

## Our position

According to the Stockholm Resilience Centre, which first developed the planetary boundaries framework, biodiversity and nature-based pillars of the planet's biosphere integrity are already the furthest beyond what is considered a safe level, even more so than climate change<sup>1</sup>.

We believe that biodiversity and natural systems health are absolutely integral to future planetary sustainability, and that a narrow focus on climate change and carbon emissions will not create a resilient planet. Companies that do not address biodiversity loss will face increasing risks over time. For this reason, a few of our recent initiatives include:

- ◆ The participation in the Task Force for Nature Related Financial Disclosures (TNFD);
- ◆ An early signatory of the Finance for Biodiversity Pledge, and participation in the ongoing working groups; and
- ◆ The development of a natural capital real assets investment business - Climate Asset Management;
- ◆ The launch of a biodiversity ETF.

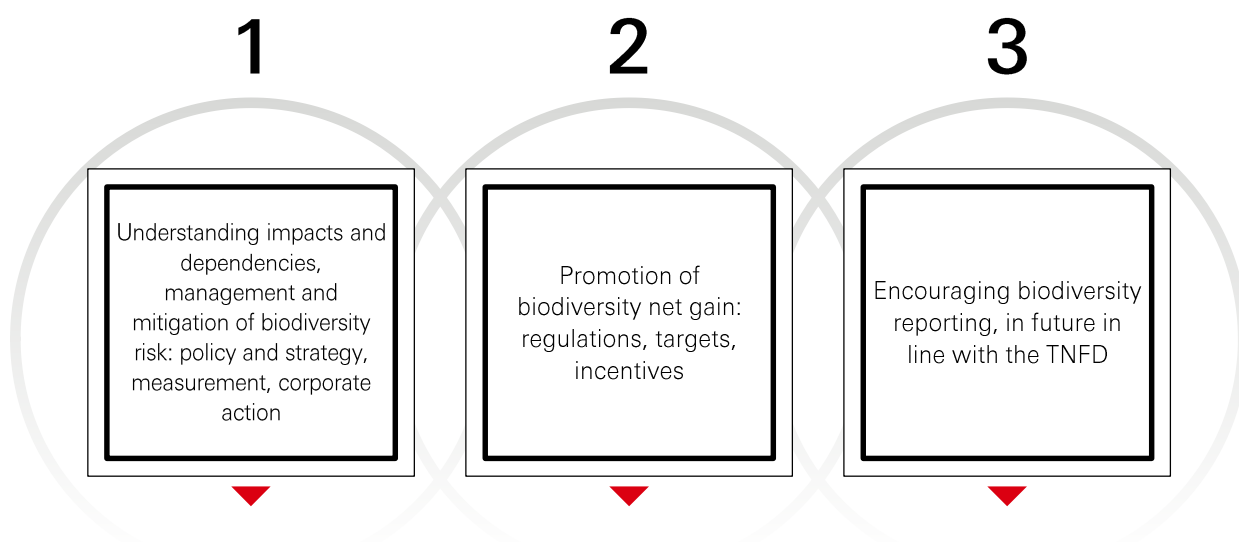
## What we do

We are working to understand corporate impact on nature, and corporate exposure to nature decline. We are doing this by acquiring data sets to understand which companies and sectors are most exposed, and are also considering the actions an investor can take to drive change. Finally, we are providing support to a range of investment teams who require greater understanding on nature, and how to ensure their investment decision-making is aligned with a higher nature future.

Using the aforementioned data, and in collaboration with portfolio managers, we are developing a list of high impact companies that we believe our global engagement efforts should be most focused on in the medium term. Unsurprisingly, many of these companies are involved in consumer staples, utilities, and materials sectors, where they have a large biodiversity impact as well as significant dependence on nature. Our focus is on companies where we have a large ownership, where we believe there to be a good chance of engagement success, and where the company is held in a fund with higher sustainability expectations.

1. <https://www.stockholmresilience.org/>

In terms of engagement outcomes, there are key areas for consideration:



## How we vote

We may vote against the Chair of the Board or the relevant Board of Directors of companies operating in high impact sectors – such as consumer staples, utilities and materials – who fail to implement adequate policies and reporting on biodiversity issues. For example, we expect all companies to have a credible deforestation policy.

In 2022, we apply a Biodiversity and Nature watch list, customised from the FAIRR Protein Producer Initiative assessment and MSCI Natural Resource Management Scores, supplemented by our internal analysis. We look for companies that are highly exposed to nature risk and have a negative impact, yet are not deemed to be doing enough to mitigate the challenges.

For the poorest performers in high-impact sectors, we may vote against the Chair of the board or the relevant board of directors if a company scores below 20 based on the indicators we have highlighted as important. We aim to set higher expectations to below 40 in 2023 for relevant companies in developed markets.

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