

# Biodiversity.

Next Frontier in Sustainable Investing?

Candriam's perspective

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**CANDRIAM** 

A NEW YORK LIFE INVESTMENTS COMPANY

Marketing communication intended for Professional Investors



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# 1 Biodiversity: key concepts and challenges.

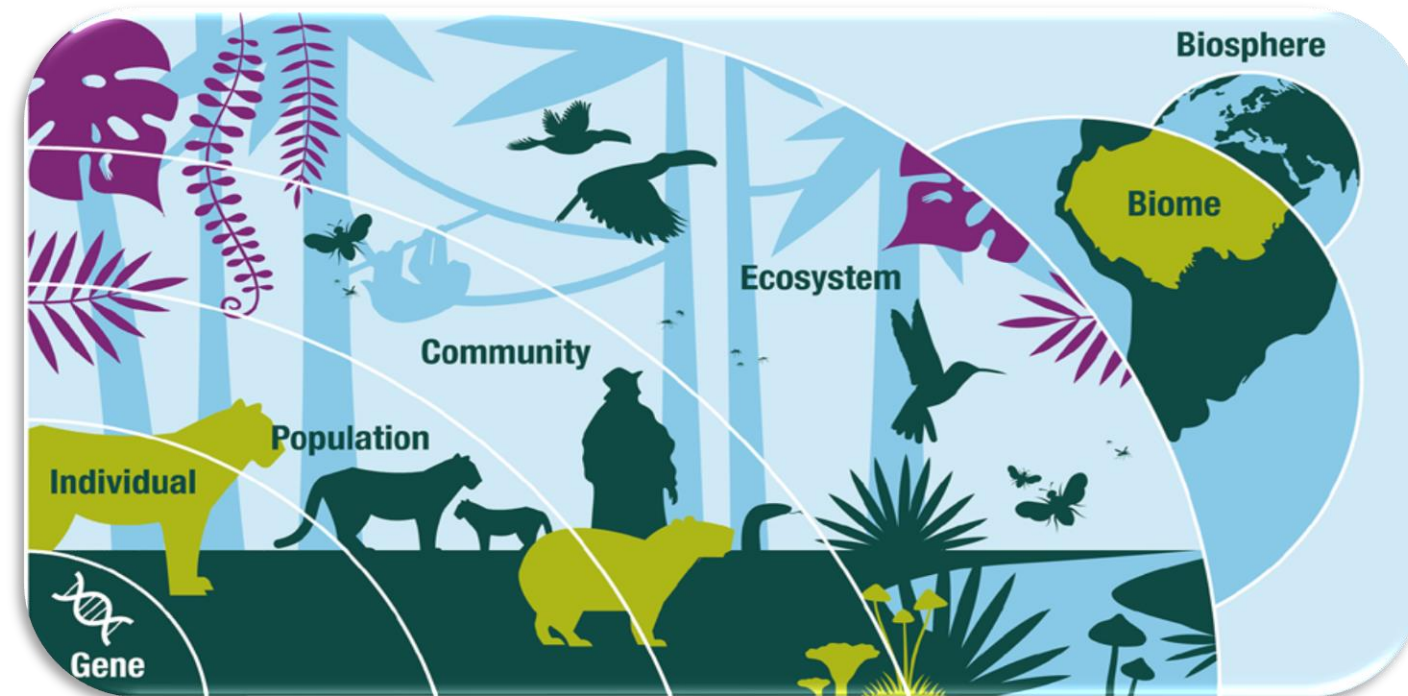


# What do we mean by “Biodiversity”?

*“The variability among living organisms from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part. This includes variation in genetic, phenotypic, phylogenetic, and functional attributes, as well as changes in abundance and distribution over time and space within and among species, biological communities and ecosystems.” IPBES*

- › **“Biodiversity”** doesn’t designate only one property of life (to be diversified). It encompasses all the interactions at all scales between all the actors of the **Biosphere**.

**It is what makes nature more than the sum of its parts.**

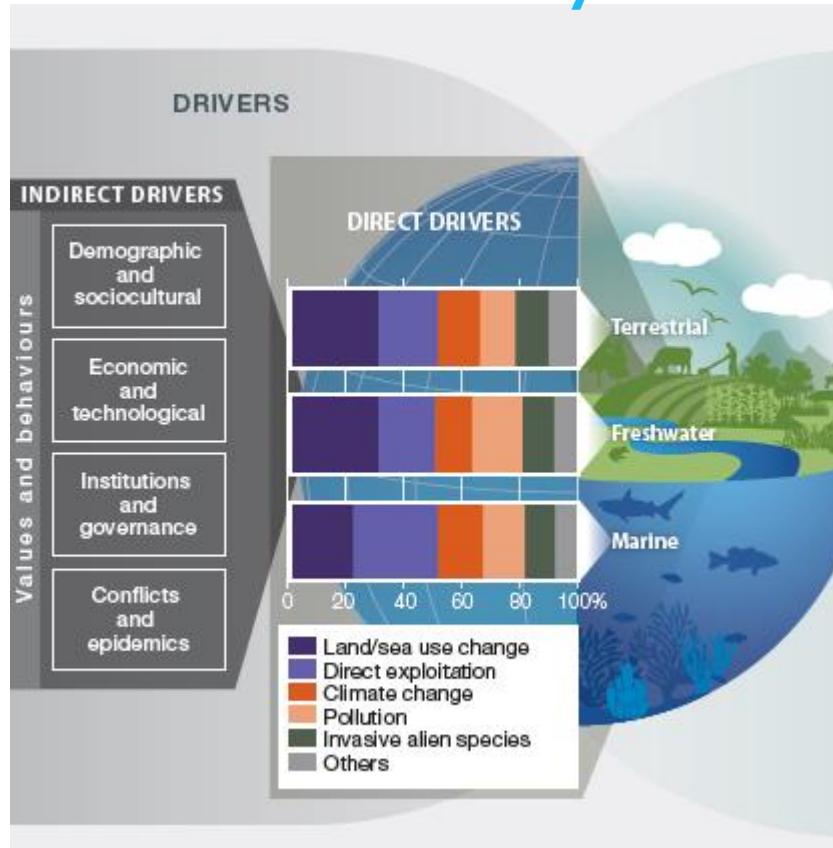


Dasgupta review

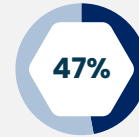


# Biodiversity is under (lot of) pressure(s).

All these pressures have one common source: human activity



## Examples of declines in nature



### ECOSYSTEM EXTENT AND CONDITION

Natural ecosystems have declined by 47 per cent on average, relative to their earliest estimated states.



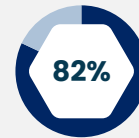
### SPECIES EXTINCTION RISK

Approximately 25 per cent of species are already threatened with extinction in most animal and plant groups studied.



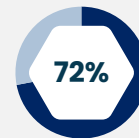
### ECOLOGICAL COMMUNITIES

Biotic integrity—the abundance of naturally present species—has declined by 23 per cent on average in terrestrial communities



### BIOMASS AND SPECIES ABUNDANCE

The global biomass of wild mammals has fallen by 82 per cent.\* Indicators of vertebrate abundance have declined rapidly since 1970



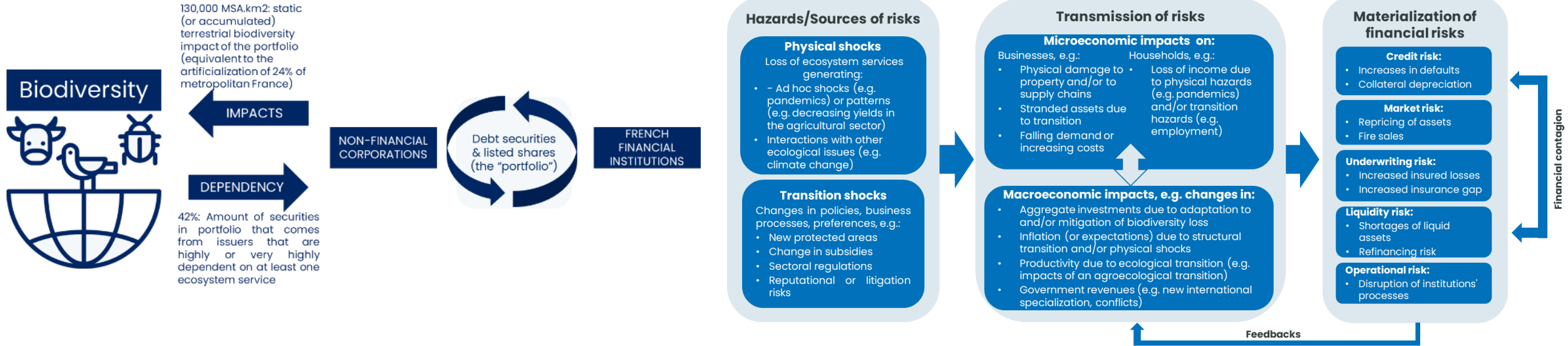
### NATURE FOR INDIGENOUS PEOPLES AND LOCAL COMMUNITIES

72 per cent of indicators developed by indigenous peoples and local communities show ongoing deterioration of elements of nature important to them

\* Since prehistory



# Why should biodiversity matter to investors?



# Key points and challenges to integrate biodiversity in investments.



Biodiversity is a **wide, multi-faceted and complicated issue** that encompasses very different but interconnected topics.

We need to consider both **biodiversity impacts** and **dependencies**.



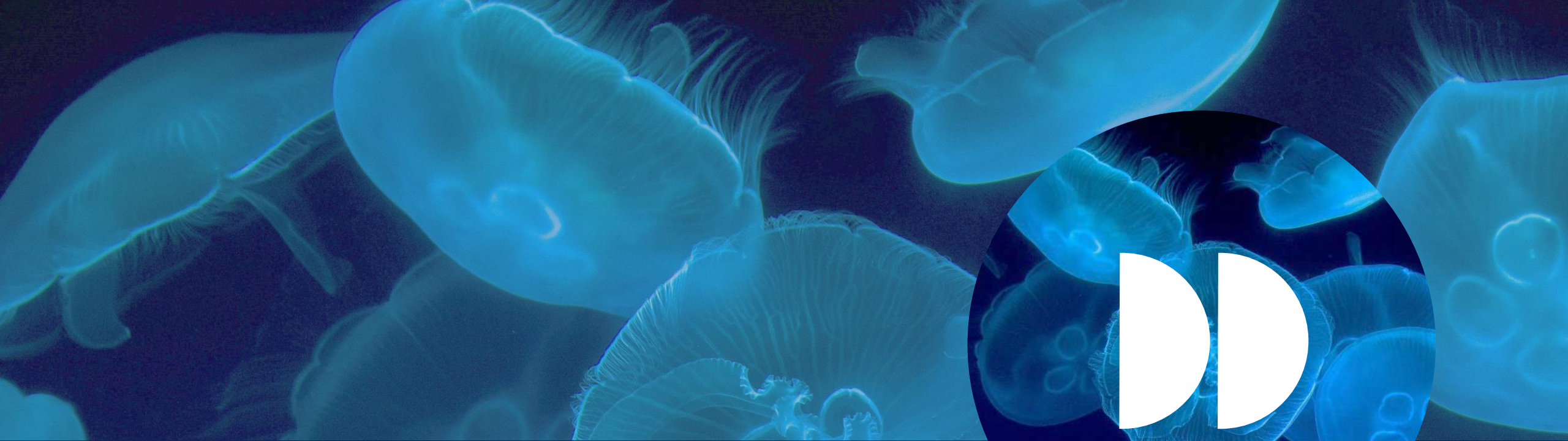
There are **no reliable and standardized model/metrics** to evaluate impact and dependencies on biodiversity.

This creates a **high risk of greenwashing**.

As biodiversity is a **local issue**, it means integrating **asset-level data** and assessing both **direct and indirect impacts**.

Biodiversity assessment requires **highly sophisticated models**, even more so than climate.





# 2 Our biodiversity approach.





# Biodiversity model: a combination of 2 methods.

Assessing biodiversity impacts and dependencies  
of corporates across all relevant dimensions

## 2 COMPLEMENTARY DIMENSIONS



Activity  
Analysis



Geographic  
Analysis

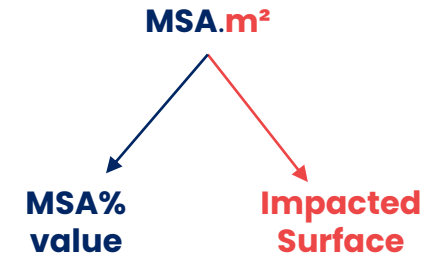
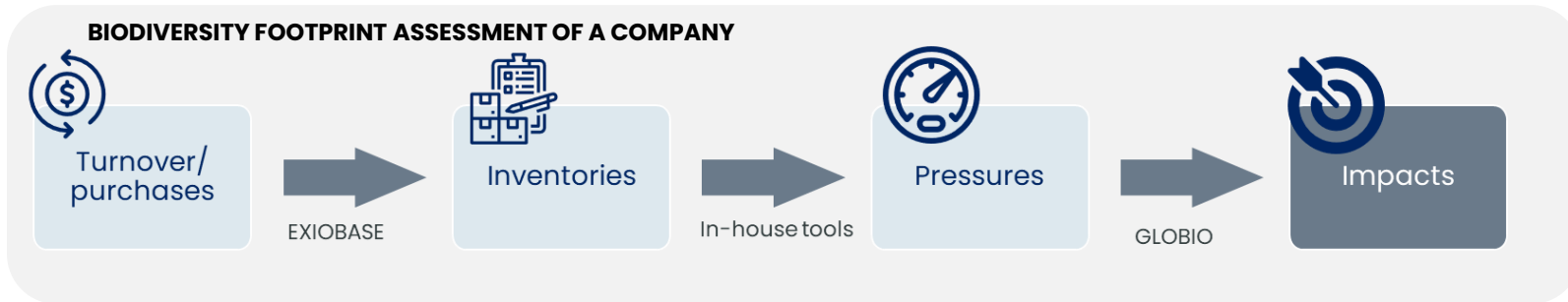




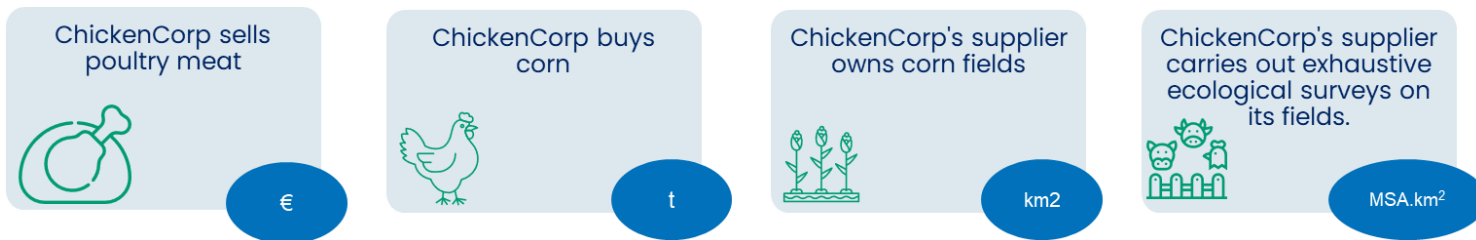
## Activity Analysis

# An activity analysis to evaluate companies' biodiversity footprint.

For each issuer, we analyse biodiversity impacts & dependencies via C4F input/output model based on activity breakdown



**Example:** Case of a poultry meat business: one of the impacts will relate to poultry feed production



**1 MSA.m<sup>2</sup> loss**  
 Is equivalent to  
 the artificialisation of 1 m<sup>2</sup> of  
 pristine natural ecosystem

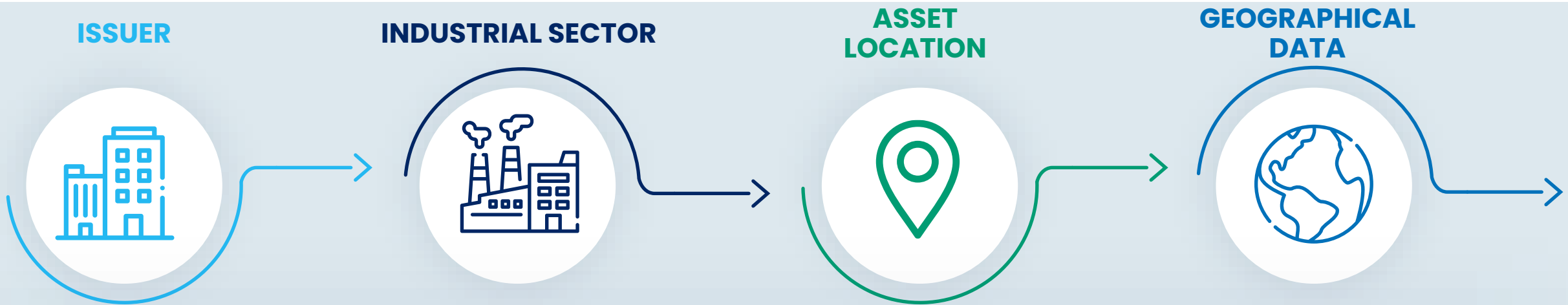




Geographic  
Analysis

# A geographic analysis to evaluate companies' localized impacts and dependencies.

For each issuer, we analyze biodiversity impacts and dependencies at local level via an asset level evaluation



Combination of automatic and manual collection of data





# Biodiversity topics covered in our geographic analysis.

Biodiversity is a multi-faceted issue, that includes many interconnected topics



## WATER

- › Water stress
- › Flooding risk
- › Water Quality risk
- › Reputational risk
- › Forecast 2030/2040



## SPECIES

- › Species concentration (Birds, mammals and amphibians)
- › Biodiversity intactness index
- › Mean species abundance



## LOCAL POPULATION

- Distance with the nearest local population protected area.



## PROTECTED AREA

- Distance with the nearest protected area (Terrestrial and Marine)
- Presence in a suggested protected area (SPA)
- Presence in a Biodiversity Hotspot



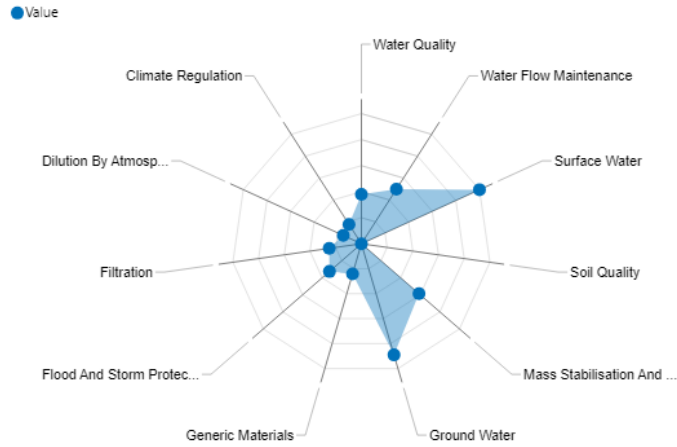
## FOREST

- SPOTT score
- Forest 500 score
- Red list country
- Deforestation Front
- Forest landscape intactness index



# A comprehensive biodiversity assessment.

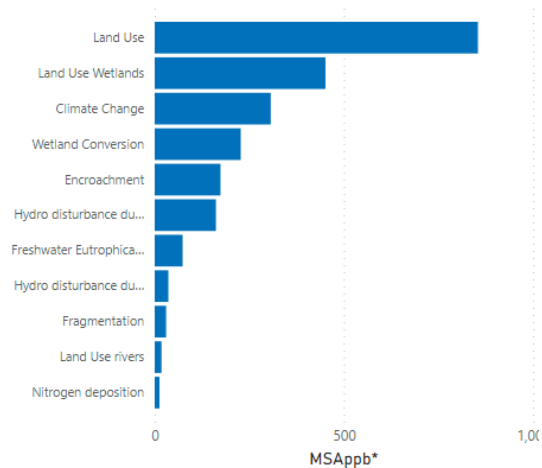
Dependencies



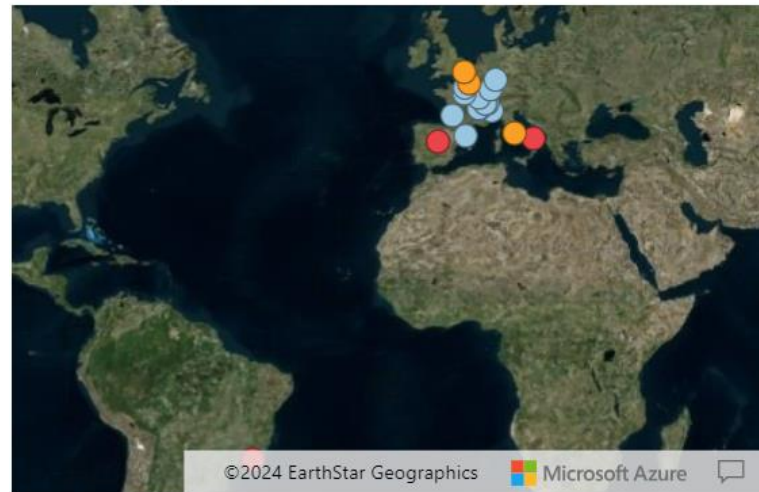
Number of distinct species within the area

Asset Name	Birds		Mammals		Amphibian	
	Birds	Endangered Birds	Mammals	Endangered mammals	Amphibian	Endangered amphibian
Rio	●	●	●	●	●	●
Jakarta	●	●	●	●	●	●
Montevideo	●	●	●	●	●	●
Mexico City	●	●	●	●	●	●
Tres Cantos	●	●	●	●	●	●
Molsheim	●	●	●	●	●	●

Impact breakdown



Water risk ● high ● low ● Medium



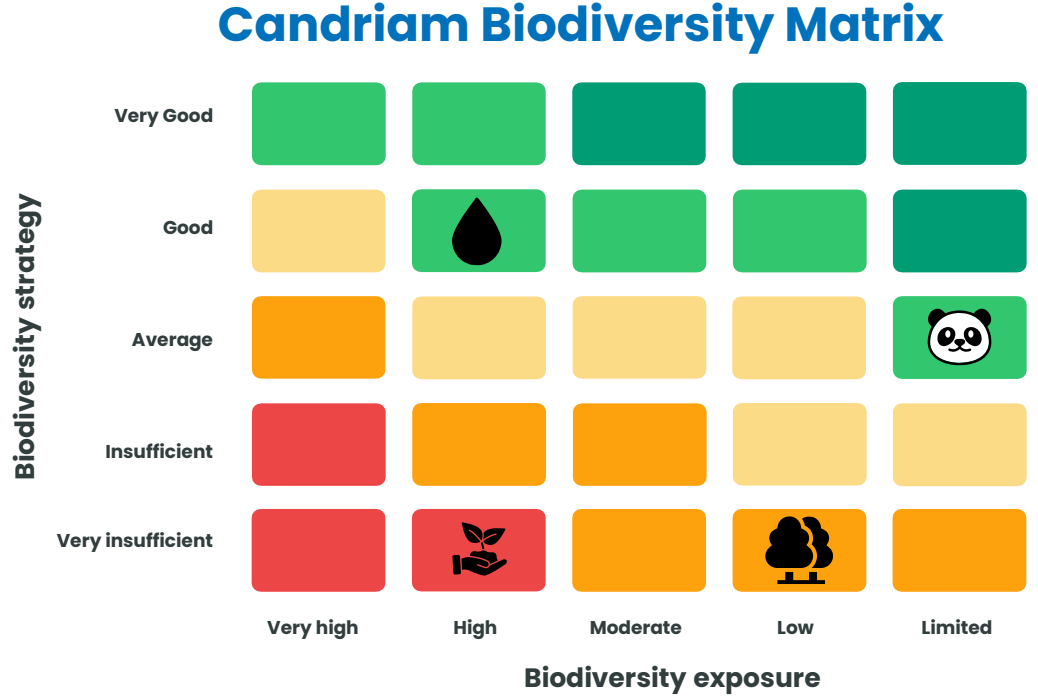
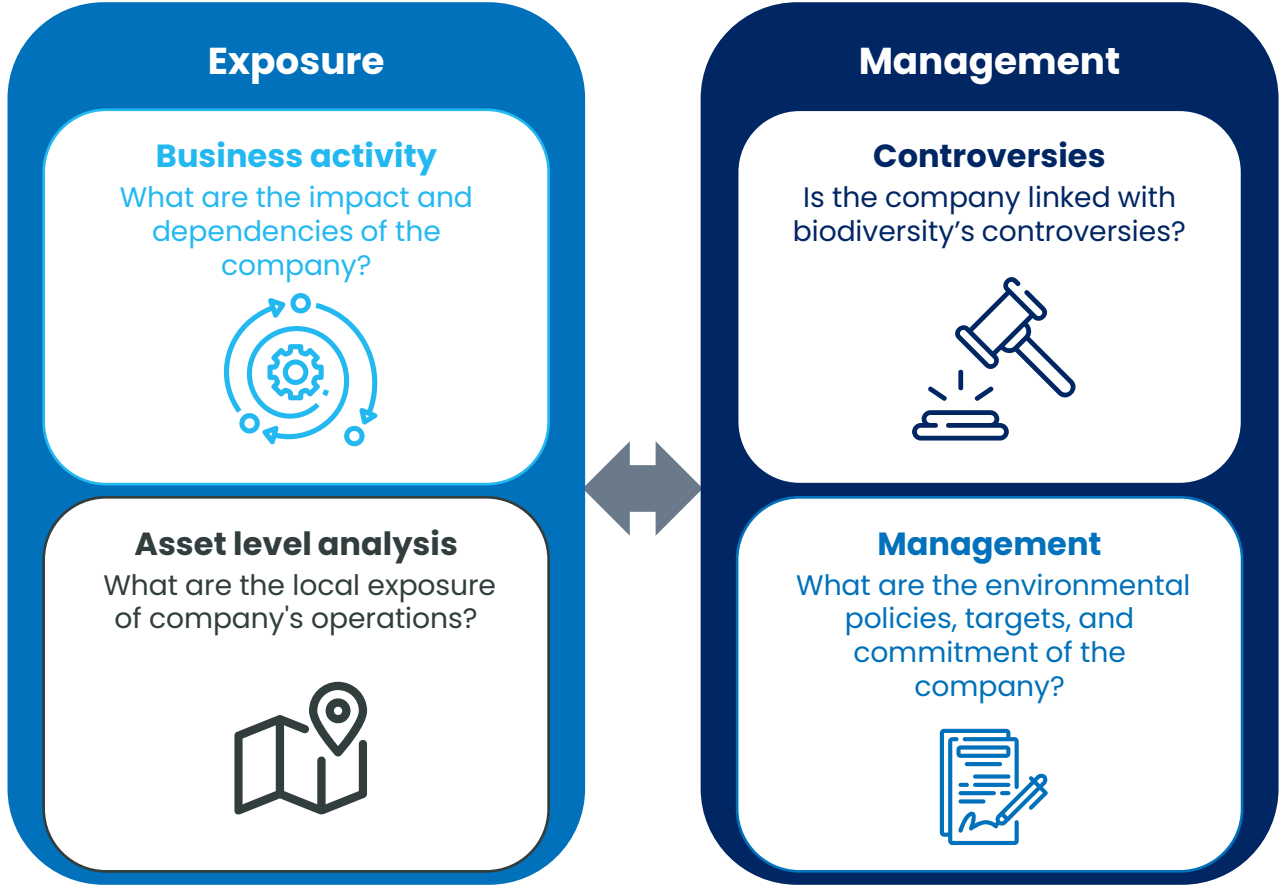
Water risk

Asset Name	Quantity risk	Quality risk	Reputational risk	Total
Jakarta	●	●	●	●
Mexico City	●	●	●	●
Bari	●	●	●	●
Tres Cantos	●	●	●	●
Rio	●	●	●	●
Guidonia	●	●	●	●
Nantong	●	●	●	●
Trosly-Breuil	●	●	●	●
Calais	●	●	●	●
Mollet	●	●	●	●



# Candriam's biodiversity approach.

For each company, key biodiversity topics are scored through a biodiversity matrix from red to green



# Example: Copper mining company.

## > Exposition to water risk



## > Proximity to protected areas

### Cobre Panama



# When biodiversity risks do materialize.

After weeks of local protests, Panama's Supreme Court declared the terms of contract unconstitutional

## > Engagement

- Two meetings held with the company in 2022
- Insufficient management of biodiversity issues coupled with uncertainties around the validity of their mining license.
- Following a thorough review and unsuccessful engagement, the company was **downgraded in our ESG systems and excluded from SRI strategies** in October 2022.

## > Evolution of FQM share price, driven by Cobre Panama newsflow



**In November 2023, the contract was deemed unconstitutional. This decision came after weeks of massive local protests, leading to several fatalities. In December 2023, the company suspends production and starts an international arbitration process.**





# Next steps and key challenges.

We are just at the start of the journey, but time is already running out!



Biodiversity is **localized issue** that require **contextual data** to be assessed and managed.

**Biodiversity targets** have to be set locally!



We need **supporting regulation** with a clear blueprint for biodiversity action to incentivise protecting and restorative **business models**.



We would recommend caution when claiming or looking for **“net positive impacts”** on biodiversity.



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