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Nature 2025 outlook: Water and agriculture rise up the agenda

Well-trodden areas such as deforestation and disclosure also on investors' radar for next year.

Gina Gambetta - 23 hours ago

News & Analysis

Biodiversity and nature have skyrocketed up the investor agenda over the past couple of years, but arguably what was different about 2024 was that the conversation increasingly spread beyond just leaders in the space.

That the **Taskforce on Nature-related Financial Disclosures (TNFD)** has already **surpassed** 500 adopters, and that the private sector turned out in force for the **COP16 biodiversity conference** in October, are clear signals of this.

Alongside this, the focus – particularly from the pioneers in the nature space – has been shifting from lofty ambitions and headlines, to digging into the complexities and specific components of the topic.

Nevertheless, significant and long-standing challenges around data and metrics persist.

Water and plastics

The nature-related issue that has received the most attention so far from investors is deforestation, in particular tropical deforestation (check out **RI's piece** on how the degradation of boreal forests is being overlooked).

But AXA Investment Manager Core's head of sustainability, Jane Wadia, says this is shifting.

"Until now, our focus in engagements with companies when it comes to components of biodiversity has mainly been on deforestation and pollution. That work has become relatively mature, and now we see water and the circular economy gaining traction," she says.

Wadia believes there is a growing awareness of water scarcity and its economic implications. "There's also more understanding of the importance of water stress and pollution in ecosystems more generally and the implications for businesses," she says.

In a similar vein, Alex Burr, ESG policy lead at Legal & General Investment Management (LGIM), says that this year water – both freshwater and marine – became one of the UK investor's core topics under its approach to nature.

“... across the key drivers of biodiversity loss, something that all companies are dependent on regardless of sector, and the biggest nature-related risks in our portfolios,” he says.

“We will continue our work on water in 2025, including engaging collaboratively with groups like the **Valuing Water Finance Initiative** and directly with key corporates where we have identified it as a material risk.”

Historically, conversations about, and efforts to address, the availability and quality of nature data have been primarily focused on terrestrial data. In January, **RI spoke** to investors, data providers and NGOs who are attempting to fill in the blanks for ocean biodiversity.

And just last week, the World Benchmarking Alliance **put out the methodology** for its upcoming oceans benchmark, which will evaluate 125 firms on their contribution towards halting and reversing nature loss in marine ecosystems.

Among the investors focusing on oceans is BNP Paribas Asset Management. “In 2024, we put out a call for better ocean-related data with other investors to data providers and this engagement will continue in 2025,” said Robert-Alexandre Poujade, ESG analyst and biodiversity lead at the €537 billion investor.

“Also, we will continue our dialogue with corporates in aquaculture or shipping sectors, both individually and collaboratively.”

A greater focus on **plastics in investor engagements** was also a key development in 2024.

Going into 2025, Poujade says plastics and chemicals will receive greater attention when it comes to its corporate and policy engagement.

Burr adds that LGIM will be particularly focused on the global plastics treaty, given an agreement was **not reached at this year’s global talks on the issue in**

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Deforestation focus

All of this is not to say that investors are pulling back from deforestation. The topic remains a priority for the sector, and is the subject of numerous initiatives including the Investors Policy Dialogue on Deforestation (IPDD), the PRI's Spring, and Finance Sector Deforestation Action (FSDA).

Norah Berk, senior programme manager for nature at the Institutional Investors Group on Climate Change (IIGCC), describes the FSDA as a highly ambitious initiative "with 30 of some of the most knowledgeable investors committed to using their best efforts to eliminate commodity-driven deforestation from their portfolios".

At the same time, she adds: "It's only 30. Much more of the financial sector will need to mobilise to eliminate deforestation."

For 2025, Berk says IIGCC – the secretariat for FSDA – wants to foster spaces to encourage more investors to tackle deforestation.

A key focus in the space this year was the evolution of the EU's Deforestation Regulation (EUDR), which aims to tackle climate change and biodiversity loss by preventing deforestation related to consumption of products from cattle, cocoa, coffee, palm oil, soya, wood, rubber, charcoal and printed paper.

It was adopted by the European Parliament in April 2023 and came into force in June. Companies operating in the EU were originally expected to comply with it from this December.

However, in October, the European Commission proposed postponing the application date of the EUDR by one year, **following pressure from a range of stakeholders**. Both the proposed delay and amendments were voted through by the parliament **in November**.

The most recent update came **this week**, when the parliament adopted the formal political agreement with the Council of EU member states to delay its application.

Before the one-year delay can enter into force, the agreed text now also has to be endorsed by the Council and published in the EU Official Journal before the end of 2024.

"It was positive that the Council and Parliament have limited the delay to one year and not opened it for changes," says Burr. "We will continue to engage collaboratively through groups like the IPDD on strengthening regulation in other producer and consumer countries, such as the UK and US."

Agriculture under the microscope

Going into 2025, it appears investors are planning to sharpen their focus on food and agriculture, particularly from a solutions perspective.

"We often refer to it in our discussions with our clients as agriculture is to biodiversity what energy is to climate," says Wadia. "It's not just about focusing on reducing the negative impacts of the sector but increasingly looking to the investment opportunity driven [by] the biodiversity solutions companies and technology enablers."

LGIM's Burr says the firm has seen a proliferation of the use of regenerative agriculture. "While positive, this is causing confusion as companies tend to use differing definitions. We believe there is scope for improving this and agreeing a clear, measurable, outcomes-based definition."

Shifting to a social perspective, Isobel Rosen, senior investor outreach analyst at the FAIRR Initiative, notes that when the food-focused NGO published a report in 2023 assessing multinationals regarding their regenerative agriculture commitments, just 8 percent were providing financial support to farmers to make the transition.

“By 2025, FAIRR is also going to be looking more at that Just Transition angle when it comes to agriculture.”

Existing collaborative engagements also reflect the sector's importance, with food-related companies accounting for more than one-third of the target companies identified by Nature Action 100, and food/agriculture/consumer goods making up the largest group – with 18 companies – for the PRI's Spring initiative.

Engagement continues to ramp up

Investor engagement with portfolio companies on nature issues continued to evolve in 2024.

In January, NA100 finalised the initial engagement teams for target companies. In May, RI checked in with investors on how dialogues were going.

And in October, the initiative put out its inaugural benchmark, which found that although corporates have high ambitions when it comes to nature, there are clear weak spots around assessments, Indigenous rights and lobbying.

“We’ve been really impressed by the commitment and activity from participating investors,” says Berk. “Now that we have the building blocks in place, with engagement teams established and the benchmark published, for 2025, we are hoping to provide more support to investors to deepen engagements as they seek to manage their nature-related financial risks.”

The PRI's Spring initiative also saw progress in 2024. In June, it announced the investor engagement teams for its initial 40 target firms, as well as unveiling an additional 20 companies.

And this month, it published the framework to assess the progress of companies, which builds on existing efforts by groups including InfluenceMap and the World Benchmarking Alliance (WBA).

At the time, Tim Steinweg, PRI's head of nature stewardship, told *RI* that a second wave of engagements having kicked off with the initial target firms, some of the second tranche corporates also now have engagement teams.

A new group also entered into the mix. At COP16, the Finance for Biodiversity Foundation **launched** an initiative focused on mitigating the negative impacts on biodiversity of the textiles industry.

Could 2025 see other – more sector or subject-specific – engagement initiatives launch?

Going into the 2024 proxy season, investors **predicted** an emergence of nature-specific shareholder proposals, as well as a growth in existing nature-related ones like deforestation, plastics and water.

The two votes that attracted the most attention were assessment and disclosure proposals filed at **PepsiCo** and **Home Depot**.

The first – filed by Green Century Capital Management – received 18.4 percent support, while the second – filed by Domini Impact Investments – got slightly lower support, with 16 percent.

Looking to 2025, Annie Sanders, director of shareholder advocacy at Green Century Capital Management, says the firm will continue to file on biodiversity, but she is not sure many others will.

“Although there is a lot of enthusiasm from the investment community to tackle nature loss and engage companies, I think many are still trying to wrap their heads around the issue and are not necessarily ready to file or support a proposal on it,” she says.

“However, we got a solid result with our proposal at PepsiCo, given Glass Lewis and ISS did not recommend support for it.”

£ Burr also believes that for 2025, the proposals will stay in the realm of *consultation* for assessing and disclosing nature-related risks, impacts, dependencies and opportunities. “Maybe in 2026 we will see target-setting focused resolutions.”

Data, disclosure and metrics

Challenges regarding data, disclosure and metrics have been long-standing bugbears for the private sector – however, 2024 saw some improvements.

An announcement repeatedly flagged by investors was **the launch by Bloomberg** of a new tool and dataset that provides nature insights for up to 45,000 companies. The offering is underpinned by company-reported data, biodiversity indicators from the Natural History Museum’s Biodiversity Intactness Index (BII), water stress analysis using World Resources Institute data and deforestation risk analysis.

Also positively received was confirmation from the **International Sustainability Standards Board (ISSB)** of plans to **start research** into whether standard setting is required regarding biodiversity, ecosystems and ecosystem services.

And as mentioned, the TNFD has already **surpassed** 500 adopters, with **Japan leading** the nations signing up.

In June, *Responsible Investor* **spoke with** some of the first investor cohort about their experience so far. Although clear progress was being made, challenges around location level and supply chain data were consistently flagged.

As Burr says: “We have seen an evolution on data availability, including improvements regarding location-based data, thanks to technological innovation, but there are still challenges with this. For example, there is a scalability point and then there’s the accuracy, consistency, comparability and verification of data across complex supply chains.”

The **tricks space** may also see greater cohesion in 2025 given that the **Positive Initiative** is set to release a final set of “state of nature” terrestrial metrics in January.

All eyes next year will also of course be on the first round of **Corporate Sustainability Reporting Directive (CSRD)** reports and the extent to which firms will begin disclosing on ESRS 4, which covers biodiversity and ecosystems.