

Biodiversity Position Statement



February 2022

Background

Biological diversity (biodiversity) is defined as the variety of life on Earth and the natural patterns it formsⁱ. Human development has altered 4.5 billion years of evolution of various lifeforms and habitats. Consequently, biodiversity is declining rapidly, with over a million known species under threat of extinction.

Awareness of this environmental challenge has gained momentum globally and has resulted in several international agreements and initiatives having been launched:

- The Convention on Biological Diversity (CBD, ratified by 198 countries, including the UAE)ⁱⁱ;
- The International Union for Conservation of Nature (IUCN);
- The Worldwide Fund for Nature (WWF)ⁱⁱⁱ and
- The Leaders for Nature Pledge^{iv}

National outlook on Biodiversity

At a national level, biodiversity has received early and considerable attention in the UAE. This is reflected in the enactment of legislation^v establishing and expanding protected areas and initiatives to protect, breed and reintroduce endangered species into their natural habitats and to protect the other natural resources in the country.

The UAE endorsed the Leaders' Pledge for Nature at COP26^{vi}, committing to working with other nations to reverse the loss of biodiversity by 2030.

Additionally, the UAE has created a national biodiversity strategy^{vii}, a sharks conservation strategy^{viii}, and a sea turtle conservation strategy. The nation has deployed a suite of biodiversity policies and reports that identify endangered species of birds, plants, fish, and recommend appropriate action towards their preservation.^{ix}

As biodiversity preservation is a key component of strengthening the state of food security and nutrition, the UAE also launched the National Food Security Strategy 2051^x, which aims to achieve zero hunger by ensuring access to safe, nutritious, and sufficient food all year round throughout the world. The strategy specifically aims to implement resilient agricultural practices which support local production and in maintaining healthy ecosystems.

Biodiversity and businesses

Biodiversity loss can pose risks to certain types of businesses. Companies in the agriculture sector are a prime example. Our food consumption has changed throughout the years and the increasing demand for more agricultural produce at lower cost has an impact on many species and habitats through the use of fertilisers, pesticides, energy, and water in addition to land degradation. The long-term impact on biodiversity loss could potentially have a direct impact on businesses that rely on the quality and quantity of raw materials in their production cycles.

Other related risks can be directly linked to biodiversity loss, emphasizing the importance for companies operating in sectors such as agriculture, industries, logistics, among others to have mechanisms in place to mitigate associated risks.

Philosophy

As an investment and holding company with a long investment horizon and a mission to build resilient portfolios, ADQ aims to incorporate environmental considerations in its investment processes.

As the impact of biodiversity loss can vary significantly across industries, ADQ strives to mitigate any related risks with practical solutions, aligning with national and international biodiversity preservation efforts. ADQ views each risk as a potential opportunity to prevent or mitigate biodiversity loss and embeds this philosophy in its investment approach.

Approach

Biodiversity risks and opportunities assessment

ADQ strives to continuously strengthen its approach in assessing risks associated with biodiversity loss as well as to contributing positively to the preservation of habitats and species, capturing opportunities where possible.

Risks

The assessment of potential risks and threats to biodiversity impacting our portfolio is embedded in ADQ's ESG strategy. These include consciously considering potential physical, transition and reputational risks.

ADQ additionally conducts an annual ESG assessment of all its portfolio companies, incorporating company-level biodiversity factors to support the identification of related risks. Upon determining the severity of the risk, ADQ encourages its portfolio companies to manage biodiversity risks effectively by embedding mitigation measures in their individual business plans.

Opportunities

The World Economic Forum identified business opportunities of up to USD 10.1 trillion per year by 2030 from engaging in nature-positive business models^{xi}.

During our most recent annual ESG assessment, ADQ has striven to identify opportunities in innovative areas that simultaneously benefit the environment and complement our portfolio. These opportunities include identification of assets with clear biodiversity benefits such as restoration projects which aim to increase brand value and positive sentiment from various stakeholders.

Financial innovation will play a major role in supporting the transition to sustainable business models that protect biodiversity. Today, biodiversity finance is a rapidly growing category of green finance due to the surge in interest from investors, financial institutions, and bond issuers.^{xii}

The consideration of risks and opportunities inform our response options.

Biodiversity in investment decisions

ADQ encourages its portfolio companies to have a mechanism in place to identify biodiversity risks, for example, those resulting from operating in IUCN protected areas and world heritage sites^{xiii}.

ADQ's annual ESG assessment is conducted by a specialist third party organization that considers multiple factors affecting biodiversity. The ESG performance of each portfolio company is assessed by studying several criteria, including:

- Pollution emissions
- Greenhouse gas emissions
- Water management
- Waste management
- Direct biodiversity management

The above criteria are assessed using multiple qualitative and quantitative key performance indicators (KPIs) via three angles of analysis: 1) the adequacy of commitments and comprehensiveness of disclosed targets. 2) the actions taken to prevent and mitigate environmental and biodiversity risks. 3) the results and metrics disclosed and the impact trend over the years.

Stakeholder engagement

As biodiversity monitoring and reporting are still evolving, ADQ strives to engage with its portfolio companies to raise awareness on the importance of biodiversity. ADQ aims to achieve this by partnering with stakeholders such as peer companies, policymakers, and NGOs to share knowledge and best practice, helping to drive biodiversity concerns and methodologies forward.

Monitoring and measuring

ADQ continuously monitors and aims to incorporate relevant biodiversity indicators within its internal annual assessment mechanism.

Review

ADQ's Management Committee periodically reviews its biodiversity position and related strategies to ensure coherence with the latest biodiversity policy trends and international standards.

References:

ⁱ [UNEP and Biodiversity](#)

ⁱⁱ [Convention on Biological Diversity: List of Parties](#)

ⁱⁱⁱ [World Wildlife Organization](#)

^{iv} [The Leaders Pledge for Nature](#)

^v [MOCC Biodiversity](#)

^{vi} [Leaders' Pledge for Nature at COP26](#)

^{vii} [MOCC Biodiversity](#)

^{viii} [MOCC Biodiversity](#)

^{ix} [MOCC Biodiversity](#)

^x [UAE National Food Security Strategy](#)

^{xi} [Biodiversity and Businesses](#)

^{xii} [IFC](#)

^{xiii} [Protect Planet](#)