

The new nature of business: integrating biodiversity into finance

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As the world confronts climate change, the financial sector faces the challenge of preserving biodiversity - an essential factor for fostering a sustainable economy. By integrating biodiversity into decision-making and investment practices, financial institutions can help protect the planet's natural resources while generating sustainable returns for investors and society. The economy's dependence on nature makes biodiversity loss a significant risk for companies, especially as regulations tighten.

Nature-related risk: a critical challenge for businesses

Financial institutions must anticipate and incorporate both climate-related and nature-related risks into their business activities and investment portfolios. The degradation of biodiversity and ecosystems presents substantial threats to financial stability, including physical, transition, and systemic risks. Recent estimates suggest that annual cost of losing ecosystem services range from USD 4 trillion to USD 20 trillion (OECD).

Physical risks result from the degradation of nature, which impacts economic activities - ranging from acute crises like natural disasters to chronic issues such as ecosystem decline. Sectors dependent on specific ecosystems are particularly vulnerable. For instance, the decline of pollinators can reduce agricultural yields, while large-scale pollution events, such as oil spills, can disrupt business operations.

Transition risks include reputational and regulatory challenges as governments enforce stricter environmental regulations or as consumers become more environmentally conscious. Companies that fail to adapt to these demands risk being left behind as sustainable alternatives gain traction.

Systemic risks refer to the broader implications of biodiversity loss on the global economy's resilience. Ongoing ecosystem degradation can undermine natural infrastructures, such as coastal wetlands that protect against storms, posing risks to both communities and businesses.

Addressing these risks is not just about compliance; it is essential for safeguarding the long-term viability of economic activity and ensuring the resilience of financial systems.

A nature-positive approach

Companies and investors are increasingly adopting a "nature-positive" approach, complementing their carbon neutrality efforts. This shift is influenced by international agreements like the Paris Accord, alongside rising governmental regulations aimed at enhancing environmental sustainability. The approach recognises biodiversity's essential role in ecosystem health and strengthening the resilience of global economies amid climate challenges.

This broader focus extends beyond climate to include biological diversity, encapsulated by the equation: Nature = Climate + Biodiversity. Nature is shaped not only by climate but also by the diversity and interactions among species. Integrating biodiversity

into corporate strategies is key to meeting stakeholders' growing expectations regarding sustainability and environmental responsibility.

By pursuing a "nature-positive" approach, businesses can minimise their environmental impact and actively contribute to preserving and restoring vital ecosystems. This involves strategies that protect biodiversity, restore degraded ecosystems, and align business models with the needs of the planet and its inhabitants.

COP16: translating goals into action

The focus of COP16 in Cali, Colombia, is the operational rollout of the Kunming-Montreal Global Biodiversity Framework (KMGBF), adopted at COP15. The 196 countries that are signatories to the Convention on Biological Diversity (CBD) are outlining their national strategies and proposed actions to achieve the 23 targets set by the KMGBF. These targets aim to reverse biodiversity loss by 2030, notably the 30x30 target, which calls for protecting 30% of global land and marine areas as a benchmark for conservation efforts.

COP16 serves as the first stocktake of the KMGBF, providing countries with the opportunity to assess their progress and share best practices. This stocktake is vital for identifying successes and addressing gaps that require urgent attention. Countries are tasked with developing and implementing National Biodiversity Strategies and Action Plans (NBSAPs) aligned with the framework's objectives.

The financial landscape is also a key focus at COP16, with developed nations pledging to mobilise at least USD 20 billion annually by 2025 to support conservation efforts in the Global South. These financial commitments are critical for the success of biodiversity initiatives, particularly in developing nations. Ensuring accountability, transparent funding mechanisms, and effective monitoring is essential for translating these financial pledges into tangible conservation outcomes.

A commitment to biodiversity

At Swiss Life Asset Managers, we firmly believe that biodiversity preservation is a critical priority for sustainable investors. Biodiversity underpins healthy ecosystems that provide essential services for human well-being and economic development. Recognising this, we have developed extensive expertise in environmental issues and were among the first to launch a biodiversity-focused fund.

Our strategy offers investors the opportunity to generate financial returns while supporting innovative, scalable solutions for biodiversity protection and restoration. We remain dedicated to contributing to global efforts to foster a future where biodiversity thrives, ensuring a balanced coexistence between nature and humanity.



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