

ARTICLE

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# Biodiversity:

## a change in direction is necessary

**Helena Charrier,**  
Head of SRI Solutions

**Diane Roissard,**  
ESG Quantitative Analyst  
and Biodiversity Lead



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**Although no common goals regarding biodiversity preservation and restoration have so far been set, on the same scale as those developed for the combat against climate change, these are nonetheless key issues for the very survival of the human race, which depends on nature and the “ecosystem services” that it provides for us, including food, clean water and materials, regulating diseases and the climate, as well as access to key recreational and cultural spaces for our wellbeing.**

**The issues at stake in terms of biodiversity and climate change** are also intrinsically linked, with changes to the climate constituting one of the five major pressures weighing on biodiversity. Actions harming biodiversity, such as deforestation, are equally damaging for the climate and, inversely, schemes aiming to preserve and restore biodiversity have a favourable impact on combating climate change.

**Changing use of land and seas, soil overexploitation, climate change, pollution, proliferating invasive species:** these pressures, which are of human origin, are increasing and threatening ecosystems. The United Nations Convention on Biological Diversity considers that the Earth is at the beginning of its sixth “mass extinction”, which is the first extinction attributable to humankind. What does this mean? One million species are already threatened with extinction, according to the Global Assessment Report on Biodiversity & Ecosystem services, 2019.

**It is therefore urgent to take action to change practices and work towards preserving nature.**



#### **5 PRESSURES OF HUMAN ORIGIN ON BIODIVERSITY**

- Changing use of land and sea
- Overexploitation of biological resources
- Climate change
- Water, soil and air pollution
- Invasive exotic species



## Towards implementing a global framework

**The United Nations Biodiversity Conference (COP 15)**, to be held in December in Montreal, should bring the subject back under the spotlight. Specific goals should be set, with milestones in 2030 and 2050, in four areas:

- ▶ **Increasing the surface area of protected natural ecosystems** and preserving their integrity;
- ▶ **Nature's contributions to populations** are valorised, maintained or strengthened through conservation and sustainable use of resources;
- ▶ **The advantages from using genetic resources** are shared fairly and equitably between all stakeholders, taking into account the importance of traditional knowhow;
- ▶ **Filling the deficit in terms of financial means** to achieve these goals, which should be **reduced by 700 billion** dollars per year on a national scale.



## WHAT STANDARDS ARE ALREADY IN PLACE?

**Voluntary or regulatory standards, apply both to public authorities** – particularly at local level – **and companies** – aiming for greater transparency regarding practices impacting biodiversity – **as well as to investors**, so that they can actively contribute towards achieving biodiversity preservation and restoration goals.



Among investors

**In France**, Article 29 of the Energy Climate law, which provides a sustainability reporting framework for financial institutions, has this year established new transparency requirements, relating to taking biodiversity risks into account and measuring their impact, including the contribution to reducing key pressures and the main impact on biodiversity loss.

**On a European scale**, the SFDR sustainable finance regulation toughens transparency obligations among financial market professionals regarding the risks and impacts of investment solutions proposed, in terms of sustainability; notably including an obligation to stipulate the percentage of investments in companies with business activities in sensitive biodiversity areas.



Among companies

**The new European** Corporate Sustainability Reporting Directive (**CSRD**) toughens reporting obligations among listed companies and groups with more than 500 employees, particularly regarding biodiversity factors.

The Task Force on Nature-Related Financial Disclosures (**TFND**) is a voluntary international framework which is being developed and aims to create a reporting structure in September 2023 to guide companies and financial institutions in assessing the risks and impacts of their investments on nature.



## Several levers are available

LBP AM and Tocqueville Finance **are aware of the issues at stake** and have embraced biodiversity, from a “dual materiality” angle, corresponding to our responsible investor approach.

- ▶ **Companies with business activities which have a negative impact on nature:** our role as an investor, concerned about our impact, involves increasing awareness among companies and helping them assess their impact and guiding them in developing best practices to reduce their footprint.
- ▶ **Companies also depend on natural capital and ecosystem services.** Our role as an engaged investor, at corporate and investment portfolio level, is to help identify these dependencies more clearly, in order to promote stringent management of operational and financial risks associated with the deterioration or disruption of the services provided by nature.

LBP AM's and Tocqueville Finance's engagement in favour of biodiversity is **already integrated through** the specific biodiversity criteria within our proprietary GREaT **ESG rating**, used to assess companies' treatment of nature. Our engagement has also been extended over the past two years through several levers:

## 1. Exclusions list



Since **2019**, we have established a list of business activities excluded from our investment universe for all group investments, due to their harmful impact on biodiversity.

The list, which was initially limited to deforestation issues relating to risky raw materials producers (palm oil, soya, cattle, rubber, wood and cacao), is earmarked to be extended at the end of 2022, with the publication of a more inclusive LBPAM biodiversity policy. It will be extended to include companies in sectors incurring biodiversity risk, involved in particularly harmful practices compared to peers, which have not implemented any remedial measures. The list will also take into account the full scope of the 5 pressures defined by IPBES\*.

## 2. Shareholder engagement



The aim is to enter into dialog with companies in order to understand their problems and accompany them towards change. Dialogue can be on a group basis, involving other investors, in order to benefit from stronger leverage. Discussions focus on specific themes, such as sustainable aquaculture and also address companies with identified issues in this theme. Meetings are often coordinated by NGOs and schemes that LBPAM is a member of.

A second level of shareholder engagement is implemented individually by LBPAM with a selection of companies, assessing their progress in implementing measures in favour of biodiversity:

- Assessing their impact and dependency on biodiversity and priority issues to be addressed;
- Implementing action plans;
- Setting goals;
- Introducing best practices.

For 2022 and 2023, LBPAM has opted to focus on the consumer goods sector to launch discussions.

\* Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

### 3. **Signing up to marketplace engagements**



Last year, LBP AM and Tocqueville Finance joined the **Finance for Biodiversity Pledge**, comprised of around one hundred financial institutions on an international scale, aiming to unite investors around a common biodiversity protection goal.

**The Pledge involves the following commitments:**

- Participating in biodiversity workgroups,
- Dialogue with invested companies in order to promote best practices,
- Assessing the biodiversity footprint of investments,
- Setting biodiversity footprint reduction goals by the end of 2023.

### 4. **A dedicated theme fund, labelled SRI and Article 9 (SFDR)**



LBP AM and Tocqueville Finance are marketing a new biodiversity theme fund, **Tocqueville Biodiversity ISR**, which aims to invest in companies providing solutions to biodiversity and natural capital preservation issues, through their products and services, and also in companies which, due to their business sector, have a potentially large biodiversity footprint that they can commit to reducing.

**The biodiversity footprint** is calculated by the Global Biodiversity Score (GBS) provided by CDC Biodiversité and Carbon 4 Finance.



#### THE INVESTMENT UNIVERSE COVERS 4 MAIN SECTORS

- **Sustainable agriculture and foods** (regenerative agriculture, sustainable food production, reforestation and sustainable forest management),
- **The circular economy** (collection and recycling systems, recyclable or biodegradable packaging),
- **Eco-friendly buildings** (new construction materials),
- **Environmental services & solutions** (water, air and soil treatment, depollution technologies).



## The Tocqueville Biodiversity ISR investment philosophy draws on 4 levers:

### ► Identifying solutions:

We seek companies which our analysis shows provide solutions responding to biodiversity and natural capital preservation issues, such as companies involved in regenerative agriculture.

### ► Exclusion:

We exclude sectors which our analysis shows put structural negative pressures on biodiversity.

### ► Best-in-class selection:

We consider companies with a significant footprint, but implementing disruptive practices in their sector, which our analysis shows limiting their impact on biodiversity, by using the circular economy for example.

### ► Engagement:

We accompany companies in implementing best practices, for example by limiting the use of pesticides and chemical fertilizers in order to reduce soil pollution.



*This is a marketing brochure. Please refer to the prospectus and the key investor information document before taking any final investment decisions. The Tocqueville Biodiversity ISR fund is a La Banque Postale Asset Management mutual fund with financial management delegated to Tocqueville Finance.*





**The collapse of biodiversity** is one of the top 5\* threats for humanity over the next 10 years. Almost one million species\*\* could risk extinction, a major loss which is bringing our business models into question.

**With 3 billion of AUM invested at the end of August 2022 in energy transition and biodiversity themes**, our group is resolutely committed to contributing towards preserving wildlife for a more sustainable and maintainable world. The launch of Tocqueville Biodiversity ISR is further proof of our engagement.

## HOW TO QUANTIFY THE IMPACT IN TERMS OF BIODIVERSITY

**The biodiversity footprint of a company** is highly complex to assess, as this requires an aggregate view of divergent factors, including species extinction and the use of resources such as water. Several workgroups in Europe are working on defining a comprehensive, reliable and precise ratings tool to complement more specific indicators which exist for certain themes.

**The Global Biodiversity Score for financial institutions**, developed by CDC Biodiversité, is the first-line approach to assessing a global footprint. It is based on the GBS® tool which provides an overview of the impact of a company's value chain on biodiversity, by assessing the impact of each aspect of its composition. The result is expressed as Mean Species Abundance (MSA).

**This tool, although still approximative** – as it is partly based on estimations and it does not cover all companies, with 2,600 biodiversity footprints modelled – constitutes a useful starting point to measure the footprint of our portfolios and identify the main contributors, in order to strengthen our engagement with companies to incite them to manage their footprint on nature.

\* Global Economic Forum

\*\* International Union for Nature Conservation

<https://www.labanquepostale-am.fr/>

## INVESTOR INFORMATION

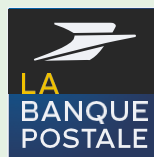
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### **La Banque Postale Asset Management**

A public limited company (SA) with capital of 5,924,098.60 euros, Paris Trade and Companies Register n° 879 553 857 – Registered offices: 36, quai Henri IV 75004 Paris – APE code 6630Z – International VAT n°: FR 71 879 553 857

### **Tocqueville Finance**

A public limited company (SA) with capital of 2,520,547.80 euros - Registered offices: 36, quai Henri IV 75004 Paris – Paris Trade and Companies Register n°381 652 072 – an authorised portfolio management company regulated by the AMF under n° GP 91012.



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