Biodiversity preservation

Environment

Quick read

Biodiversity loss is a systemic financial and operational threat. Degrading habitats, collapsing species populations and eroding ecosystem services now destabilise supply chains, inflate input costs and undermine long-term value. More than half of global GDP (≈ US$44 trn) relies on nature, yet land-use change, pollution and over-exploitation accelerate unchecked, exposing firms to escalating litigation, regulatory penalties and stranded-asset write-downs. Companies associated with significant ecosystem impacts face growing valuation pressure as investors apply nature-related exclusion screens and new disclosure rules (e.g., EU ESRS E4, UK Biodiversity Net Gain) come into force. Boards and capital allocators should integrate biodiversity loss into core risk management and investment decision-making, recognising it as a material financial factor rather than a peripheral CSR consideration.

Investment outcomes matrix

Negative	Positive
Regulatory & liability risk – Habitat destruction exposes firms to fines, permit withdrawals and lawsuits that can swiftly erode equity value.	**Financing advantage** – Strong biodiversity credentials unlock sustainability-linked capital at lower spreads and attract a broader ESG investor base.
Market & cost-of-capital risk – ESG exclusions and higher lending spreads raise the cost of capital for nature-negative operators.	**Earnings resilience** – Robust ecosystem management reduces supply-chain shocks and input volatility, supporting more stable cash flows.
Operational disruption risk – Ecosystem degradation triggers resource shortages, supply-chain delays and higher input costs.	**Alpha & growth upside** – Participation in fast-growing nature-positive markets can drive above-market revenue growth and valuation uplift.

Impact matrix (environment & society)

Negative	Positive
Ecosystem collapse – Habitat destruction and species loss degrade water quality, pollination and flood regulation, harming communities and economies.	**Ecosystem restoration** – Capital directed to nature-positive businesses funds habitat recovery, strengthening ecosystem services for society.
Climate amplification – Deforestation and wetland loss release stored carbon and weaken natural climate buffers, exacerbating climate change.	**Climate mitigation** – Nature-based solutions financed by investors draw down carbon and enhance resilience to extreme weather.

Business sectors most exposed to

Sector	Exposure drivers
Agriculture & aquaculture	Output and revenues directly depend on pollination, soil fertility and water quality; land-clearing drives regulatory scrutiny.
Forestry & paper	Unsustainable logging licences face moratoria; biodiversity metrics embedded in certifiers and buyer policies.
Real estate & construction	UK/EU biodiversity net-gain rules make planning approval contingent on habitat outcomes; liability for offset failure.
Oil, gas & mining	Operations often overlap high-value ecosystems; spills or tailings can cause irreversible biodiversity harm and multi-billion fines.

Business sectors with leading practices

Sector	Evidence
Food & beverage	Major brands committing to zero-deforestation supply chains and nature-positive sourcing (e.g., cocoa, palm, soy).
Financial services	Early adoption of TNFD and biodiversity-linked finance; investors using exclusion lists and engagement to shift practices.
Pharmaceuticals & biotech	Dependence on genetic resources drives conservation programmes and benefit-sharing agreements with biodiversity-rich regions.
Tourism & recreation	Eco-certification and habitat restoration integrated into destination management to protect the natural asset base.