiencing rates of loss 100 to 1,000 times higher than normal. Each year, the World Wide Fund for Nature produces the Living Planet Index, a means to assess the status of global biodiversity and to help direct policy on preventing its depletion. A key finding of the Index is that, since 1970, the world has lost almost 70% of its terrestrial and marine wildlife and a staggering 82% of its global biomass of mammals.

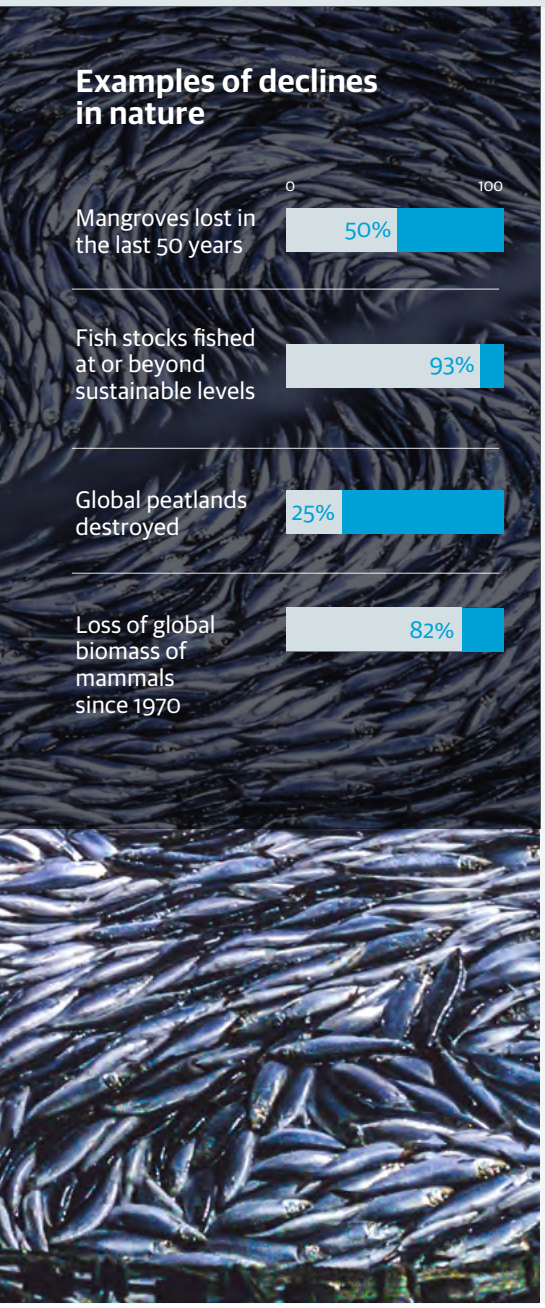
There are five key drivers of biodiversity loss. The most significant is habitat change, driven by the mass clearance of land for agriculture and the degradation of marine and coastal ecosystems which has, for example, depleted essential mangroves by 50% worldwide in 50 years. The second driver is direct exploitation of the natural world. One major consequence of this exploitation is that 93% of seafood stocks are fished at or beyond sustainable levels. Climate change comes next with multiple impacts disrupting delicate ecosystems and a destructive causal loop where climate-related biodiversity loss perpetuates and amplifies the climate crisis. The widescale pollution of natural environments is the fourth driver, while the introduction and migration of invasive species into vulnerable habitats is the fifth.

The Convention on Biological Diversity is a multilateral treaty ratified in 1992 to address these drivers and promote the sustainable use and fair distribution of natural resources. In 2010, the Convention launched a 10-year implementation plan – the Aichi Targets – consisting of five strategic biodiversity goals and 20 measurable targets. Despite some positive actions to align to those targets over the last decade, to date none have been fully met.

Society's dependence on nature makes this problematic. Of the 18 natural services identified by the Convention as being essential to social and economic wellbeing, 15 were found to be degraded or in decline. The few essential services on an upward trajectory – relating to food, energy, and materials – are likely to decline in the mid- to long-term.

Worldwide opportunities across key production areas





This will impact society's ability to attain the 17 UN Sustainable Development Goals. Healthy biodiversity is directly relevant to eight of these goals and serves to underpin a further four.

> Investing in nature can help mitigate physical, operational and regulatory risks and makes good economic sense.

Biodiversity loss therefore represents a serious and costly systemic threat to social and economic ambitions. Investing in nature can help mitigate physical, operational and regulatory risks and makes good economic sense. The World Economic Forum (WEF) estimates that $44 trillion – more than half of global GDP – is exposed to risks from biodiversity loss. Stricter legislation, policy shifts, and changing market and consumer preferences all have the potential to impact on business capacity. The origins of the ongoing coronavirus pandemic indicate the social risks of encroaching too far into nature and warn of the likelihood of future occurrences.

Scientists, conservationists and policymakers continue to work to understand how to bend back the downward curve of biodiversity loss. Conservation efforts and sustainable production and consumption models must all step up to avoid a 'business as usual' scenario of continuing environmental degradation. To successfully move towards a nature-positive economy, we need to engage with and mobilise the private sector. Alongside the costs of biodiversity loss, the WEF has also identified significant economic opportunities across key production and service areas. Systemic transitions in food, land and ocean use, infrastructural development and energy creation could generate over $10 trillion of annual business opportunities and create around 395 million jobs worldwide by 2030.

Encouragingly, corporate commitments to biodiversity protection have increased considerably over the last 20 years. Launched in September 2020, the Finance for Biodiversity Pledge currently has 37 financial institutions with EUR 4.8 trillion of assets under management committing to reversing biodiversity loss in the next decade. Elsewhere, the Business for Nature initiative has brought together more than 600 companies with a combined revenue of $4.1 trillion to urge world governments to increase their efforts to prevent nature loss. Over 200 of the UK's largest businesses have also engaged with the aims of the Council for Sustainable Business to reduce carbon emissions and restore natural habitats.

There may still be a lack of science-based targets for nature or an established set of biodiversity metrics equivalent to those for carbon, but these barriers are surmountable. For example, companies can use recent guidance from the Natural Capital Coalition to better understand their biodiversity impacts and dependencies. Individuals can change their consumption habits and question the activities and commitments of their pension providers. And investors can work to integrate biodiversity into their investment strategies and challenge the private sector to direct more of its innovative skills towards reversing biodiversity loss.

Ed Ellis
Integrated Biodiversity Assessment Tool (IBAT)

Ed Ellis is business manager for the Integrated Biodiversity Assessment Tool (IBAT). A joint initiative between global conservation bodies, IBAT provides the world's most authoritative biodiversity data for companies to incorporate biodiversity into their project planning and management decisions.

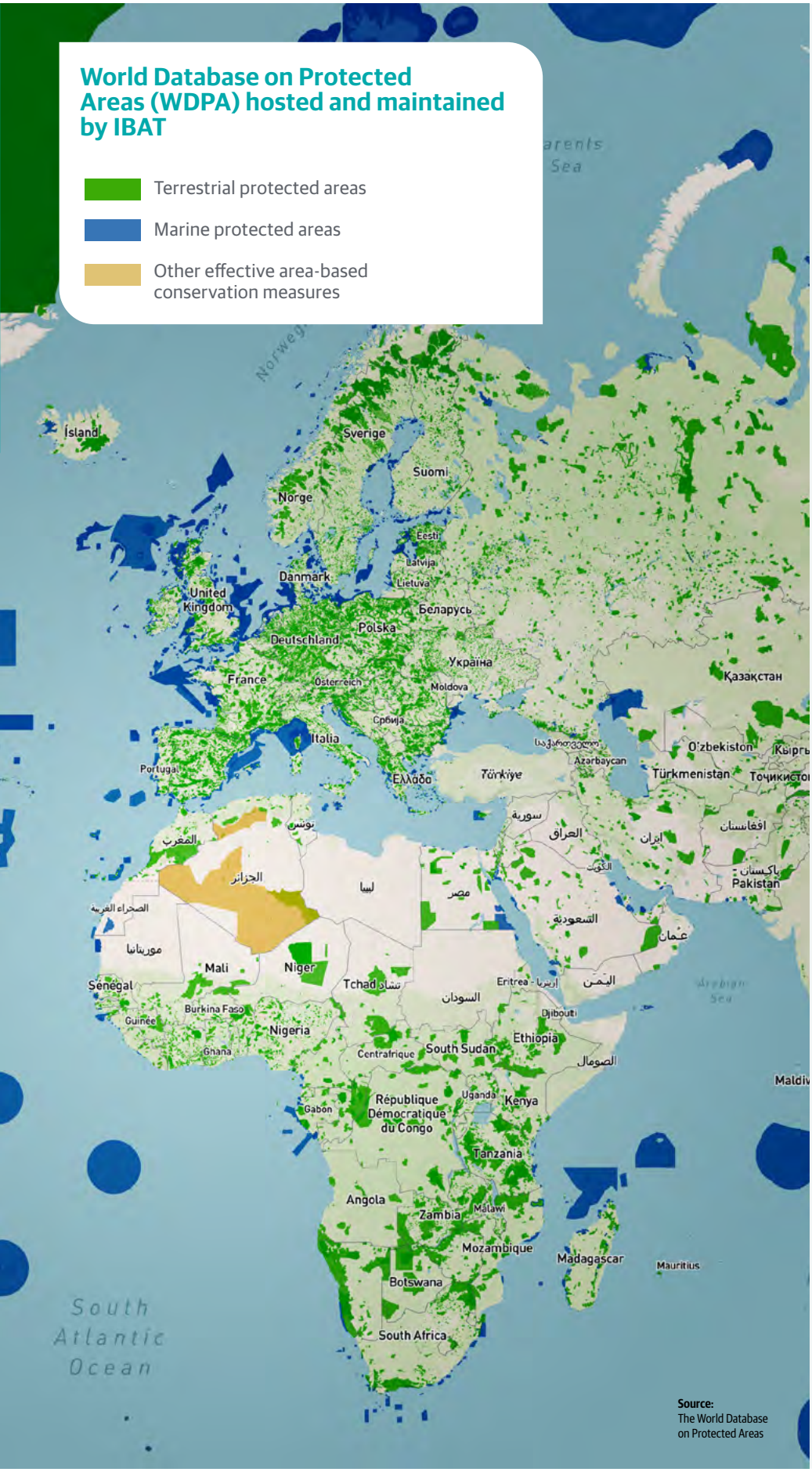
"The inherent risks of biodiversity loss to world economies demonstrate that conservation is no longer just the remit of governments and NGOs. Global environmental pressure has resulted in increased demands from regulators, stakeholders and ordinary citizens for greater accountability among businesses for their biodiversity impacts. However, with the private sector positioned to play a pivotal role, we must build the business case for nature protection and address the lack of critical biodiversity information essential for increased investor engagement.

The business case for private sector engagement with conservation usually boils down to two dominant considerations: risk management and financial opportunities. Businesses must recognise how their operations impact and depend on biodiversity either directly at the site level or indirectly through areas like supply chain security. Indeed, biodiversity affects the five key areas of risk underpinning the private sector: reputational risk, with its relation to corporate responsibility; legislative risk, with the exponential increase in regulatory protections and penalties; fiduciary duty, with the greater integration of environmental, social and governance (ESG) factors in investment decisions; resource security, with its relation to supply chain integrity; and stakeholder relations, with shareholders increasingly asking for sustainable solutions. The World Economic Forum also lists biodiversity loss among the top five global risks in terms of impact and likelihood. Reliable data is therefore essential for businesses and investors to manage biodiversity impacts and dependencies, and demonstrate robust and improved performance.

Good biodiversity management increases access to business opportunities, especially during times of economic stress. The MSCI Emerging Market Index shows that companies with integrated ESG safeguards negotiated the 2008 global recession better than companies without them. This resilience has similarly been evidenced during the most volatile period of the ongoing coronavirus pandemic. In terms of enhanced resource productivity alone, management consultancy McKinsey estimates that resource-related opportunities worth between $2.9 trillion and $3.7 trillion could help meet up to 30% of global demand in 2030.

Decisions affecting critical biodiversity should be informed by the best and most up-to-date scientific information and decision-makers should help support its generation and maintenance.

The Integrated Biodiversity Assessment Tool (IBAT) is a web-based mapping and reporting facility providing fast, easy and integrated access to critical worldwide biodiversity information. IBAT is an alliance between four global conservation organisations: the International Union for the Conservation of Nature (IUCN); Birdlife International; the UN Environment Programme World Conservation Monitoring Centre; and Conservation International. These organisations share a common vision that decisions affecting critical biodiversity should be informed by the best and most up-to-date scientific information and that decision-makers should help support its generation and maintenance. Between them, they have spent decades producing and curating three of the world's best-regarded biodiversity datasets: the World Database on Protected Areas (WDPA), the World Database of Key Biodiversity Areas and the IUCN Red List of Threatened Species. IBAT was also initially co-developed with World Bank Group specialists, supporting the early implementation of performance standards and creating an indelible connection with the finance sector.



Source:
The World Database on Protected Areas

The WDPA is the most comprehensive global database of protected terrestrial and marine areas. Up-to-date information from this database is essential for a wide range of conservation and development activities. Key Biodiversity Areas (KBAs) are sites that are crucial to the persistence of biodiversity, but do not necessarily fall within existing protected areas. These sites have been evaluated against a set of objective criteria and are recognised for their considerable conservation value. The IUCN Red List is the most comprehensive database detailing the conservation status of animal, plant and fungi species. It contains information about endangered species and those which may be sensitive to development, such as species with restricted ranges.

IBAT currently covers over 235,000 protected areas, over 120,000 Red List species and more than 16,000 KBAs. Most importantly, all its datasets reflect the reality of the situation on the ground. Each are generated by site visits, surveys and dedicated teams tracking species worldwide, or reported by national governments or in-country conservation partners. IBAT data can be used to screen potential investments, site operations, assess risks associated with sourcing regions and track corporate biodiversity performance. This is especially important to major subscribers in the finance sector.

IBAT allows for evidence-based decision-making when assessing project or asset risks. Data mapping enables subscribers to view multiple data layers, adapt base layers and investigate sites. Users can monitor critical biodiversity at both a global and local level and establish the proximity of protected areas to project sites. Given the reputational risks associated with financing projects that may impact indigenous communities, for example, the ability to identify protected areas managed by indigenous groups would be an asset to early risk screening. Bespoke site reports can also be downloaded along with underlying raw data to better understand proximate biodiversity risks to projects. Additionally, customised reports can be generated for project sites which can in turn be matched to investment and World Bank standards.

The annual cost of maintaining and updating these global public good datasets is over $6.5 million and all subscription revenues go towards maintaining the integrity of IBAT datasets, freeing up funds elsewhere for conservation organisations to focus on preserving biodiversity for the benefit of all.

Krystyna Springer
ShareAction

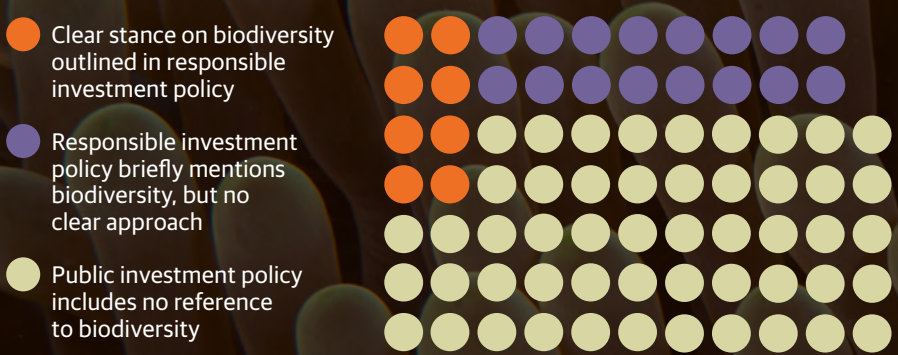
Krystyna Springer is a senior research analyst for financial sector strategies at ShareAction. The organisation works to encourage the global investment sector to be more responsible for its impacts on people and the planet and to mobilise its power to address the systemic challenges affecting both.

"With growing public awareness of the scale of worldwide nature degradation, there is a real need for investments to align with business models and activities which mitigate biodiversity loss. Crucially, this change in investment focus needs to happen from within the mainstream financial system – it cannot occur in the impact investing space alone.

Mainstream investors are ideally placed to engage with companies, governments and policymakers to incentivise the protection of biodiversity and translate ambitions into relevant targets for the private sector. Engagement looks to minimise threats to natural systems, but also serves to emphasise the potential financial and macroeconomic implications of further biodiversity loss.

ShareAction's four-part report series *Point of No Returns* included an assessment of the global asset management industry's record on biodiversity. After surveying 75 of the world's largest asset managers, the results suggested considerable room for improvement. Over two-thirds of the asset managers surveyed made no mention of biodiversity or ecosystem protection in their public investment policies. Among the remainder, references to biodiversity ranged from minimal to more comprehensive, albeit without clear indications of commitment. More worryingly, not one of the 75 managers surveyed had a dedicated standalone policy on biodiversity.

Inclusion of biodiversity in a survey of the 75 largest global asset managers' investment policies



On the engagement side, fewer than half the respondents said they discussed corporate strategy on biodiversity with investees and fewer still asked for greater transparency around the impacts of supply chains. Engagement with companies on concrete steps to protect biodiversity beyond the improvement of disclosure is also relatively uncommon. Given these findings, it's unsurprising that asset managers generally demonstrate a superficial understanding of the biodiversity risks and impacts of their investments.

The survey responses also make it apparent that investors pay little regard to the deep dependencies between the businesses they invest in and the natural services those businesses rely on. Most respondents emphasised reputational and regulatory risk factors or focused on widely reported large-scale impacts like oil spills. This suggests that many investors limit their actions to monitoring controversies rather than thinking of biodiversity impacts in a more systemic context. It was also evident that many asset managers only integrated biodiversity into risk assessments through the environmental, social and governance (ESG) scores of third-party data providers which were likely to contain a degree of uncertainty.

The survey also sought to gauge the level of nuanced understanding among investors by asking them what the question of biodiversity brought to mind. The publicity surrounding topics like palm oil production and deforestation, for example, meant these issues featured prominently in survey responses. Conversely, only a handful of respondents indicated they had engaged on more diverse biodiversity topics like sustainable fishing, impacts on global pollinators or the protection of key biodiversity areas.

> Few investors have a sophisticated understanding of biodiversity's importance to the stability and resilience of economic systems and few think of biodiversity loss and climate change as deeply interconnected crises.

ShareAction's accompanying scoping study aims to address the challenges currently holding back the investment industry's progress on biodiversity integration. Primarily, there are some clear conceptual barriers. Few investors have a sophisticated understanding of biodiversity's importance to the stability and resilience of economic systems and few think of biodiversity loss and climate change as deeply interconnected crises. Often viewed as a 'new' environmental topic, its apparent complexity and the lack of available expertise also prevents investors from engaging with biodiversity. Then there are the technical challenges that boil down to the lack of an accepted methodology to quantify risks and an associated shortfall in corporate data or standardised reporting mechanisms.

Finally, there is currently no single measurable target for biodiversity, equivalent to the Paris Agreement goal for climate, which the investor community and the wider private sector could coalesce around.

However, none of these challenges are insurmountable. There is the opportunity to create a new narrative to challenge outdated assumptions about biodiversity and emphasise its clear relation to climate change. There are new metrics being developed to measure the biodiversity footprints of companies and investment portfolios like the Global Biodiversity Score assessment tool or the Species Threat Abatement and Recovery (STAR) Metric. New frameworks like the Taskforce on Nature-related Financial Disclosures are being built to help companies and investors report on their biodiversity performance and ongoing management and protection efforts. Finally, recent policy developments, such as the Article 173 amendment in France introducing mandatory disclosure of biodiversity impacts for investors and companies, will help drive better practices within the industry.

There is therefore plenty of room for improved investor engagement with companies around disclosure and nature-positive actions. With the increase in availability of third-party ESG data, it's also essential for investors to engage with service providers to ensure an adequate and accurate focus on biodiversity impacts. ShareAction will continue to support investors in these efforts and work collaboratively to tackle the climate and nature crises. ”

Sophie Lawrence
Rathbone Greenbank Investments

Sophie Lawrence is a senior ethical, sustainable and impact researcher at Greenbank. She is passionate about how capital can be used to solve some of the most pressing environmental and social problems we face, including biodiversity loss. Sophie is leading Greenbank's engagement work on biodiversity, working closely with the Finance for Biodiversity Pledge and the Partnership for Biodiversity Accounting Financials to build consensus on how biodiversity impact is measured by financial institutions.

"Recent history has seen unprecedented rates of decline in the natural world, due largely to human interventions. The importance of nature to our social and economic wellbeing means that bold action is required to avoid another decade of missed opportunities for biodiversity conservation.

For investors, acting is about investing in the right ways to respond to critical biodiversity loss and benefit from commercial opportunities. Our clients want us to invest in companies that put sustainability at the heart of their corporate strategies because their commitments to positive outcomes make them good long-term investment prospects. The more we understand about the drivers and impacts of biodiversity loss on business and the wider world, the better we can align our clients' investments to their values.

> Investors have a fiduciary duty to integrate biodiversity-related risks and opportunities into overall assessments of material risks in their target companies.

Most businesses depend on biodiversity either directly or through their supply chains and these dependencies often result in environmental impacts. Whether these impacts are negative or positive, investors are secondary recipients of the associated costs or benefits through their investments in exposed companies. A company's exposure to biodiversity risk depends on multiple factors including sector, geography, its position in the value chain and its ability to substitute raw materials at risk. At Greenbank, we believe that companies able to manage these risks and limit their impacts offer good long-term value. We also believe that investors have a fiduciary duty to integrate biodiversity-related risks and opportunities into overall assessments of material risks in their target companies.

Sustainability analysis is integrated at every stage of our investment process. We have eight sustainable development themes in place that closely map the UN Sustainable Development Goals, one of which is 'Habitats and Ecosystems'. Understanding the connections between these themes helps us prioritise our investment and engagement focus. Combating climate change and biodiversity loss can also benefit other thematic areas such as resource efficiency, health and wellbeing, and social and economic inequality.

To support our efforts, we continue to enhance our proprietary research database, developed over the last 20 years, to accommodate new sources of information. Data is accumulated from a wide variety of sources including one-to-one company meetings, NGO and stakeholder consultations, and specialist ESG

and academic studies. With few established standards for measuring biodiversity impacts, we assess investment suitability through a range of positive and negative criteria and sub-criteria. We look for evidence of investment in conservation efforts and establish where the best sustainable sourcing methods are being practised. A company's management of biodiversity loss drivers such as climate change and pollution is also considered.

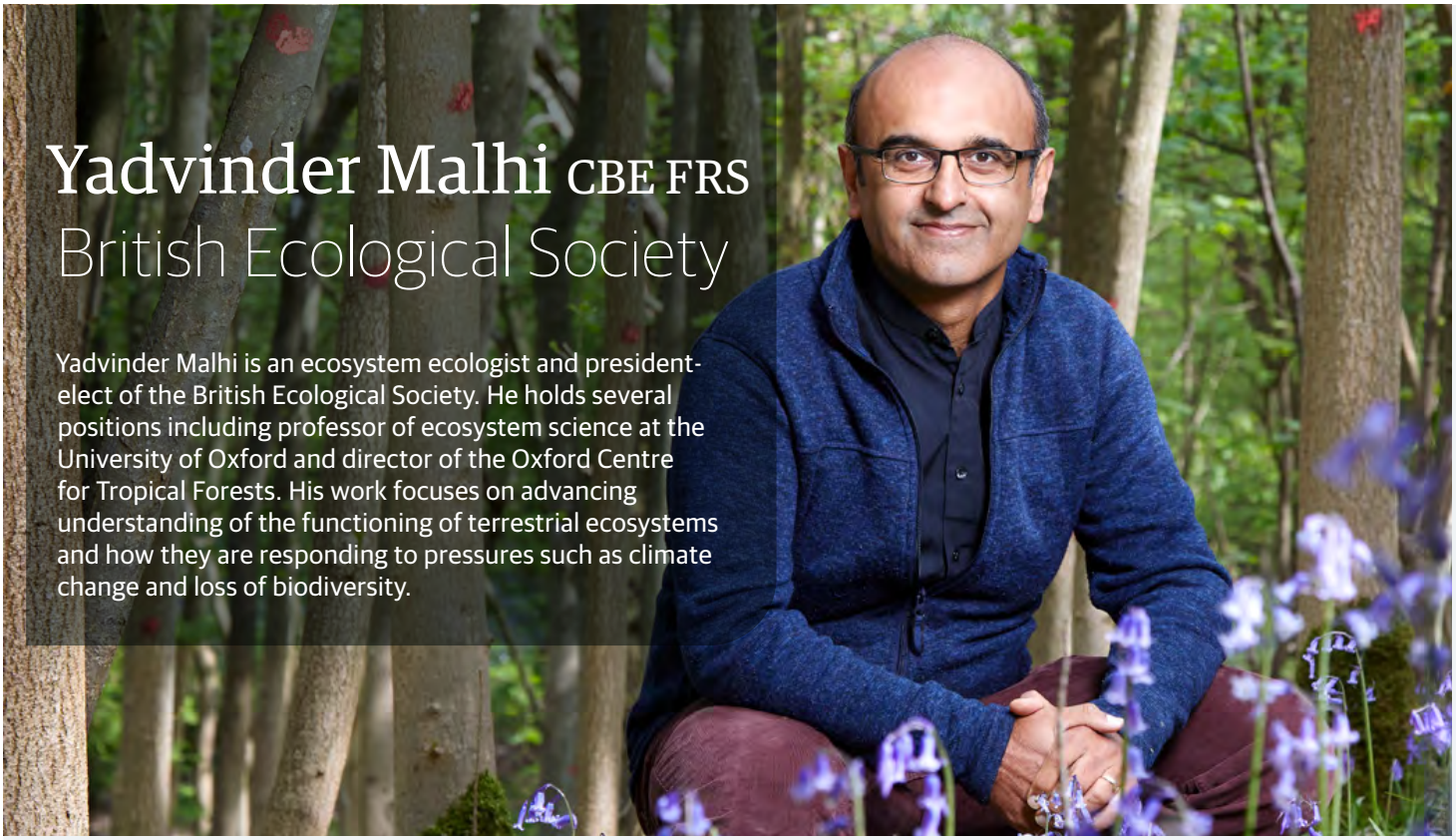
Recognising that 'without biodiversity, there is no business', Unilever has pledged to invest €1 billion into a dedicated climate and nature fund over the coming decade. Additionally, the company aims to have a deforestation-free supply chain by 2023 and biodegradable formulations for all its products by 2030. Greenbank itself has been an active member of the Investors Initiative for Sustainable Forests since 2017. The focus of the Initiative is to educate investors about the material risks associated with deforestation across cattle and soybean supply chains. We have engaged directly with Marks & Spencer and Sainsbury's to understand more about how they source and trace the origins of soy and other resources, how they are progressing against deforestation targets, and what barriers may be affecting that progress.

We have also conducted our own sector research studies, including one focused on biodiversity management in the UK property industry. On the regulatory side, the much-anticipated UK Environment Bill includes some nature recovery and conservation covenants, among which is a requirement for new housing and development projects to deliver at least a 10% net gain in biodiversity value. Developers will also be required to submit a 'biodiversity gain plan' alongside their usual planning applications. Advance knowledge of these planned changes helps us to gauge companies' readiness for new and evolving regulation.

Looking at how our target companies disclose their overall biodiversity impacts, we found that while all had a biodiversity policy in place, most only met the minimum regulatory standards. Notable exceptions were housebuilder Berkeley Group and commercial property developer Landsec who both work to design-in biodiversity net gain from the initial planning stage. We also found limited evidence of comprehensive reporting on the impacts of direct operations and supply chains, and identified few companies implementing biodiversity action plans beyond individual developments.

The results of our study will help us formulate our future engagement strategies with the property sector. Elsewhere, we will be convening a roundtable of biodiversity experts to review our current measurement frameworks and set minimum standards across all companies in our portfolios. We are also exploring the potential for measuring the biodiversity footprint of portfolios in the same way we would measure greenhouse gas emissions and impacts.

We will seek wider investor support to build on our biodiversity engagement programme and improve the volume and detail of corporate disclosures. Additionally, we will use our investor influence to support action at the delayed UN Convention on Biological Diversity (scheduled for May 2021) which could see the creation of the first agreed global biodiversity framework.



Yadvinder Malhi CBE FRS
British Ecological Society

Yadvinder Malhi is an ecosystem ecologist and president-elect of the British Ecological Society. He holds several positions including professor of ecosystem science at the University of Oxford and director of the Oxford Centre for Tropical Forests. His work focuses on advancing understanding of the functioning of terrestrial ecosystems and how they are responding to pressures such as climate change and loss of biodiversity.

What role can business play in reducing biodiversity loss?

The fundamental challenge is for businesses to have a net positive impact, whether we are talking about biodiversity or climate. It is important for businesses to follow the mitigation hierarchy to ensure they make a meaningful difference. This starts with avoiding harm, then mitigation and lastly, compensation, which should be used only as a last resort to offset any remaining impacts.

What role can technology play in improving company oversight of deforestation?

Geographic information systems (GIS) and remote sensing have played a transformative role in recent years to improve supply chain traceability for key commodities such as beef, soy and palm oil. Newer generation satellites now provide high-resolution data which allows users to distinguish between different habitat types, as well as tree cover. This can help to inform how the degradation or recovery of particular ecosystems impact on biodiversity.

What are your hopes for the upcoming Convention on Biological Diversity (COP15)?

I think the context to this convention is recognising the limited progress on this issue in the past 10 years, due largely to the disconnect between consumption and production. On the production side, I hope to see agreed national targets for the protection of terrestrial landscapes, in the region of around 30% of total land area. But it's also vital that the consumption side of the coin is addressed. There is a tendency for us to put the onus on individual decision-making when it comes to changing consumption patterns. But this can be at the expense of a focus on ambitious policy to drive behavioural change, which can have a much larger impact.

Is our current economic model of growth fundamentally at odds with protecting global biodiversity?

Working with the current economic model is important but we also need to recognise the challenges and limitations of our current system of continuous economic growth. Rapid growth isn't hard-wired into human history and clearly is not something that can continue indefinitely: it is not something we observe within biological systems. There is a burgeoning academic debate exploring how we can redefine growth and potentially decouple improvements in human welfare from material growth.

What is your view on quantifying the value of natural capital?

Natural capital accounting is a tool that helps us to prioritise our efforts within the system that we are in. It offers us the possibility of achieving progress in the short term, but it is important that we see it as a tool and not a 'world view'. Putting a monetary value on nature comes with hazards, both practical and moral. The intrinsic value to nature is more fundamental than the material value we ascribe to it. Nature is important in itself, before we start defining its importance in relation to the benefits it provides us with.

What are some of the main challenges with businesses using carbon offsetting to reach net positive targets?

One challenge with offsetting is leakage. For example, if you are paying to protect a small area of mangrove or forest, how confident are you that you aren't just moving the problem elsewhere and intensifying it? The quality of the offsets matters as well. There has been a lot of focus recently on tree planting, but the quality of the restoration is vitally important, including where the trees are planted and whether they will be protected in that location in the long term. Natural regeneration is favoured over new planting wherever possible, as that tends to bring more benefits for biodiversity and natural resilience.

Looking to the future

There is currently an absence of agreed biodiversity measurement methodologies, a dearth of corporate data and a lack of internationally agreed goals similar to those agreed for climate change by the Paris Agreement. At Greenbank, we recognise that our current measurement framework for biodiversity needs to become more sophisticated, but also needs to be practical in terms of what companies can feasibly report.

We are committing to a body of work focused on answering the following core questions in relation to biodiversity:

1. **Measurement**
   Are we measuring the right things? What metrics should we be using? What data sources should we be integrating into our assessment process? How can we assess future biodiversity performance?

2. **Target setting**
   How can we develop science-based biodiversity targets? How can we calculate current biodiversity performance related to a future target which is verified by the Science Based Targets Network? How should we communicate these targets externally?

3. **Engagement**
   What information is it realistic for companies to report? How can we collaborate effectively with other investors to achieve meaningful change on this issue?

Finance *for* Biodiversity Pledge

To assist us with this work, Greenbank has recently signed the Finance for Biodiversity Pledge. Signatories to the pledge commit to the following actions by 2024:

- collaborate and share knowledge with other institutions
- engage with portfolio companies
- assess the impact of their investments on biodiversity
- set science-based targets
- report publicly on progress.

The pledge will call on global leaders to agree on effective measures to reverse nature loss this decade at the Convention on Biological Diversity, which is due to take place in Kunming, China in May 2021.

Since signing the pledge in early December, Greenbank has already participated in three working group meetings, working alongside other investors to develop guidance for financial institutions on how to measure their impact on biodiversity.

Some other biodiversity-related initiatives which we will also be looking to collaborate with are:

1. **Taskforce on Nature-related Financial Disclosures (TNFD):** Following on from the success of the Task Force on Climate-Related Disclosures (TCFD), TNFD aims to do the same for nature, aiming to resolve the reporting, metrics and data needs of financial institutions that will enable them to better understand their risks, dependencies and impacts on nature. TNFD was instigated in early 2019 through a partnership between Global Canopy, the United Nations Development Programme, the United Nations Environment Programme Finance Initiative, and WWF.

2. **Partnership for Biodiversity Accounting Financials (PBAF):** PBAF is a partnership of financial institutions that work together to explore the opportunities and challenges surrounding the assessment and disclosure of the impact on biodiversity associated with their loans and investments. Through discussions, the exchange of experiences and practical case studies, the PBAF partners cooperate in the development of a set of globally harmonised principles underlying biodiversity impact assessment.

3. **Business for Nature:** This is a global coalition of businesses aiming to amplify the business voice to call on governments to adopt policies to reverse nature loss in this decade.

Contact us

Rathbone Greenbank Investments provides personalised and professional investment services for investors who wish to ensure that their investments take account of their environmental, social and ethical concerns.

For further information on the services that we provide, or to arrange a meeting, please contact us.

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Look forward