

Nature Statement



Nature degradation is unfolding at an unprecedented rate

At the hands of human activity, nature¹ is being rapidly degraded due to changes in land and ocean use, over-exploitation of natural resources, climate change, water and air pollution and the introduction of invasive species.² Home to over 50% of the world's vertebrate species,² tropical rainforests are being cleared for agriculture, commodities, and infrastructure at a rate of one football field every six seconds³. Two million plant and animal species are threatened with near-term extinction⁴, more than ever before in human history.

With nature being the foundation of human livelihood and wellbeing, the breadth and magnitude of impact of this degradation can be material and unrecognised; potentially resulting in tipping points beyond which it may be impossible for the world to recover.

We face significant risks by also opportunities

With US\$58 trillion of economic value generation (equivalent to 55% of the world's total GDP) moderately or highly dependent on nature⁵, global economic growth and financial system stability are at significant risk due to nature loss. There is no future economic resilience without thriving nature.

The Dasgupta Review (an independent, global review into the economics of biodiversity commissioned by HM Treasury), notes that just as diversity within a portfolio of financial assets reduces risk and uncertainty, diversity within a portfolio of natural assets directly and indirectly increases nature's resilience to shocks, reducing risks to the services on which we rely⁶.

The Global Biodiversity Framework adopted at COP15 has set a range of targets for 2030 that aim to usher in a new era of global biodiversity policy. The headline targets are 30% conservation of land, sea, and inland waters, 30% restoration of degraded ecosystems, halving the introduction of invasive species, and \$500 billion/year reduction in harmful subsidies⁷. This, combined with initiatives such as the Taskforce on Nature-related Financial Disclosures ('TNFD') framework, will drive greater corporate action and disclosure on nature-related risks and opportunities. Calls for a nature-positive economy will continue to intensify.

The Intergovernmental Panel on Climate Change ('IPCC') notes that climate change is both a driver and a consequence of the loss of nature. Approximately 25% of global greenhouse gas emissions are generated by land clearing, crop production and fertilisation⁸, while at 2°C of warming 10% of all terrestrial and freshwater species will be at risk of extinction⁹. However, natural climate solutions have the potential to provide a third of the climate crisis mitigation needed by 2030 and are therefore an important asset to help achieve climate goals¹⁰.

This interconnectivity is being increasingly recognised through for example, the close alignment of the TNFD with the Taskforce for Climate-related Financial Disclosures framework ('TCFD')¹¹; the Environment Act 2021 sets out legally binding targets for the natural environment in the UK and establishes legal requirements and mechanisms to enable the government's goal for nature recovery¹²; while the Transition Plan Taskforce recommends that net zero transition plans consider the role of nature¹³.

A significant financing gap exists for nature-based solutions defined as actions to protect, sustainably manage, or restore natural ecosystems, that address societal challenges such as climate change. Financing flows need to triple from the current \$200bn to \$737bn per annum¹⁴ by 2050 (in addition to avoiding and minimising emissions) to remain on track to meet the goals of the Paris Climate Agreement and Global Biodiversity Framework¹⁵. Along with immediate emission reductions, nature-based solutions offer the most cost-effective pathways in our efforts to limit global warming while providing opportunities for livelihoods and nature conservation.

Supporting the transition across the three socio-economic systems (food, land and ocean use; infrastructure and the built environment; and extractives and energy) can drive the development of a nature-positive economy – one in which nature loss is halted and nature has been restored. This provides further market opportunity, estimated to generate up to US\$10.1 trillion in annual business value and create 395 million jobs by 2030¹⁶.

“

Global economic growth and financial system stability are at significant risk due to nature loss. There is no future economic resilience without thriving nature.”

Phoenix is committed to action

Companies in our investment portfolio, our supply chain and our operations can both impact and depend on nature, resulting in physical, transition and systemic risks to our business and to the value of our policyholder and shareholder assets.

Phoenix Group and the financial sector at large have a critical role to play, and we are committed to understanding our impact and dependency on nature. We also have a fiduciary duty to deliver good customer outcomes; and a responsibility to our shareholders and wider stakeholders to manage nature-related risks and opportunities.

In 2023, we signed the Finance for Biodiversity Pledge and became a member of the Finance for Biodiversity Foundation, which includes five commitments for signatories: collaboration and knowledge sharing, engaging with companies, assessing impact, setting targets, and reporting publicly. We have joined Nature Action 100, a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

We aim to develop our approach to action on nature across three key pillars:

Invest in the future	Lead by example	Engage to multiply our impact
<ul style="list-style-type: none">• Understand the impact and dependence of our investment portfolio on nature and review our investment strategy to take nature-related risks and opportunities into consideration.• Through our stewardship approach, work with our asset management partners and investee companies to help halt and reverse the loss of nature.• Identify nature-positive investment opportunities..	<ul style="list-style-type: none">• Identify, measure and reduce our direct and indirect impact and dependency on nature through our own operations.• Reduce our wider impact and dependency on nature by encouraging our suppliers to take initial steps towards assessing and reporting on their nature-related dependencies, impacts, risks and opportunities.• Explore the recommendations and guidance of the TNFD framework to allow us to start integrating nature into decision making.	<ul style="list-style-type: none">• Collaborate through nature-related alliances and with partners to exchange knowledge and develop common approaches to help deliver change and thought leadership.• Engage our c.12 million customers, colleagues,, communities and wider stakeholders on the role they can play in delivering a nature-positive economy.• Work with regulators and policymakers to support and advance the nature agenda.

We will review and refine our approach to nature as internal work progresses, guidance frameworks develop, global policy discussions conclude, and wider societal goals and targets are set.

References

- ¹The natural world with an emphasis on the diversity of living organisms and their interactions among themselves and with their environment. Nature can be understood through a construct of four realms upon which all life on earth depends: Atmosphere, Freshwater, Land, and Ocean. Biodiversity is diversity of all living things (Díaz, et al., 2015).
- ²Pillay, R., Venter, M., Aragon-Osej, J., González-del-Pliego, P., Hansen, A. J., Watson, J. E., & Venter, O. (2022). Tropical forests are home to over half of the world's vertebrate species. *Frontiers in Ecology and the Environment*, 20, 10-15.
- ³WWF. (2022). *Living Planet Report 2022*. Gland: WWF. Retrieved from https://www.wwf.org.uk/sites/default/files/2022-10/lpr_2022_full_report.pdf
- ⁴Hochkirch A, B. M. (2023). A multi-taxon analysis of European Red Lists reveals major threats to biodiversity. *PLoS ONE* 18(11).
- ⁵PWC. (2023). *Managing nature risks: From understanding to action*. PWC.
- ⁶Dasgupta, P. (2021). *The Economics of Biodiversity: The Dasgupta Review*. London: HM Treasury.
- ⁷For more information on the Global Biodiversity Framework please visit: [Kunming-Montreal Global Biodiversity Framework \(UNEP.org\)](https://www.unep.org/global-biodiversity-framework)
- ⁸For more information on the nature crisis, see the [UNEP - UN Environment Programme](https://www.unep.org/un-environment)
- ⁹IPCC. (2022). *Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the*. Cambridge: Cambridge University Press. doi:10.1017/9781009325844
- ¹⁰World Economic Forum. (2023, Mar 21). Retrieved from Why we need an 'everything, everywhere, all at once' approach for financing nature <https://www.weforum.org/agenda/2023/03/ipcc-report-natural-climate-solutions-for-financing-nature/>

- ¹¹For more information on TNFD please visit, [TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework \(TNFD.global\)](https://www.tnfd.org/)
- ¹²For more information on 2021 Environment Act please visit, [World-leading Environment Act becomes law - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/world-leading-environment-act-becomes-law)
- ¹³For more information on Transition Plan Taskforce please visit, [About the Transition Plan Taskforce \(transitiontaskforce.net\)](https://www.transitiontaskforce.net/)
- ¹⁴Global annual finance flows of \$7 trillion fuelling climate, biodiversity, and land degradation crises (UN Environment Programme, 2023)
- ¹⁵UNEP FI. (2023). *State of Finance for Nature*. Retrieved from [UNEP FI](https://www.unepfi.org/)
- ¹⁶World Economic Forum. (2020). *New Nature Economy Report II: The Future Of Nature And Business*. Geneva: World Economic Forum in collaboration with AlphaBeta.

Contact us

News and updates

In line with our sustainability programme and our commitment to reduce our environmental impact, you can view key information on our website **www.thephoenixgroup.com**

To stay up-to-date with the Phoenix Group news and other changes to our site's content, you can sign up for email alerts, which will notify you when content is added

www.thephoenixgroup.com/site-services/e-mail-alerts



Registered address

Phoenix Group Holdings plc
20 Old Bailey
London
EC4M 7AN

Registered Number 11606773

www.thephoenixgroup.com