



# Biodiversity

## Biodiversity: what it is and why it is important

The second-most effective way of mitigating climate change, after fossil fuel replacement<sup>1</sup>

## Why now?

Human activity has seriously altered 75% of the planet's land surface and 66% of the marine ecosystem<sup>2</sup>. For many, it may be too late, which is why it is vital to react

## Biodiversity in the financial sector

Most fund managers have opted for actively managed funds, mainly with a global approach

**\$10tn**

biodiversity-related risk to the economy by 2050<sup>2</sup>

**50%**

of world GDP (\$13tn) produced by industries that depend on nature<sup>3</sup>

**70%**

of cancer medicines are obtained from organic substances and/or derivatives<sup>4</sup>



## Key tool for mitigating climate change

The second-most effective solution, after fossil fuel replacement<sup>1</sup>

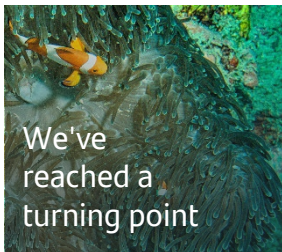
# Biodiversity: what it is and why it is important

Biodiversity reflects the number, variety and variability of living organisms. It includes diversity within species, between species and between ecosystems. Biodiversity is found everywhere, both on land and in water. It includes all organisms, from microscopic bacteria to the most complex plants and animals.

Consequently, biodiversity is vital for the planet's sustainability.

Unfortunately, global biodiversity is undergoing a drastic decline. In 2019, the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) released a report showing that around one million species are at risk of extinction, many within a matter of decades.

## Why now?



We've reached a turning point

Human activity has seriously altered **75% of the planet's land surface** and **66% of the marine ecosystem**. The average population of species declined by 68% between 1970 and 2016<sup>2</sup>.



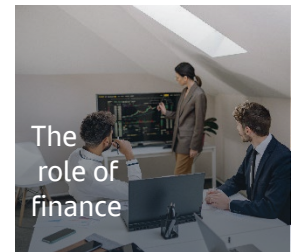
Key tool for mitigating climate change

Forests, wetlands and grasslands are natural carbon sinks that absorb and store CO<sub>2</sub>. **Protecting and restoring these ecosystems is considered to be the second-most effective solution to climate change**, behind only fossil fuel replacement.



Impact on the economy

Studies suggest that **more than 50% of the world's GDP depends, to a greater or lesser extent, on nature<sup>3</sup>**. Failure to respond could lead to the collapse of food systems and loss of livelihoods, and pose a systemic risk to the global economy.



The role of finance

Companies and investors have practically ignored this problem until now. We face a **global biodiversity funding gap of over \$800 million<sup>4</sup>** per year, and the financial sector can play a key role through capital allocation and stewardship.

Within the Agenda 2030 strategy, Europe plans to restore 25,000 kilometres of rivers, plant 3 billion trees, reverse the decline of pollinating insects, reduce the use of harmful pesticides by 50%, and increase the size and number of organic farms. To achieve this, private and public funds will provide €20 billion per year<sup>5</sup>.

<sup>1</sup> <https://www.hermes-investment.com/es/es/professional/investments/equity/biodiversity-equity/> | <sup>2</sup> WWF Living Planet Report 2020 | <sup>3</sup> Sources: IPBES reports (2019), EOS, Our Commitment to Nature (2021), WWF and ZSL, Living Planet Report (2020), Seven ESG Trends to Watch in 2021 | S&P Global (spglobal.com) | <sup>4</sup> Global Canopy, The Little Book of Investing in Nature (2021) | <sup>5</sup> <https://www.bbva.com/es/sostenibilidad/que-es-la-biodiversidad-y-por-que-es-clave-para-la-supervivencia-de-los-seres-vivos/>

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