

ACATIS FAIR VALUE SPECIAL

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Biodiversity – quo vadis?

Since April 2021 - the first posting on biodiversity - the pressure to find solutions for this issue and its relevance to sustainable finance has only increased. How has the consideration of biodiversity in the (sustainable) financial market developed over time?

Every day, we lose ecosystems, species and biological diversity, and many places run the risk of reaching a neuralgic tipping point. The World Diversity Conference COP 16, which was held in Cali (Columbia) in October, did not produce the hoped-for breakthrough, despite some smaller successes. Important targets from the earlier COP15 could not be achieved: The implementation and financing of the Global Biodiversity Framework, GBF), including the designation of 30 percent of global land and oceans or the restoration of heavily damaged areas by 2030, as well as the severe problem of underfunding to support countries in the global South with their activities for protecting species.

According to the market report by the Forum Nachhaltige Geldanlagen, 69 percent of participating sustainability-oriented financial stakeholders still do not focus on biodiversity risks, while 16 percent have already prepared risk analyses. Another 43 percent are using data tools (FNG market report Nachhaltige Geldanlagen 2024). Similarly, the situation at the 10th Green Finance Forum “Innovate In Nature” is not clearly solution-focused either, despite the existing awareness of the problem and the presentation of helpful tools. Most of the presentations and working groups focused heavily on the collection / recognition of biodiversity risks, and not so

much on taking into account the negative impact. This leads to an excessive focus on an outside-in perspective: How do biodiversity risks affect my loan portfolio, and what are the negative financial consequences? There is also a certain lack of awareness when it comes to grappling with the biodiversity impact of a fund portfolio (inside-out perspective): What are the negative biodiversity effects of my fund portfolio, and what investment decisions can reduce these effects?

In principle, it is possible that financial market stakeholders can contribute towards creating solutions. In addition to available information about biodiversity risks, it is also important that the business model of companies as well as the indicators suggested by the Taskforce on Nature-related Financial Disclosures (TNFD) are compacted into an informative indicator that shows the impact on nature in the form of a score.

What remains? Sustainability funds can also make a contribution by making more of an effort to integrate the available data into investment decisions. ACATIS Fair Value is on the way of giving this issue even more prominence in the investment process in the future.

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