

## UBP'S APPROACH TO BIODIVERSITY

**A**t UBP, we firmly believe that governments, investors, the corporate world and the financial sector must work together to tackle the world's biggest challenges and we are determined to actively contribute to the fight for biodiversity.

Natural ecosystems and species are being destroyed on an unprecedented scale, and this is having an effect on every segment of societies and economies. Understanding how biodiversity loss could affect their portfolios and taking a stand against it will be essential for investors not only to preserve their wealth but also to capture new investment opportunities.

We collaborate with other asset managers and asset owners on environmental issues, and actively engage with companies to identify best practice and encourage better reporting on this topic. Our investment decisions are based on a holistic ESG assessment of companies, including biodiversity-related scores from leading sources.

It is among our highest priorities to strengthen our own expertise and find ways to drive improvement where we feel it is most needed. This paper outlines our approach in this endeavour as regards biodiversity, and there is more about sustainability at UBP [on our website](#).

## THE ISSUE

The term “biodiversity” refers to the variety of genes, individual organisms, species and ecosystems in a given space, which is central to supporting life on Earth. Biodiversity occurs naturally and is the basis of human existence, helping ensure food and water security as each of the various species within an ecosystem plays a role in maintaining water and soil quality. Natural ecosystems also help regulate climate patterns, break down pollutants and remove waste.

The decline in species populations can be largely attributed to habitat loss and degradation, including deforestation, driven mainly by the way we produce food. Other drivers of biodiversity loss include invasive species, over-exploitation, pollution and climate change associated with global warming.

**Biodiversity is being lost and natural ecosystems are being destroyed on an unprecedented scale**, and this is one of the greatest challenges that we face today, along with the closely connected issue of climate change. The dramatic decline in species populations and land quality will directly affect the nutrition, food security and livelihoods of billions of people.

According to the World Economic Forum (WEF)<sup>1</sup>, **USD 44 trillion of economic value generation, more than half of the world’s gross domestic product, is moderately or heavily dependent on nature and natural services** – such as the provision of food, fibre and fuel – and so the current loss of biodiversity is a real threat to the global economy.

**Urgent measures are needed** to reverse this trend, to prevent irreversible biodiversity loss and its significant negative economic and social outcomes. This means stopping the destruction of natural habitats and particularly forests, reforming the production and trading of food by making them more efficient and ecologically sustainable, reducing waste, and favouring healthier and more environmentally friendly diets.

<sup>1</sup> <https://www.weforum.org/reports/nature-risk-rising-why-the-crisis-engulfing-nature-matters-for-business-and-the-economy>

It will therefore be vital for investors to have a clear understanding of **how biodiversity loss could potentially affect their portfolios** and the risk/return profile of their investments. Moreover, beyond wealth preservation, taking a stance and acting against biodiversity loss can also **create opportunities for investors**.

As the need for action on biodiversity is growing, the United Nations Sustainable Development Goals (UN SDGs) – specifically **SDG 14 (Life Below Water)** and **SDG 15 (Life on Land)** – are driving the global effort to safeguard ecosystems and capture opportunities linked to environmental protection and solutions. More importantly, at least 80% of the UN SDGs are reliant on biodiversity<sup>2</sup>, creating numerous opportunities for investors willing to step into this space.

At UBP we believe that **the destruction of natural ecosystems is not yet irreversible and that the Bank can play a role in protecting natural ecological processes**, reversing biodiversity loss and seizing the new investment opportunities that are arising in connection with those efforts (for example relating to waste management technologies, circular economies and new agricultural practices).

We know that this is and will remain an ambitious goal, but we are determined to actively contribute to the fight for biodiversity. Here are some of **our commitments**:

1. Continuing and stepping up our involvement in biodiversity-related initiatives
2. Raising awareness among our investment teams regarding biodiversity issues and embedding biodiversity assessment within investment decisions
3. Putting biodiversity-related issues on the agenda of our meetings and interchanging ideas with companies as part of our ongoing engagement process

<sup>2</sup> <https://www.unpri.org/biodiversity/investor-action-on-biodiversity-discussion-paper/6335.article#download>

## BIODIVERSITY IN NUMBERS\*



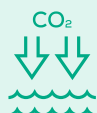
68%

AVERAGE DROP IN WILDLIFE SPECIES POPULATIONS SINCE 1970



25%

OF ASSESSED ANIMAL AND PLANT GROUPS THREATENED WITH EXTINCTION



60%

OF ANTHROPOGENIC CARBON EMISSIONS SEQUESTERED IN OCEAN AND LAND-BASED SINKS



70%

OF CANCER DRUGS BASED ON NATURAL OR SYNTHETIC PRODUCTS INSPIRED BY NATURE



75%

OF FOOD CROPS RELIANT ON ANIMAL POLLINATION



1,000-FOLD INCREASE

IN THE EXTINCTION RATE COMPARED WITH THE AVERAGE OVER THE PAST 10 MILLION YEARS

\* Sources:

- WWF Living Planet Report 2020 <https://livingplanet.panda.org/en-us>

- UN Intergovernmental Science Policy Platform on Biodiversity and Ecosystems Services report (2019) <https://www.ipbes.net/global-assessment>

- WWF Living Planet Report 2014 <https://www.worldwildlife.org/pages/living-planet-report-2014>

## BIODIVERSITY INITIATIVES

UBP's engagement is strongly linked to our commitment to **responsible investment** – a key part of our DNA – and our belief that governments, investors, the corporate world and the financial sector must work together to tackle the world's biggest challenges.

In September 2020, UBP signed the **Business for Nature Call to Action (BCtA)**<sup>3</sup>. This statement, made by more than 700 companies with combined revenues of USD 4.3 trillion, calls on governments to adopt policies now to reverse nature loss in this decade. This is the first time there has been such a unified business voice campaigning for nature. The alliance aims to use that voice to give policymakers the reassurance and confidence to make ambitious agreements. The hope is that a positive feedback loop will develop between business and policymakers.

We are also a **member of FAIRR**<sup>4</sup>, "a global network of investors addressing ESG issues in protein supply chains". 60% of global biodiversity loss is due to land cleared for meat-based diets, according to the WWF, and UBP is committed to playing a more active role in the adoption of sustainable protein.

UBP is one of the members of the **Cambridge Institute for Sustainability Leadership's (CISL) Investment Leaders Group**<sup>5</sup>, a global network of pension funds, insurers and asset managers aiming to advance the practice of responsible investment. As a member of the CISL's Steering Group, alongside other major players in the investment industry, UBP is helping the CISL to draft a report on the *Financial risks of biodiversity loss and land use degradation*. As part of this project UBP also contributed to the *CISL Handbook for Nature-related Financial Risks*<sup>6</sup>, which provides essential tools to shift from awareness to action.

We are also actively involved in the **UN PRI Investor Working Group on Sustainable Palm Oil**, and we encourage industry-wide engagement, for instance by participating in investor statements and initiatives related to biodiversity:

- 2021 : UBP became a member of the **Taskforce on Nature-related Financial Disclosures (TNFD)** Forum that will drive the work on developing and delivering a risk management and disclosure framework for organisations to report and act on evolving nature-related risks. This framework aims to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.
- 2021: UN PRI Sustainable Commodities Practitioners' Group. This group is a forum for **building investors' awareness and share current practice in responding to commodity-driven deforestation**. This is an opportunity to reflect on our engagement on deforestation so far, as well as to exchange knowledge with others who are working on the issue.

<sup>3</sup> <https://www.businessfornature.org/call-to-action>

<sup>4</sup> <https://www.fairr.org/>

<sup>5</sup> <https://www.cisl.cam.ac.uk/business-action/sustainable-finance/investment-leaders-group>

<sup>6</sup> <https://www.cisl.cam.ac.uk/resources/sustainable-finance-publications/handbook-nature-related-financial-risks>



- 2021: **Global Investor Statement to Governments on the Climate Crisis**. We are committed to working together with other investors and governments in order to **achieve the Paris Agreement goal** of limiting the global average temperature rise to no more than 1.5 degrees Celsius, which is necessary to avoid the worst impacts of climate change, in particular on biodiversity.
- 2020: UN PRI Investor Working Group letter on the **traceability of indirect suppliers in the Brazilian cattle supply chain to meat packers and processors**.
- 2019: investor statement on **deforestation and forest fires in the Amazon**. We recognise the crucial role that tropical forests play in tackling climate change, protecting biodiversity and providing ecosystem services. We request that companies redouble their efforts and demonstrate a clear commitment to eliminating deforestation within their operations and supply chains.

## RAISING AWARENESS AMONGST INVESTMENT TEAMS

At UBP, we base our investment decisions on a **holistic ESG assessment of companies, including biodiversity-related scores** from a number of leading data providers and sources, including MSCI, WWF and SPOTT.

This biodiversity assessment results in **two lists** that inform our investment teams' decisions:

- A list of companies with very poor biodiversity-related performance, which helps our investment teams identify **biodiversity laggards**, i.e. companies that are highly exposed to biodiversity issues or that have a disproportionately high negative impact on ecosystems. This list includes, but is not limited to, companies deriving revenues from activities deemed to have a



negative impact on biodiversity, as well as companies embroiled in severe biodiversity-related controversies. Investment teams are encouraged to limit their exposure and engage with these companies using UBP's biodiversity questionnaire.

- A list of companies with very high biodiversity-related performance, highlighting companies that are **biodiversity leaders** and have a positive impact on biodiversity.

We expect our sustainable and impact funds to have a stringent consideration of biodiversity issues.

## STEWARDSHIP

UBP aims to **understand how companies address and manage biodiversity issues**, to identify best practice and to foster better disclosure and reporting on this topic.

We also **encourage our investment teams to work with investee companies**, particularly those deemed laggards on biodiversity issues, to make them aware of their negative impact on biodiversity and inform them of best practices. This is key to strengthening our expertise and improving our understanding of a company's approach to biodiversity. It is also an important way for us to drive change and improvement where we feel it is most needed. UBP's Impact team is particularly active on that front, engaging for example with palm oil producers and traders that have lost their RSPO (Roundtable on Sustainable Palm Oil) certifications.

In addition to our lists of leaders and laggards, UBP has access to a range of tools that can help **prioritise companies that can be engaged with on biodiversity**:

- [The Sustainability Policy Transparency Toolkit \(SPOTT\)](#), developed by the Zoological Society of London, which publishes transparency assessments of soft commodity producers and traders (palm oil, timber and pulp, and natural rubber companies).
- [The Palm Oil Buyers Scorecard](#), created by the World Wide Fund for Nature (WWF), which assesses companies based on the commitments they have made and the actions they have taken to ensure that there is no destruction of nature, including no deforestation, in their supply chains and that they support a responsible and sustainable palm oil industry.
- [The Timber Scorecard](#), also created by the WWF, which rates businesses on their timber product sourcing policies and performance, and aims to stimulate further transparency, inform consumers and support national and international commitments in the procurement of sustainably sourced timber products.

As active managers, we also influence corporate behaviour through voting and support for shareholder resolutions. Our proxy-voting advisor, ISS, provides us with a **sustainable voting policy**, and we can provide escalation on environmental matters such as biodiversity. Our voting report and detailed voting record on environmental issues and other ESG-related issues are available on the [Responsible Investment page of our website](#).

## GOING FURTHER: OUR IMPACT EXPERTISE

Through our Impact team and product range, we have a particularly **deep and selective approach to biodiversity** and environmental issues. This is showcased by our **proprietary IMAP scoring system**, which measures companies' "impact intensity", and the fact that one of the six key themes of our impact framework is to invest in companies that actively contribute to healthier ecosystems.

Furthermore, UBP's Impact Advisory Board fosters **discussions and insights** that cover, among other topics, **companies' impact on nature**, i.e. their carbon footprint and impact on soil, water, biodiversity and land. Key questions include, for instance, whether a company targets a biodiversity net gain and whether it uses science-based targets. The resulting guidance, although delivered with the Impact team in mind, is shared with UBP's Responsible Investing Committee which promotes the integration of sustainability criteria into our investment processes at Group level.

Learn more about our Impact expertise on <https://www.ubp.com/en/investment-expertise/impact-investing>



For more details about responsible investing and sustainability at UBP and to make contact with our experts, please visit [www.ubp.com](http://www.ubp.com) and follow us on Instagram [@ubp.impact](#)



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