

GAM EXPLAINS:

THE CONVENTION ON BIOLOGICAL DIVERSITY (THE 'BIODIVERSITY COP')



**BEYOND
THE OBVIOUS**

THE CONVENTION ON BIOLOGICAL DIVERSITY (THE 'BIODIVERSITY COP')

What is it?

Why it matters to investors

Three top takeaways

What to look out for

WHAT IS IT?

The world has witnessed extraordinary social and economic growth in recent decades, but current production and consumption patterns are also destroying the natural capital and ecosystem services – such as the provision of fertile soil, clean air and water – that we all rely on.

Business as usual also means more than 1 million animal and plant species face extinction. As an example, since 1970, Latin America has seen wildlife population levels reduce by more than 94%, and global freshwater species populations have reduced by over 83%. This biodiversity loss is happening at a pace multiples of times faster than the average over the past 10 million years.

To help address this global biodiversity crisis, and understand the role human activity plays in causing it, an expert group from the United Nations Environment Programme (UNEP) created the Convention on Biological Diversity (CBD) in the early 1990s. The CBD is an international legal instrument tasked with the mission of protecting nature and creating policy change. Since inception 196 nations have ratified it.

As with the UN Framework Convention on Climate Change (UNFCCC) (which we explain in more detail here), the parties to the treaty meet at regular intervals (a Conference of the Parties, or COP) to review progress and set targets.

The next meeting, at time of writing, is COP15 (part 2) in Montreal, which has been postponed three times as a result of Covid 19 and its associated lockdowns.

COP15 was also split into two parts, with the first stage taking place in Kunming, China in October 2021, which resulted in 100 countries committing to supporting an ambitious and measurable post-2020 Global Biodiversity Framework (GBF).

The proposed framework includes 21 action-orientated targets for 2030, covering areas from expanding protected land to eliminating plastic pollution. This year's long-awaited conference is particularly important because the details of the framework are set to be finalised and may become legally binding.

What is GAM doing?

GAM Investments sees tackling deforestation, one of the largest drivers of biodiversity loss, as a top priority.

This year, GAM signed up to an investor letter supporting three pieces of legislation in the US reducing deforestation in supply chains, as well as joining 35 financial institutions with more than USD 8.9 trillion in assets under management in committing to the [Deforestation Pledge](#).

We are also signatories to CDP and support better disclosure through its forest work and actively use CDP's forest data in our analysis and engagement. Its recent analysis of 550+ high-impact companies across seven commodities showed us the business world is acting too slowly on deforestation. Only 1% of companies are taking 'best practice' action, according to CDP.

As with climate change, government policy will be key, so GAM is supportive of a greater focus on policy that reflects and preserves nature.

WHY IT MATTERS TO INVESTORS

The CBD matters because it may well lead to a 'Paris Agreement for nature', in other words, a global deal that will ultimately enshrine the preservation of biodiversity and could radically disrupt sectors from agriculture to tourism.

Given that USD 44 trillion – or half the world's GDP – is "moderately or highly" reliant on nature and its services, there are few investors who will not be affected by the outcomes of the CBD. The proposed framework would have far reaching financial, as well as ecological, implications that would reduce or eliminate incentives harmful for biodiversity by at least USD 500 billion per year.

Several reports have already given capital markets a sense of how things might change. The landmark UK government-commissioned [Dasgupta Review](#) in 2021, warned that our demands on nature far exceed its capacity to supply them. It describes nature as the "world's most precious asset" but highlights that it has been largely overlooked by financial markets and that it is far less expensive to conserve nature than to restore damaged or destroyed resources. The World Economic Forum's [Global Risk Report](#) ranks biodiversity and ecosystem destruction as the third top global risk over the next five to 10 years.

As knowledge of these risks – and the negative economic and social consequences they pose to society and businesses grow, investors are increasingly factoring nature-related risks into decision-making.

Yet, the quality of data around biodiversity impacts is poor and equipping investors and the wider economy with a clear understanding of the impacts of biodiversity loss is essential. COP15 thereby represents a crucial opportunity to address this challenge.

THREE TOP TAKEAWAYS

1- Climate and biodiversity: two sides of the same coin

Biodiversity loss is inextricably linked with climate change. The climate crisis has risen heavily up political and economic agendas in recent years, but we cannot tackle climate change without fighting against the collapse of nature – and vice versa.

Restoring ecosystems, for example, is crucial to both. Research finds that restoring 30% of lands converted for farming would not only prevent over two thirds of predicted bird, mammal and amphibian extinctions, but it would put the world on track to sequester almost half of all carbon increases in the atmosphere since the Industrial Revolution – more than 465 billion tons.

Unless we address the biodiversity and climate emergencies together, almost none of the 17 UN Sustainable Development Goals ([SDGs](#)) – including eliminating hunger and poverty, reducing global inequalities and boosting access to clean water and affordable energy – can be achieved, leaving USD 7 trillion at stake.

2- The food sector in the spotlight

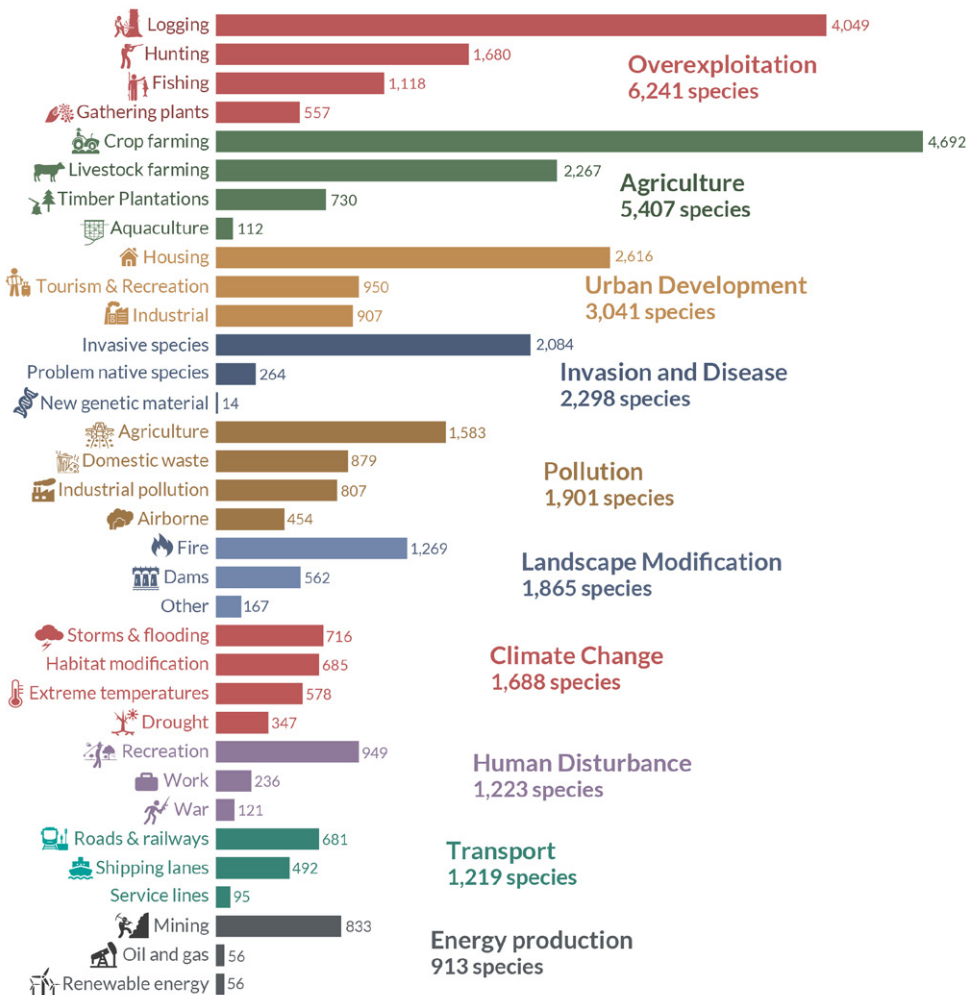
Many sectors have a role to play in conserving and restoring nature, but the food sector is one of the largest global drivers of nature loss currently.

Agriculture threatens **86%** of the species at risk of extinction, according to the UN, as forests and other ecosystems tend to be cleared for crops or livestock. Our food system is both a leading contributor but also highly vulnerable to biodiversity loss: **one third** of food on our plate is at risk due to declining bee and butterfly populations, for example.

Just some of the ways the sector might change are likely to include a shift towards plant-based diets, a growth in food tech solutions (such as lab-grown meats), and more nature-friendly farming methods with less chemical inputs.

What are the largest threats to wildlife?

The number of species threatened with extinction by a specific driver of biodiversity loss. This is based on a study of 8,688 species that are near-threatened or threatened with extinction on the IUCN Red List. Around 80% of assessed species are at risk from more than one threat.



Source: Maxwell et al. (2016). Biodiversity: The ravages of guns, nets and bulldozers. Nature. [OurWorldinData.org](https://ourworldindata.org) - Research and data to make progress against the world's largest problems. Licensed under CC-BY by the author Hannah Ritchie.

3- Reporting frameworks upping their game on biodiversity data

Information moves markets. And if investors are to invest in ways that better protect nature, they need better biodiversity data.

Just as the Taskforce for Climate-related Financial Disclosures (TCFD) has sought to standardise climate-related reporting, the Taskforce on Nature-related Financial Disclosures

(TNFD) aims to provide markets with a framework for disclosing and acting on nature-related risks threatening financial stability.

Since it launched in 2020, the TNFD has grown to include over 700 institutions across all sectors. The **Taskforce**, consisting of over 40 members representing USD 20 trillion in assets, spearheads efforts to collect wider and deeper market data on corporate biodiversity impacts. The framework due to be introduced in 2023 will be challenging to complete, and will no doubt evolve as metrics and methodologies develop, but it provides a starting point for considering nature in a structured way.

The TNFD aims to build on existing initiatives relevant to nature such as the Global Reporting Initiative (**GRI**), Sustainability Accounting Standards Board (**SASB**) and Climate Disclosure Standards Board (**CDSB**) and seeks to align with the CBD's global biodiversity framework, particularly the goals of "no net loss by 2030 and net gain by 2050".

WHAT TO LOOK OUT FOR

The CBD process, including COP15 in Montreal, is a critical opportunity for governments to agree on a global nature-positive goal that provides parties and businesses with a framework to protect biodiversity. The targets and solutions must be ambitious while realistic and measurable, or we risk continuing the same sluggish trajectory and achieving little.

This 'Paris' moment for nature will determine whether we can reach the CBD's vision of halting biodiversity loss by 2030 and 'living in harmony with nature' by 2050. Instead of overshadowing biodiversity with the climate, this will mean tackling the global challenges together. That way we can prevent pushing nature beyond critical thresholds which underpin our economy, society and the environment.

For further information on the findings from the biodiversity conference, visit the UN's website [here](#).

For more insights from GAM, please visit 'Our Thinking' page [here](#).

GAM's purpose is to protect and enhance our clients' financial future. By attracting and empowering the brightest minds to think beyond the obvious, we strive to provide investment leadership, innovation and a positive impact on society and the environment.

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Global Head of Sustainable and Impact Investment



Stephanie Maier is Global Head of Sustainable and Impact Investment, responsible for leading GAM's sustainable and ESG (environmental, social and governance) strategy.

Stephanie joined GAM Investments in January 2021 from HSBC Global Asset Management, where she was Director for Responsible Investment. Prior to that,

she spent seven years at Aviva Investors, latterly as Head of Responsible Investment Strategy and Research, and was formerly Head of Research for EIRIS, an ESG research and consultancy firm.

Stephanie holds an MSc in Environmental Technology from Imperial College London, a BA in Biological Sciences from Oxford University and the Investment Management Certificate (IMC). She is based in London.

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

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