# [***How investors can counter biodiversity loss***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:67FB-CF01-DYX4-02YW-00000-00&context=1516831)

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**Body**

GIVEN that climate change and ***biodiversity*** ***loss*** are intricately linked, we believe environmental investment strategies can help address climate change and ***biodiversity*** ***loss***. It will require trillions of dollars in the decades ahead to restore, protect and preserve Earth's resources and achieve the transition to a sustainable, net-zero economy.

Studies have shown that funding ***biodiversity*** is an investment, not a cost. The funding maintains critical ecosystem services that underpin the world economy and yields financial, economic and ecological returns.

One study found that destruction of nature results in an estimated US$1.4 trillion of economic ***losses*** each year, or 1.6 per cent of global gross domestic product (GDP). An estimated US$44 trillion of economic value generation -- over half the world's GDP -- depends moderately or highly on nature and its services.

While the number of ***biodiversity***-focused asset management products is increasing, these are outnumbered by funds focusing on climate. There are 14 funds managing around US$1.6 billion that have ***biodiversity***-focused strategies.

By contrast, there are about 1,100 funds with US$350 billion in global assets that focus on climate, according to Morningstar.

Actions to protect natureAt the United Nations ***Biodiversity*** Conference (COP 15), around 200 countries agreed on the new Kunming-Montreal Global ***Biodiversity*** Framework (GBF).

Its centrepiece is a 30x30 target to protect 30 per cent of nature by 2030. This makes financial sense. A University of Cambridge report has found that the financial benefits of protecting 30 per cent of the world's land and oceans outweigh the costs involved by a ratio of five to one.

Governments also committed to phasing out subsidies that are harmful to nature. Subsidies linked to ***biodiversity*** ***loss*** are estimated to cost around US$2 trillion annually.

The agreement set a target of spending US$200 billion annually for conservation. Apart from public sector money, funds could come from leveraging private finance, promoting blended finance, and encouraging the private sector to invest in ***biodiversity*** via impact funds and other instruments.

In addition, pollution is to be cut by working towards eliminating plastic pollution and reducing the overall risk from pesticides by 50 per cent through integrated pest management.

Disclosure as key to understanding riskInvestors require companies to disclose environmental data to help them assess a firm's impact on ***biodiversity***. However, data from the Carbon Disclosure Project (CDP), the not-for-profit organisation that runs the world's largest environmental disclosure system, has shown that most companies are not translating commitment on ***biodiversity*** into action.

While 31 per cent of 8,850 companies CDP surveyed have publicly committed and/or endorsed ***biodiversity***-related initiatives and a further 25 per cent aim to do so in the next two years, more than 50 per cent of firms have taken no action to advance their ***biodiversity***-related commitments.

The CDP has also recently said that around 29,500 firms received an "F" score for not responding to disclosure requests.

The GBF calls on governments to take measures to encourage companies and financial institutions to disclose their risks, dependencies and impacts related to ***biodiversity***.

Pressure for greater transparency is likely to drive more action from companies to reduce ***biodiversity*** ***loss***. It should help investors understand the ***biodiversity***-related risks and opportunities in their portfolios.

What can investors do'Negotiators at COP 15 agreed that the finance sector must invest in ways to halt and reverse nature ***loss*** by the end of 2030. There is currently a US$700 billion financing gap for the protection of natural systems, according to the Paulson Institute.

It outlined two ways to reduce this gap:

These resources include carbon markets, ***biodiversity*** offsets and green financial products. Alongside endorsing the disclosure section of the GBF, our firm has endorsed the following:

Ultimately, we believe that addressing the systemic risk of reducing nature ***loss*** to the financial system requires a collaborative response. Accordingly, at COP 15, we announced along with other investors the formation of Nature Action 100. This initiative aims to encourage investors to drive urgent action on nature-related risks and dependencies in the companies they invest in. It will formally launch in the spring of 2023.

Adam Kanzer, head of stewardship, Americas, at BNP Paribas Asset Management, said that over the years there have been many important investor engagements with corporations that touched on aspects of the ***biodiversity*** crisis, "but none that placed ***biodiversity*** front and centre, focusing on reversing nature ***loss*** by 2030".

"Nature Action 100 intends to fill that gap, engaging a broad range of companies on their most significant impacts to help place them on nature-positive pathways," he said. "We have no time to lose."

The writer is ***biodiversity*** lead, BNP Paribas Asset Management.

**Graphic**

The Global ***Biodiversity*** Framework calls on governments to take measures to encourage companies and financial institutions to disclose their risks, dependencies and impacts related to ***biodiversity***. PHOTO: REUTERS

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