MEDIA RELEASE

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Poor State of Environment report casts stark warning to the finance sector

Today’s dire State of the Environment report should raise alarm bells to the Australian business and finance sectors, as the nation moves into further debt to nature, with deteriorating indicators across most measures.

The health of Australia’s natural environment is becoming a material financial risk and proxy for the state of our economy, given the significant interdependencies between the two: from agricultural industries to resources, from tourism to property, right through to financing and insurance.

The 2021 State of the Environment report shows the past five years have seen an alarming rise in threatened species, land clearing, extreme weather events, and destruction of Indigenous heritage, and that environmental decline is damaging human health and wellbeing.

“For too long, nature has been relegated and seen as something out there beyond our cities, a place we visit only on holidays, or space that is preserved in our national parks” said Estelle Parker, Executive Manager of Programs at the Responsible Investment Association Australasia (RIAA)

“30% of Australia’s GDP is dependent on biodiversity and ecosystem services. It’s time we reject this outdated view and understand nature as an important asset upon which our economy is built and depends, alongside human, financial and manufactured capital which are already valued.”

Less prominent but nonetheless optimistically, the report also highlights where investments have made a positive impact. Individuals, NGOs and businesses are increasingly purchasing and managing large areas of land for conservation and building in the protection of nature into their business practices.

“There is global momentum amongst investors to better understand, analyse and value assets on the basis of the management of nature-related risks. Nature is beginning to inform the investment sector view of value in the same manner that carbon is impacting value and investment markets,” said Estelle.

“With over $1 trillion of assets now managed in Australia with consideration of environmental, social and governance (ESG) factors including nature related risks, no Australian business leader should be surprised when investors start knocking at the boardroom door, seeking to understand how these companies are managing their own impact on nature and biodiversity.

“Tracking the state of our environment should not be a concern solely of environmentalists, but rather should occur alongside regular analysis of other headline economic data.
“The State of the Environment report is a poor report card on current progress. Investors want to see the new Government strengthen and improve the health indicators of this critical national asset, and that our response must seek to be informed and in close partnership with First Australians.”

“The State of Environment report also provides a map of priorities and points to opportunities for us to develop nature-positive investments, in partnership with First Nations peoples, farmers, conservation and environmental organisations, business and investors, with the support and leadership of our federal and state governments.

“As the convenor of the Taskforce on Nature-related Financial Disclosures’ (TNFD) official Consultation Group for Australia and New Zealand, RIAA looks forward to working with all stakeholders, and would welcome engagement by this government, to build investor capacity and ultimately, protect our natural capital. This Group is bringing together business, finance, public sector and civil society organisations to drive engagement in nature-related business and finance issues. We’d invite government support for development and prompt implementation of a robust TNFD framework.

“We welcome the Albanese government’s commitment to provide a full response to the Samuel Review to make sure our environmental laws work better. Long-term protection of our unique natural capital, plus quality environmental data and analysis, will support investors to create and unlock nature-positive opportunities,” Estelle said.

**QUOTES FROM RIAA MEMBERS:**

“Carbon emissions are often the focus of the climate change debate however the threat to natural capital and the benefits humans derive from ecosystems should not be overlooked. Approximately 50% of the world’s GDP – worth USD 44 trillion – has either a high or moderately high dependency on nature. This strain is set to continue with the world population estimated to grow by two billion between now and 2035. Ecosystem restoration presents significant opportunity as it’s estimated that more than USD 2 trillion a year in investment is needed to restore marine, land and urban ecosystems between 2020 and 2030 and this will create USD 6 trillion in annual business opportunities.”

**David Grybas, CEO**
**BNP Paribas Asset Management, Australia**

“The loss of biodiversity is inextricably linked to the challenges of climate change and these challenges need to be tackled together. Just as climate change poses physical and transition risks for companies, biodiversity loss also presents potential material financial risks for companies that will require appropriate reporting mechanisms, risk mitigation strategies, metrics and targets.”

**Timothy King, Chief Investment Officer**
**Melior Investment Management**

“Australia's natural environment hangs in a fragile and precarious balance. The destruction of our ancient remnant forests continues at an alarming rate; species decline, habitat loss and extinction
continues to confront many of our native plant and animals, and all of this directly at the hands of human-induced land use, introduced invasive pests and climate change.

As a nation that deeply values our wide open natural places, our globally significant marine and freshwater ecosystems and our proud national parks, we have become disconnected from nature. Added to this sad state is the fact that the financing, consumption and approval of biodiversity loss is made in constructed office towers far above the failing forest floors and dry river beds. Things need to shift.

The state of the environment report serves as our nation’s canary in an environmental mineshaft that is getting deeper and darker. We eagerly welcome the release of the report so that we are able to see where there is hope and to help us collectively prioritise and plan for a pathway towards a more connected nature positive future.”

Guy Williams, co-Chair of RIAA’s Nature Working Group; Global & Asia Pacific Nature Lead, Deloitte

“According to the World Economic Forum, more than 50% of the world’s total GDP is moderately or highly dependent on nature and the services it provides. That makes environmental issues a real threat to well-functioning economies, and environmental improvements an imperative to achieve.

Super funds have a responsibility to enhance the long-term value of members’ savings. As investors, we are increasingly recognising the risks posed by loss of biodiversity and ecosystem services to the real projects and the companies in which we invest.

Over time, the importance of considering nature-related investment risks and opportunities will only grow as the world either addresses these issues or does not. We already see investors seeking more sustainable investments and we believe that this trend will only strengthen in future.”

Claire Molinari, Head of ESG CareSuper

Australia’s diverse landscapes, beautiful ocean life, and rich biodiversity have intrinsic value. Nature also enables our economy to prosper. Innovations in impact investing, carbon markets and sustainability disclosures are already directing investment towards strategies and companies that protect and restore nature as part of long-term value creation.

Investors now require the regulatory environment and long-term policy direction that will put Australia on a pathway by 2030 to a net-zero emissions and nature-positive future.

Radha Kuppalli, Managing Director, Impact & Advocacy New Forests

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