



Nature and Biodiversity

Position Statement | 2024



YARRA

CAPITAL MANAGEMENT

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Yarra Capital Management (YCM) is a leading independent, active Australian investment manager responsible for managing over AUD\$22 billion on behalf of our clients across asset classes, including listed equities, fixed income and multi-asset strategies.

Acknowledgement of Country

Yarra Capital Management acknowledges First Nations peoples, the traditional custodians of the land and waterways on which we work in and across Australia.

We particularly recognise the Wurrundjeri people of the Kulin nation on which our Melbourne office is located as well as the Gadigal people of the Eora nation where our Sydney office is located.

We recognise the unique contribution and continuing connection of First Nations peoples to land, water and culture and celebrate their ongoing vital contribution to Australian culture and society.

We pay our respects to elders past, present and emerging.

01. Introduction

The importance of understanding nature and biodiversity is gaining global traction, as evidenced by the [Global Biodiversity Framework](#) adopted by 196 nations at COP15 in late 2022, a refresh of [Australia's Strategy for Nature](#) setting targets (including to protect and conserve 30% of Australia's land and oceans by 2030), and an increase in the uptake of tools and frameworks to better manage nature-related risks and opportunities such as the [Taskforce for Nature-Related Financial Disclosures](#) (TNFD).

We understand that all life and a functioning global economy is underpinned by a healthy natural environment, resilient ecosystems and thriving biodiversity. While we know that we are critically dependent on nature for our survival, there is increasing evidence that biodiversity is in decline and that the health of our natural environment is under threat.

As investors, we know that the intersection between the health of nature and complex issues including climate change and human rights means that we must understand and manage our dependencies and impacts across our business operations and investment portfolios, considering the risk and opportunities over the short to long term.

ECONOMIC VALUE

\$44 trillion

of generation dependent on nature
([World Economic Forum](#))

GLOBAL GDP

46%

coming from high-water risk regions by 2050
([WWF Water Risk Filter](#))

FINANCIAL COST

\$10 trillion

from nature loss by 2050
([Roxburgh, et al., 2020](#))

ECONOMIC VALUE

50% of GDP

of generation dependent on biodiversity
([World Economic Forum](#))

WILDLIFE POPULATION

69% decline

since 1970
([WWF, 2022](#))

NUMBER OF SPECIES FACING EXTINCTION

1 million

due to human activity
([IPBES, 2019](#))

02. Scope and Purpose

This purpose of this paper is to outline our commitment to understanding and managing the risks and opportunities where our business intersects with dependencies and impacts on nature and biodiversity.

YCM is committed to developing and integrating nature and biodiversity risks and considerations into our existing ESG Integration processes, including investee company due diligence and ongoing stewardship activities.

We acknowledge that this area is complex, and that transparency of information is low, but improving. We are careful in how we incorporate these factors into the review of existing and prospective investee companies.

This position statement applies to the whole of Yarra Capital Management Group, including:

- YCM's investment strategies:
 - Australian publicly listed equities
 - Australian private companies
 - Australian fixed income securities
- Tyndall Asset Management's investment strategies focused on Australian value equities
- International equities investment strategies, including products managed by sub-advisors and multi-manager strategies.

03. Our Commitment

Given the relative infancy of this topic area, YCM is at an early stage of understanding its intersection with nature and biodiversity and evaluating how to best influence and manage material nature-related risks and opportunities within our business operations and our investment portfolios.

Our initial commitment is one of understanding, educating and communicating transparently how we are navigating these issues, including:

- **Undertaking research** to understand how investors, particularly investment managers, are best placed to manage nature-related risks and opportunities;
- **Aligning with global best practice frameworks**, such as the TNFD, to identify where our business intersects with nature-related dependencies and impacts and how best to integrate these considerations into our governance, risk management, and reporting frameworks;
- **Collaborating** with clients, industry bodies, and peers to learn from, leverage and share our collective efforts and progress our understanding of complex systemic issues.



04. Our Approach

Our Investments

We recognise that our biggest interface with nature and biodiversity lies in our investment portfolios. We believe that we have a responsibility to our clients, our communities, our investees and our environment to understand our material impacts and dependencies in this area.

In our investment approach, we are committed to:

1. Developing our climate strategy

Recognising that climate change is one of the key drivers of negative impacts on natural habitats, we seek to be thoughtful and credible in our approach to managing climate risks and opportunities and aligning with global ambitions to reduce the impacts of climate change. We have engaged a climate specialist to support us in working through developing and testing initial climate scenarios that will inform client engagement and our subsequent climate strategy. This work will incorporate impacts and dependencies on nature and biodiversity.

2. Integrating material nature and biodiversity factors into our investment management processes

We currently evaluate investee activities and performance across a number of ESG topics. When we identify issues related to nature and biodiversity, we often see them intersecting with our ESG scorecard topics, including:

- Climate action & leadership;
- Greenhouse gas emissions intensity;
- Environmental health & wellbeing;
- Resource use & efficiency; and
- Human and animal rights.

Over time, we may identify other emerging topics and may expand this list of topics to inform investment management decisions.

3. Continuing to build our understanding and integrate our learnings into our investment processes and tools.

4. Understanding how specific sectors and companies present opportunities for deeper, more focused, or collaborative engagement on material topics related to nature and biodiversity.

04. Our Approach (cont.)

Our Operations

As a business, we will explore how our operations directly depend on and can impact (positively and negatively) nature and biodiversity. We believe that because our operational footprint is relatively small (across two Australian offices in Melbourne and Sydney), we are likely to find these dependencies and impacts to be relatively minimal. We believe that this assessment is likely to intersect with our broader office sustainability efforts to:

- Reduce energy consumption;
- Reduce and manage waste streams sustainably;
- Engage with building owners to improve base building environmental performance; and
- Encourage our people to consider their impacts and dependencies on nature through, for example, commuting and other behaviours.

Our Value Chain

Our value chain consists of suppliers that provide products and services to the Yarra Capital Management Group, partners in distribution and management of our investment products, institutional and retail clients that allocate capital to our investment strategies, and communities in which we live and work and who are impacted by our activities.

Suppliers

As investment managers, our procurement is heavily weighted toward service providers, notably in Information and Communication Technology (ICT) (40% of FY23 spend) and Professional Services (29%).

We regularly engage with our key suppliers to review their corporate ESG activities, including understanding: (i) their intentions to uphold responsible environmental, social and governance practices; and (ii) their principles that relate specifically to environmental practices.

YCM has undertaken to improve the visibility of the sustainability, climate change-related and human rights-related impacts of key suppliers through a supplier questionnaire. Future questionnaires and supplier due diligence will incorporate specific questions relating to nature-related impacts and dependencies.

Partners and Clients

YCM approaches its relationships with partners and clients with the utmost mutual respect, ethics and integrity. We understand that these relationships are critical to our business success and, on moral grounds, expect that all key partners and clients to uphold their legal and ethical obligations to their people and the communities in which they operate, including operating in line with all relevant environmental laws and regulations. Where we deem appropriate, we may include such expectations and/or requirements in contractual arrangements.

We continue to engage with our partners and clients, and share our insights and explore opportunities to work collaboratively.

04. Our Approach (cont.)

Our Value Chain (cont.)

Communities

We understand our inextricable relationship with the communities in which our people live and work and where our investments have impacts (both positive and negative). Our business and team members have a strong desire to contribute to these communities and, as such, we partner with and donate to community organisations in our volunteering and workplace giving campaigns that align with areas that our staff and clients care deeply about and/or that have strategic alignment with YCM as a business.

We will evaluate whether there are opportunities to support nature and biodiversity initiatives through our Corporate Sustainability activities.

Managing Concerns Related to Nature and Biodiversity

Nature and biodiversity concerns or incidents raised in investment portfolios are brought to the attention of the portfolio manager or one of the heads of the investment teams. Depending on the nature of the matter, the portfolio manager or head of investment team may work with the analyst to seek to ensure the investment management process is accounting for risks and informing our active stewardship activities. These include potential engagement and/or voting activities with issuers/companies.

For operational matters, if a concern is raised about an issue related to nature or biodiversity, depending on the severity and type of concern, these issues are flagged with either our Legal, Risk and Compliance team, our Chief Sustainability Officer and/or Managing Director for management and response.

Material business issues are reported to the YCM Board Audit, Risk & Compliance Committee and/or Board(s) of Directors as appropriate.

Effective as at September 2024

05. Key Definitions

Biodiversity: Biodiversity refers to the variety of all living things on earth, including plants, animals, and ecosystems that support all life forms.

Ecosystem: Ecosystems are complex webs of life and physical environments that have mutual interactions and dependencies. These can be thought of as communities of living things that interact with each other.

Nature-related Dependencies: Dependencies are ways that people and organisations rely on nature and ecosystem services, such as pollination, fresh water, and clean air.

Nature-related Impacts: Impacts can be positive or negative and represent the changes that result from the actions or behaviours of people or organisations on nature. Examples of positive impacts include planting new trees or afforestation efforts and conservation efforts to protect and preserve biodiversity. Examples of negative impacts include pollution, including greenhouse gas emissions that drive climate change, water pollution, and land clearing or deforestation.

