



## BIODIVERSITY: GETTING MORE WALK THAN TALK

Biodiversity is the variability of living things – the flora and fauna that have survived millennia of Earth’s evolutions. It’s important to maintain this variability because the World Economic Forum estimates that up to [\\$44tn of global GDP](#) is tied in some way to strong levels of biodiversity.

### **Why would investors care about biodiversity?**

Some perceive that in order for industry to grow, biodiversity inevitably has to be lost. In other words, a balance needs to be struck between economic growth and a tolerable level of biodiversity reduction.

This attitude has had dire consequences. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services [notes](#) that over the past 50 years the world has seen an unprecedented change in biodiversity. Industrial activities, such as expanding agriculture, logging and overfishing, have greatly – and negatively – altered the natural world.

This matters when we realize nature is a service provider. Varied species of plant life [provide carbon sequestration](#) to counteract emissions from fossil fuel combustion. Nutrient and fish-rich oceans offer food sources (and perhaps even [carbon storage](#)). Certain ocean critters even clean and [purify our waterways](#).

Businesses benefitting from these services pay nothing for them. If they were to be diminished – a real possibility given the [rate at which](#) biodiversity is declining – they could be footing a hefty bill to make up for the loss.

### **How can investors consider biodiversity in their portfolios?**

Against this backdrop, impact investors may look to their portfolios to see how they are financing business activities that contribute to a more biodiverse world. It's traditionally been hard, however, for investors to directly address the issue for several reasons:

- While some metrics are emerging, biodiversity has typically been difficult to measure.
- Investment strategies seem to focus more on avoiding worst-case scenarios than supporting “biodiversity positive” initiatives.
- Biodiversity themes also overlap with other environmental issues – such as climate change – meaning the issue can get relegated if investors are opting for a broad environmentally aligned portfolio.

### **How can an investment strategy address biodiversity?**

Impact Cubed takes a holistic approach, starting with meaningful and robust ESG data, to build an investment strategy addressing biodiversity. We measure outcomes in relation to the UN Sustainable Development Goals (SDGs), because [more than 80%](#) of the SDGs depend on biodiversity.

- We start with ESG data on what potential portfolio companies produce and how they operate. This allows for analysis of how efficiently companies use natural resources and how they contribute to reducing pollution and biodiversity loss. We can't artificially manufacture more biodiversity, so finding organisations consciously looking to limit its loss is critical.
- To drill into this a little further, attractive companies in a biodiversity-aware strategy might be those that have decoupled economic growth from resource use. Organisations deriving revenue from virtualisation and engineering software, advanced material production or factory automation technology would be suitable candidates.
- Also on deck for potential inclusion are firms with products and services helping other corporate entities reduce pollution that could impact biodiversity. An organisation improving sewage networks, offering innovation in the water purification space or addressing waste management may be attractive.
- For companies relying on raw materials for their revenue generation, our data analysis addresses which of these firms are sourcing production inputs from areas where procurement has the least impact on biodiversity. We also focus on firms that improve agricultural yield – potentially breaking the link between increased food production and deforestation.

While it may appear that we have to accept some degree of biodiversity loss in order to enjoy economic growth, this is a dangerous attitude. Biodiversity is beneficial to

businesses. Its loss is economic loss. Companies striving to innovate so their peers need not make a trade-off between growth and destruction can have a positive impact.

If you would like to learn more about Impact Cubed's ESG strategies that consider ESG themes like biodiversity, please get in touch at [info@impact-cubed.com](mailto:info@impact-cubed.com).

## ABOUT IMPACT CUBED

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Impact Cubed provides ESG analytics and investment solutions for building more sustainable portfolios with greater impact. It combines an award-winning approach to integrating impact into risk and return with technology-enhanced portfolio design and management. The outcome is a seamless approach to customised sustainable investing.

You can find out more about our data and portfolio models at [www.impact-cubed.com](http://www.impact-cubed.com) and if you would like to contact us at [info@impact-cubed.com](mailto:info@impact-cubed.com) we would be happy to hear from you.

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