

 Phoenix

# Nature Statement



## Nature degradation is unfolding at an unprecedented rate

At the hands of human activity, nature<sup>1</sup> 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. Home to over 50% of the world's vertebrate species (Pillay, et al., 2022), tropical rainforests are being cleared for agriculture, commodities and infrastructure at a rate of one football field every six seconds (WWF, 2022). One million plant and animal species are threatened with near-term extinction (IPBES, 2019), 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 but also opportunities

With US\$44 trillion of economic value generation (or over half the world's total GDP) moderately or highly dependent on nature (World Economic Forum, 2020), global economic and financial 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 rely (Dasgupta, 2021).

The IPCC notes that climate change is both a driver and a consequence of the loss of nature. At 2°C of warming, 10% of all terrestrial and freshwater species will be at risk of extinction (IPCC, 2022). While the natural world has the potential to provide a significant contribution to the emissions reductions needed to limit global warming to 1.5°C by 2030 (Griscom, et al., 2017), its degradation can significantly hamper the achievement of the world's climate net zero goals.

This interconnectivity is being increasingly recognised through for example, the close alignment of the Taskforce for Nature-related Financial Disclosures (TNFD) framework with the Taskforce for Climate-related Financial Disclosures framework<sup>2</sup>; the 2020 Environment Bill bringing into UK law environmental protections and recovery<sup>3</sup>; and the Transition Plan Taskforce recommending that net zero transition plans consider the role of nature<sup>4</sup>.

The market for nature-related investment is set to grow. It is estimated that an investment of at least US\$4.1 trillion in nature-based solutions<sup>5</sup> will be needed by 2050 (in addition to avoiding and minimising emissions) to remain on track to meet the goals of the Paris Climate Agreement. Currently only 3% of this has been unlocked – mainly by public financing – an amount which will need to at least triple by 2030 (UNEP FI, 2022). 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 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 2030 (World Economic Forum, 2020).

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# Phoenix is committed to action

Companies in our investment portfolio, 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.

The post-2020 Global Biodiversity Framework will usher in a new era of global biodiversity policy. This, combined with initiatives such as the 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.

Phoenix Group and the financial sector at large have a critical role to play and we are committed to reducing our impact and dependency on nature. We also have a fiduciary duty to our customers to protect their assets from material financial risk; and a responsibility to our shareholders and wider stakeholders to manage nature-related risks and opportunities. We will:

## Invest in the future

- 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 degradation of nature
- Seek investment opportunities which actively support the transition towards a nature-positive economy.

## Lead by example

- 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 all suppliers to align to a nature-positive ambition
- Aim to early adopt the final recommendations of the TNFD framework to allow us to start integrating nature into decision making

## Engage to multiply our impact

- Collaborate through nature-related alliances and with partners to exchange knowledge and develop common approaches to help deliver change and thought leadership
- Engage our customers, c.8,000 employees, communities and wider stakeholders on the role they can play in delivering a nature-positive economy
- Work with regulators and policymakers to support the standardisation of approaches 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

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1. The 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).

2. For more information on TNFD please visit, [Welcome to the TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework](#) » TNFD

3. For more information on 2020 environment bill please visit, [Environment Bill 2020 - GOV.UK \(www.gov.uk\)](#)

4. For more information on Transition Plan Taskforce please visit, [About the Transition Plan Taskforce \(transitiontaskforce.net\)](#)

5. Actions to protect, sustainably manage and restore natural or modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits (IUCN, 2020)

### Contact us

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### 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](http://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](http://www.thephoenixgroup.com/site-services/e-mail-alerts)

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