

# GAM EXPLAINS BIODIVERSITY COP16



# BIODIVERSITY COP16

What's happened in recent years?

What's happening this year?

Why does it matter to investors?

Three top takeaways

What to look out for

The race to protect our planet's biodiversity is just as critical as the fight against climate change, presenting both risks and opportunities for investors. With over [half of global GDP](#) reliant on nature, the implications are profound.

During the early 1990s, the United Nations Environment Programme ([UNEP](#)) established the Convention on Biological Diversity ([CBD](#)) as an international legal instrument aimed at protecting nature and driving policy change. Each year, treaty members meet at the Conference of the Parties (COP) to assess progress and set new goals (as highlighted in our [Biodiversity 'COP' explainer](#)). This year's conference – COP16 – is scheduled for 21 October to 1 November in Cali, Colombia.

While the investor community may not play centre stage at COPs, financial institutions do play a crucial supporting role. To maintain liveable planetary boundaries, investors must be concerned with the protection, restoration and sustainable use of biodiversity.

## WHAT HAPPENED IN RECENT YEARS?

[COP15](#) ended in Montreal, Canada, in December 2022 with the landmark adoption of the [Kunming-Montreal Global Biodiversity Framework](#) (GBF). The GBF aims to address biodiversity loss, restore ecosystems and protect indigenous rights.

Building on earlier initiatives such as [the Rio Convention](#), the adoption of this framework is said to have been [a critical turning point](#) as it established a level of international consensus and urgency on the need for biodiversity protection and restoration. Among the many goals it sets down is the so-called '30x30' target, which calls for the protection and restoration of 30% of land and ocean by 2030.

# WHAT'S HAPPENING THIS YEAR?

At this year's COP the theme is 'Peace with Nature', with the Colombian Minister of Environment nicknaming it the 'people's COP'. The conference aims to be inclusive, particularly by elevating local and indigenous knowledge, which is very much in line with the goals of the Biodiversity Plan.

Colombia is home to **10% of the world's total biodiversity**, making it one of the most biodiverse nations on the planet. However, it is estimated that observed wildlife populations in Latin America have **decreased by 94%** on average since 1978, simultaneously making it the region with the largest decline in fish, amphibians, birds, mammals and reptiles. This is due to factors such as internal armed conflict, social inequality and weak policies.

As a result, this year holds a special opportunity for Colombia as host of the conference, combining the urgency of the issue for the country specifically with the importance of meeting global goals.

During the conference, an important role for governments will be reviewing progress in GBF implementation. Parties to the Convention are expected to demonstrate alignment of their National Biodiversity Strategies and Action Plans (NBSAPs) with the framework, **although only a few have done so thus far**.

As well as implementing the GBF, key focus points at COP16 will include bolstering resource mobilisation and technical cooperation. Additionally, the conference will complete and enact a system that ensures everyone benefits fairly from using digital data related to genetic materials. The goal is to make sure that, when genetic information is used (for example, in developing new medicines or crops), the benefits (like profits or technological advancements) are shared fairly among all countries, especially those providing the genetic resources. This is in line with the **Nagoya Protocol**, which more countries are expected to become parties of at COP16.

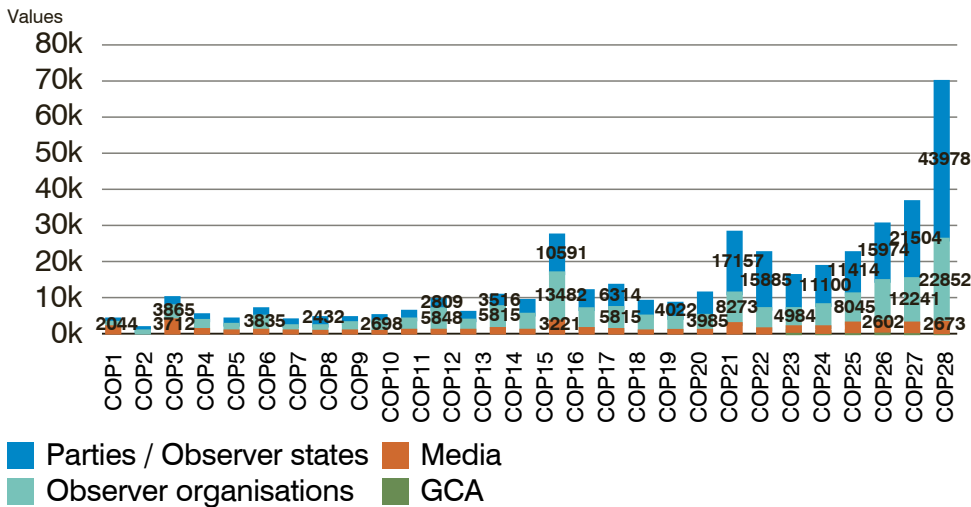
# WHY DOES IT MATTER TO INVESTORS?

There is a clear investment case for investors to care about biodiversity. The GBF agreement, signed by 196 nations, was a major signal to the private sector that it must step up on the biodiversity challenge. By coordinating portfolios with GBF goals and targets, investors can accelerate the shift of financial flows towards more sustainable and equitable practices, aligning economic outcomes with biodiversity considerations.

The number of corporates attending COPs has substantially increased in recent years, reflecting an increased recognition that protecting biodiversity necessitates corporate engagement and underscores the importance of the investor voice.

Investors will likely be most interested in finance day, hosted by the UNEP, which aims to mobilise financial flows in support of the GBF. Building on the success of the inaugural COP15 event, finance day will foster meaningful engagement among CEOs, finance ministers and other leaders in biodiversity and finance, providing a platform for high-level debate and collaboration on meeting society's nature goals.

## Participation Breakdown



Source: UNFCCC. <https://unfccc.int/process-and-meetings/parties-non-party-stakeholders/non-party-stakeholders/statistics-on-non-party-stakeholders/statistics-on-participation-and-in-session-engagement>

# THREE TOP TAKEAWAYS

## 1 – Small steps taken; giant leaps required

Financiers are starting to respond to biodiversity concerns. Investor groups to promote the integration of biodiversity into investment strategies are increasing, such as [Finance for Biodiversity](#), with over USD 21 trillion in assets under management. Moreover, [over 130 companies](#), collectively generating USD 1.1 trillion in revenue, have called for stronger policies to enhance incentives, legislation and regulations to drive corporate action on nature.

Despite progress being made, there remains a significant gap between policy and action. To close this gap, corporates must develop biodiversity transition plans and engage in transparent reporting on their biodiversity impact. Regulatory initiatives like the [Task Force for Nature-Related Financial Disclosures](#) (TNFD) can assist by providing a framework for companies to assess and manage biodiversity risks.

## 2 – Nature legislation is ramping up

Regulatory, reputational and market risks underscore the importance of sustainable business practices. The [UK's Biodiversity Net Gain](#) legislation and [the EU's deforestation policy](#) highlight growing scrutiny on corporate biodiversity practices. Strengthening legislation also marks a departure from current voluntary approaches towards a more comprehensive plan to protect nature and reverse the degradation of ecosystems globally.

## 3 – The investment opportunity is vast

There are plenty of opportunities for investors to engage in actions that respect and encourage biodiversity as an important factor within their portfolios. Nature-based solutions, such as forest and wetland restoration, can help both climate and the natural world. In fact, estimates suggest that nature-based projects alone could provide [37% of the climate change mitigation we need by 2030](#) to achieve the targets of the Paris Agreement.



**Nature-related bonds** can offer an avenue for sustainable investment and portfolio enhancement. Bonds that support investment in areas such as sustainable agriculture and conservation provide a unique opportunity to boost the amount of capital available for nature-focused projects. They can also help shape wider market interest in sustainable investment as investors pay increasing attention to the positive impacts nature-related bonds achieve alongside financial returns.

Demand has also grown for innovative market instruments, including the **World Bank's "Rhino Bond"**, the first wildlife conservation bond in which returns are directly determined by endangered rhino population growth. Crucial steps like this demonstrate a shift in finance where a nature focus can achieve conservation outcomes while also generating long-term returns.

To help scale private financing for nature, **biodiversity credits** are currently being developed. Similar to carbon credits, they allow private companies to finance activities, such as forest restoration, that deliver biodiversity gains. This also enables companies to meet their own biodiversity commitments.

# WHAT TO LOOK OUT FOR

Representing an essential benchmark for measuring how much progress has been made since December 2022, COP16 could be known in the future as The Implementation COP for biodiversity.

Ultimately, COP16 could mark a transformative chapter in global biodiversity governance, pushing the envelope from policy to tangible action. The involvement of investors and corporations will hopefully pave the way for a future where economic growth and biodiversity conservation go hand in hand, securing our planet's health for generations to come.

---

For more insights from GAM, go to 'Our Thinking' [here](#).

To read our other articles in our GAM Explains series, see [here](#).

---

For more information, please visit [GAM.com](https://www.gam.com)

## Important disclosures and information

The information contained herein is given for information purposes only and does not qualify as investment advice. Opinions and assessments contained herein may change and reflect the point of view of GAM in the current economic environment. No liability shall be accepted for the accuracy and completeness of the information contained herein. Past performance is not a reliable indicator of future results or current or future trends. The mentioned financial instruments are provided for illustrative purposes only and shall not be considered as a direct offering, investment recommendation or investment advice. Any securities listed were selected from the universe of securities covered by the portfolio managers to assist the reader in better understanding the themes presented and are not necessarily held by any portfolio or represent any recommendations by the portfolio managers. There is no guarantee that forecasts or investment objectives will be realised. Information provided herein should not be construed as legal or tax advice.

Certain information provided herein is based on third-party sources, which information, although believed to be accurate, has not been independently verified. GAM assumes no liability for errors and omissions in the information contained herein. This article is for informational purposes only and may not be reproduced or distributed without the prior consent of GAM.

This article contains links to certain websites that are not maintained by GAM. GAM does not endorse, has any responsibility for, or makes any representations about, any such websites, including their products and services, content, communications and website use policies. GAM has neither reviewed the contents of these third-party websites nor does GAM claim any responsibility for the content or suitability of these third-party websites and GAM makes no express or implied warranty about the accuracy, copyright compliance, legality, merchantability or any other aspect of the content of such links. The use of third-party websites is entirely at your own risk. GAM expressly disclaims any responsibility for your access to or use of such websites. By accessing these links, you acknowledge that such websites or locations are not under the control of GAM and you agree that GAM shall not be responsible for any information or additional links found at such website or location, or for your use of such information.

This article contains certain forward-looking statements which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Such statements are based on current expectations, estimates and projections about the industry and markets in which GAM invests, as well as GAM's beliefs and assumptions. These statements involve certain risks, uncertainties and assumptions which are difficult to predict. Consequently, such statements cannot be guarantees of future performance and actual outcomes and returns may differ materially from statements, goals and objectives set forth herein.