

Biodiversity: the next frontier in impact investing



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At its core, impact investing links intricately with the preservation of biodiversity. The vitality of ecosystems and survival of numerous species plays a pivotal role in pressing global challenges like climate change and sustainable development. Impact investors are increasingly recognising their responsibility to preserve biodiversity, driven by both the ethical imperative and potential for financial returns in this realm. The UN Biodiversity Conference COP15 on Biodiversity highlighted a new dimension of challenges in our warming world, symbolised by the adoption of the post-2020 Global Biodiversity Framework - a landmark akin to the “Paris Agreement” for biodiversity conservation.

At Swiss Life Asset Managers, we believe in the importance of preserving biodiversity for sustainable investors. Recognising that biodiversity forms the bedrock of health and resilience of our natural systems, it provides indispensable ecosystem services that bolster both human well-being and economic development.

Exploring uncharted horizons

Given the battle against global warming, the financial sector encounters a new, pivotal challenge: safeguarding biodiversity. Factors such as changes in land and sea use, species exploitation, climate change, pollution, and invasive species significantly contribute to ecosystem degradation. Biodiversity and climate crises are intertwined; ecosystems play a central role in carbon absorption. Yet oceans and terrestrial ecosystems absorb only half of globally emitted CO₂. The degradation of nature carries extensive health, social, and economic consequences, directly affecting business operations and revenues. For instance, 5–8% of global agricultural production can be directly attributed to animal pollination, representing an annual market value of 235 to 577 billion US dollars.

The regulatory framework is progressing, urging investors to act. At COP15 on Biodiversity, 196 countries convened and adopted a landmark agreement, outlining a clear course with quantified targets to substantially reduce biodiversity loss. Furthermore, the CSRD (Corporate Sustainability Reporting Directive), effective since 5 January 2023, marks a significant advancement through the harmonisation of extra-

financial data disclosed by European companies. These regulatory advancements, combined with heightened public awareness, must now be translated into concrete investment actions.

Global biodiversity loss has surged, leading to the disappearance of numerous animal and plant species caused by habitat destruction, climate change, pollution, and overexploitation. Beyond certain thresholds, the deterioration intensifies, becoming irreparable. The preservation of biodiversity has evolved into a global imperative, intricately woven into environmental policies, international agreements, and the pursuit of Sustainable Development Goals.

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Unlocking biodiversity’s investment frontier

From an investor’s perspective, our role entails assessing how companies genuinely integrate criteria for preserving biodiversity. Our approach involves excluding companies with negative impacts and channelling investments into those providing solutions for protection and restoration, with expertise in water quality management, waste reduction, seabed monitoring technologies, agri-tech and more. Our analysis is firmly aligned with the UN Sustainable Development Goals, with a focus on Goals 14 and 15 (underwater and land life) as well as Goal 12 (circular economy related).

There is now a thorough mapping of the impacts and dependencies linked to various activities and sectors.

This aligns seamlessly with the potential USD 10 trillion per year for biodiversity investments and the 395 million jobs by 2030, as projected by the World Economic Forum. Companies positioned in this segment present tangible investment opportunities. These companies are dispersed globally. For instance, Japan boasts numerous companies which are focused on ocean conservation, while Australia, known for its exceptional yet threatened flora and fauna, features companies dedicated to promoting the circular economy. In Europe and the United States, companies are more oriented towards pollution combat, preserving terrestrial or freshwater ecosystems. Some companies adopt nature-based solutions for enhanced financial performance, while others strategically leverage natural assets and ecosystem services in their business decisions.

Since 2021, Swiss Life Asset Managers has been fostering expertise in thematic impact investments, with a specific focus on addressing climate and environmental concerns. Biodiversity holds special significance for Swiss Life Asset Managers, evident in our early initiative launching a fund dedicated to biodiversity. Our fund solution offers a conviction-based portfolio that navigates the complexities of the biodiversity challenges. Through a conviction-based management approach and robust impact strategy, our fund empowers investors to seize sustainable growth opportunities by supporting companies actively combatting biodiversity loss. We aim to offer a unique opportunity to generate both financial returns and positive impact by supporting innovative and scalable solutions dedicated to protecting and restoring biodiversity.

Responsible investing is ingrained in our DNA. Through stakeholder engagement, investing in innovative technologies and nature-based solutions, and diligently measuring and reporting on impact, we endeavour to stand at the forefront of impact investing for a sustainable and resilient future.

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