



# COP 15: Global Biodiversity Framework elevates nature-related risks and opportunities



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In December 2022, after multiple Covid-19-related delays, the conclusion of the COP 15 conference in Kunming, China, saw the agreement of a 2030 Global Biodiversity Framework which aims to halt and reverse nature loss by 2030.<sup>1</sup>

Given the complexity of biodiversity, the agreement lacks an overarching rallying point equivalent to the 1.5C target of the 2015 Paris Agreement. However, it does include 23 goals addressing the five drivers of

biodiversity loss identified by the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES): land-use change, pollution, over-exploitation of resources, invasive species, and climate change. Among the goals are protecting 30% of global land and sea areas by 2030, reducing pollution from fertilisers and pesticides, halving food waste and reforming harmful subsidies.

Countries will now develop and implement biodiversity action plans to respond to these goals prior to the next COP in 2024. While the 23 goals have varying degrees of potential materiality for companies and investors (Figure 1), we anticipate that the overall impacts from the agreement will materialise in three ways. First, it will increase attention on companies' negative impacts on nature, whether through waste, plastics, chemicals, deforestation or otherwise. Second, it will increase national-level regulation, subsidies and programs in support of COP 15 goals. And third, it will ramp up the focus on new financing and investment mechanisms for biodiversity and conservation.

Given the close inter-relationship between nature and food production,

we believe some of the most material impacts from COP 15 will be around the food system. A drive to restore degraded land and nearly double the area under conservation, while reducing negative impacts from harmful pesticides and fertiliser pollution should impact the sustainable food transition, as outlined in our Responsible Investment Q3 2022 article.<sup>2</sup> This could be a catalyst for companies involved in research and development (R&D) on products that can increase resilience to climate and water stress, improve productivity and efficiency in food systems, and decarbonise food production.

However, as with any global non-binding agreement, the proof will lie in its implementation. We note that many of the goals are yet to define the data, baselines and definitions that will be used. The outcome of these and the subsequent implementation at a national level will ultimately determine the ambition and impact of the COP 15 framework.

Highlights of some of the goals and our initial assessment of the potential implications for investment are included in Figure 1.



**Figure 1: implications of select key targets in the 2030 Global Biodiversity Framework<sup>3</sup>**

Target	Detail	Proposed indicators	Potential implications and company relevance
<b>Target 2</b> Restoration of 30% of degraded land and marine area by 2030		Area under restoration (methodology to be decided).	While definitions are still required, this goal should support the adoption of approaches such as regenerative agriculture and nature restoration in company supply chains. Extractive companies will increasingly need to focus not only on reducing current and future impacts but on restoration efforts, while companies sourcing food or textiles will have opportunities for “insetting” projects aimed at nature recovery within supply chains.
<b>Target 3</b> Conservation of 30% of land and sea areas by 2030	To ensure at least 30% of terrestrial, inland water, coastal and marine areas – especially areas of particular importance for biodiversity and ecosystem functions and services – are effectively conserved and managed.	Coverage of protected areas and other effective area-based conservation measures (OECMs).	The current global figure is 17%-18%. For Europe, North America, Asia and Africa to meet the target it would require a near doubling of protected areas. Latin America is nearer to the goal at 24%.  The goal creates the potential for stranded assets within extractive industries, real estate and infrastructure companies where assets, operations or reserves are near biologically sensitive areas. However, language around “sustainable use where appropriate” implies that some economic activities may continue in these areas. Impacts will depend on definitions of protected areas and how this is implemented across jurisdictions.
<b>Target 7</b> Reduce pollution	<ul style="list-style-type: none"> <li>■ Reduce excess nutrients lost to the environment by at least half</li> <li>■ Reduce the overall risk from pesticides and highly hazardous chemicals by at least half</li> <li>■ Prevent, reduce and work towards eliminating plastic pollution</li> </ul>	<p>The coastal eutrophication index.</p> <p>Pesticide concentration in the environment (methodology TBD).</p>	<p>This is among the most quantified goals in the framework and we anticipate it will be supportive of the transition to more sustainable food production, including:</p> <ul style="list-style-type: none"> <li>■ Biological fertilisers, eg Bayer<sup>4</sup></li> <li>■ Biological pest control and new-generation pesticides, eg FMC</li> <li>■ Precision agriculture to reduce fertiliser and pesticide volumes, eg Deere, CNH Industrial</li> <li>■ Waste management (we note the plastic goals are not quantifiable but overall this aim is supportive to global recycling infrastructure), eg Veolia</li> </ul> <p>On the negative side, this may be harmful to companies exposed to fertiliser volumes (where it is overused and lost to waterways, particularly nitrogen), and hazardous/broad spectrum pesticides. This goal appears likely to focus on highest hazard of products as opposed to pesticide volumes.</p>



Target	Detail	Proposed indicators	Potential implications and company relevance
<b>Target 10</b> Increase sustainable food and materials production	<ul style="list-style-type: none"> <li>Ensure that agriculture, aquaculture, fisheries and forestry areas are managed sustainably</li> <li>Increase sustainable intensification, agroecological and innovative approaches contributing to resilience, productivity and food security</li> </ul>	<p>Proportion of agricultural area under productive and sustainable agriculture.</p> <p>Progress towards sustainable forest management, referencing Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) certification.</p>	Forestry, fisheries and aquaculture companies with sustainable management practices may benefit from increased demand; those that do not have sustainable management plans in place could come under regulatory pressure and face higher costs.
<b>Target 13</b> Sharing of benefits derived from genetic information and digital sequencing	Increase in benefit sharing by 2030 (instruments TBD in future negotiations).	<p>Monetary benefits received (methodology TBD).</p> <p>Non-monetary benefits (methodology TBD).</p>	Where genetic information is commercialised, royalties or licensing fees must be paid. This could apply to pharmaceutical and medical research, R&D on new food and consumer products, biochemicals and agricultural R&D.
<b>Target 15</b> Corporates and investors to report on nature	<ul style="list-style-type: none"> <li>Companies and financial institutions to assess and disclose risks and impacts on biodiversity in operations, value chains and portfolios</li> <li>Provide information to consumers to promote sustainable consumption</li> </ul>	Number of companies disclosing risks, dependencies and impacts on biodiversity.	<p>This target will encourage reporting by investors and companies against the forthcoming Taskforce for Nature-related Financial Disclosures (TNFD) framework, and/or disclosure requirements such as France's Article 29 or the EU Sustainable Finance Disclosure Regulation's (SFDR) Principal Adverse Impacts.</p> <p>Improved disclosure will enable both companies and investors to better understand impacts and risks.</p> <p>More sustainable consumer products can benefit from increased demand if efforts such as environmental labelling are adopted. Labelling could also reduce demand for products with worse sustainability characteristics, eg meat and dairy.</p>



Target	Detail	Proposed indicators	Potential implications and company relevance
<b>Target 16</b> Reduce consumption footprint	<ul style="list-style-type: none"> <li>Reduce the global footprint of consumption including halving global food waste</li> <li>Significantly reduce overconsumption and waste generation</li> </ul>	Y/N indicator is proposed.	Food, retail, restaurants and the catering industry will need to adapt their business practices to support reduced waste – eg by switching to suppliers that can measure and reduce food waste; shifting to smaller package sizes; improving demand forecasting and fostering closer customer relationships.
<b>Target 18</b> Reform harmful subsidies	<ul style="list-style-type: none"> <li>Identify subsidies and incentives harmful to biodiversity by 2025, and eliminate, phase out or reform them by more than \$500 billion a year by 2030</li> <li>Scale up positive incentives for the conservation and sustainable use of biodiversity</li> </ul>	<p>Measure value of subsidies and other incentives harmful to biodiversity that have been eliminated, phased out or reformed.</p> <p>Put positive incentives in place to promote biodiversity conservation and sustainable use.</p>	<p>Although this goal is quantified, much will depend on the definition of “harmful”. Many of the relevant subsidies are politically sensitive given food and energy inflation. Trade associations can also be expected to lobby for the status quo.</p> <ul style="list-style-type: none"> <li>Alternative meat and dairy (plant-based, fermentation and cultivated meat) where redirection of subsidies could accelerate cost parity</li> <li>Clean energy tech where subsidies shift away from fossil fuels</li> <li>Fossil fuels, meat and dairy, construction, where subsidy dependent</li> <li>Wood pellet industry if subsidies for biomass are reviewed</li> </ul>

1 UN Environment Programme, COP 15 ends with landmark biodiversity agreement, 20 December 2022.

2 Responsible Investment Quarterly Q3 2022, Food security challenges put spotlight on sustainable transition, November 2022.

3 All data in the table: <https://www.unep.org/events/conference/un-biodiversity-conference-cop-15>

4 The mention of specific firms is not a recommendation to deal.



## Food & Materials transition engagement: Food security and biodiversity

### Company



### Sector and country

Retail, United Kingdom

### Why we engaged?

Tesco is a significant holding and we have had an ongoing engagement with the company on a range of sustainability issues. Earlier in 2022 we identified Tesco as having relatively weak disclosure on nature relative to its risk exposure on the theme.

### How we engaged?

We had a small group meeting with the Head of Environment and Sustainable Agriculture in December 2022 on developments related to Tesco's nature strategy.

### What we learnt?

- Nature and biodiversity are emerging themes and although Tesco's work in this area is under development, its efforts to-date are promising. In particular, Tesco is funding and piloting a location-based mapping tool with World Wide Fund for Nature (WWF) that will provide an insight into nature risk among suppliers (eg vulnerability to water scarcity, soil degradation, or pollinator decline). Innovatively, this exposure data can be overlaid with environmental impact data and with suppliers' scope 3 emissions. Considering risk and impact together will enable Tesco to identify "hotspots" where it can focus its efforts. Roll out will start with dairy, then fresh produce, and eventually grains and commodities.
- Commodity traceability on deforestation is a work in progress. Despite putting a lot of resource towards traceability, Tesco underlined the scope of the challenge given its vast supplier network, different regulatory approaches being taken between the UK and Europe and systemic issues with opaque commodity supply chains.
- Soy is the company's biggest exposure to deforestation risk. Currently, there is only a small volume of fully traceable soy and it is pursuing multiple avenues to try and improve supply. Collaboration on a pre-competitive basis is key and Tesco has been involved in leading several initiatives.
- Tesco will be among the first to pilot reporting on the Taskforce on Nature-related Financial Disclosures.

### Outcome

We were reassured as to the depth of Tesco's approach to nature in operations and in its supply chain, including the innovative supplier mapping work with WWF. In our view, further effort to reduce sourcing impacts will build on Tesco's leadership on demand-related aspects such as food waste and sales of plant-based products. Traceability remains a challenge, particularly for key commodities such as soy. We will continue to monitor progress on this at Tesco and across the sector in light of the incoming EU legislation.

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