

Bioeconomy and natural capital



Why we engage

The bioeconomy, in this context, refers to an economic system that utilises biological resources, such as plants, animals, and microorganisms, to produce food, materials, and energy. Natural capital refers to the world's stocks of natural assets, including geology, soil, air, water, and all living things.

Biodiversity loss and the degradation of natural ecosystems have reached critical levels, posing significant economic, ecological, and social risks. Ecosystem services are important for many of the industries and companies in which we invest on behalf of our clients - over half of the world's total GDP is estimated to be moderately or highly dependent on nature and its services.²⁰ Similarly, exceeding "tipping points" in key ecosystem services, such as wild pollination, marine fisheries, and timber provision, could result in losses of \$2.7 trillion in global GDP by 2030 – over 2% of global output - with low-income countries hit hardest.²¹ Companies that negatively impact biodiversity and nature are increasingly exposed to regulatory and reputational risks, as governments and the public pay more attention to these issues.

Over one quarter of the world's species are now estimated to be threatened with extinction.²² This decline jeopardises ecosystem services essential for human wellbeing, such as pollination, water purification and the regulation of our climate. Nature offers many social benefits to society, in addition to its inherent worth. As a result, there is growing interest from investors in business models that help to restore, rather than degrade, biodiversity and nature.

The bioeconomy and natural capital are broad and complex issues, but they can be addressed in our engagements by focusing on key areas, including (but not limited to) deforestation, agricultural practices (such as regenerative agriculture), responsible husbandry (including animal welfare and mitigating antimicrobial resistance), the overexploitation of natural resources, pollution (air, water, land), and promoting the circular economy.

20. World Economic Forum. (2020). Nature risk rising: Why the crisis engulfing nature matters for business and the economy. https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf. See also PricewaterhouseCoopers. (2023). Managing nature risks: A guide for business. <https://www.pwc.com/gx/en/strategy-and-business/content/sbpwc-2023-04-19-Managing-nature-risks-v2.pdf>.
21. Johnson, J. A., Ruta, G., Baldos, U., Cervigni, R., Chonabayashi, S., Corong, E., Gavryliuk, O., Gerber, J., Hertel, T., Nootenboom, C., & Polasky, S. (2021). The economic case for nature: A global earth-economy model to assess development policy pathways. World Bank. <https://hdl.handle.net/10986/35882>.
22. Please refer to the IUCN Red List for further information: <https://www.iucnredlist.org/>.

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Issues relating to this theme include:

Air Quality, Pollution & Toxic Waste	Nature-Based Solutions	Raw Material Sourcing	Biodiversity & Ecological Impacts
Nature Strategy	Water & Wastewater Management	Circular Economy Solutions	Product Design & Lifecycle Management

Engagement approach

We recognise that biodiversity and nature encompass a broad range of topics and that practices continue to evolve in this space. We highlight good practices below and encourage priority companies, where bioeconomy and natural capital are relevant issues, to work towards these. As part of this we also consider sector and industry specific actions.

We acknowledge that this topic is complex and that addressing it through setting targets, as an example, can be challenging, particularly as science-based sectoral pathways and universal data metrics continue to evolve. However, we encourage companies to continue to make progress, and to utilise the many public resources available. During our engagements, we aim to share knowledge to support positive outcomes.

We encourage companies we engage with to:

Bioeconomy and natural capital strategy	<ul style="list-style-type: none"> ◆ Publicly recognise the importance of biodiversity and nature loss, and to commit to minimising their negative impacts, as well as to work towards conserving and restoring ecosystems across their operations and value chains by 2030. ◆ Develop a company-wide plan on how they will achieve this. We believe that companies should prioritise action where they can contribute most positively to biodiversity and nature, such as implementing a zero-deforestation policy or committing not to operate in or source from biodiversity-sensitive areas as examples. ◆ Set clear time-bound and science-based targets informed by their specific impacts, dependencies, risks, and opportunities, and include information about baselines and methodologies used.
Bioeconomy and natural capital risk and reporting	<ul style="list-style-type: none"> ◆ Assess the impacts, dependencies, risks, and opportunities related to biodiversity and nature across their operations and value chains. ◆ Publicly disclose progress on nature and biodiversity topics at least annually in sustainability reports and/or in other reporting frameworks. We also encourage companies to work towards reporting under the Taskforce for Nature-related Financial Disclosures (TNFD).
Bioeconomy and natural capital governance	<ul style="list-style-type: none"> ◆ Establish and disclose board-level and management oversight to promote accountability and transparency, and be clear about the scope of activities covered. ◆ Upskill employees on biodiversity and nature topics relevant to the company.
Bioeconomy and natural capital engagement	<ul style="list-style-type: none"> ◆ Work across value chains to learn and share best practices, in collaboration with Indigenous Peoples and Local Communities when they are affected. ◆ Work to positively influence system-level change through participation in trade associations and interactions with policy makers and other stakeholders.

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