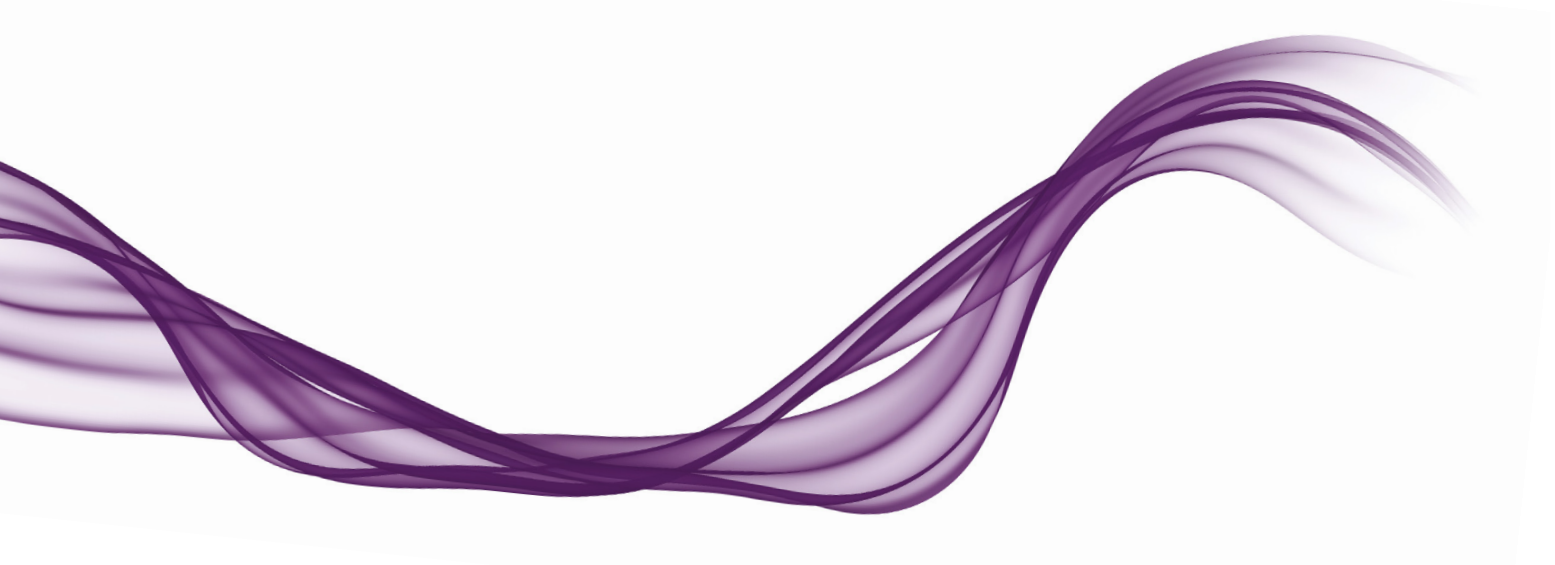


For professional clients/qualified investors only, not suitable for retail clients. This is a marketing communication.

# **Responsible Investment research: New environmental regulation – Biodiversity Net Gain**

**April 2024**



## **Contents**

<b>Executive Summary</b>	<b>3</b>
Introduction	4
Our approach	6
Initial review of the proposed legislation and key challenges	6
Key findings – Best practice and recommendations	7
Conclusion	9
Appendix – Reference list and bibliography	10
Appendix – Endnotes	11

## Engaging with the developers and house builders in Royal London Asset Management's portfolios on Biodiversity Net Gain

### Executive Summary

One of the most important causes of habitat destruction is housing growth.<sup>1</sup> To combat this, England has introduced a mandatory Biodiversity Net Gain legislation. Biodiversity Net Gain (BNG) is an approach to development and land management that aims to leave the natural environment in a measurably better state than it was beforehand. The law will mandate a minimum of 10% BNG for most future developments, secured for at least 30 years. While not without flaws, it is a positive and ambitious step towards companies mitigating and taking accountability for their impacts on nature.

Biodiversity Net Gain legislation hopes to:

- Address the direct effects of infrastructure on biodiversity and carbon emissions, and
- Align with the UK's ambitious housing goals amidst its current status as one of the most nature-depleted countries.

One of Royal London Asset Management's key engagement themes for 2022-2024 is Biodiversity.<sup>2</sup> With this being a significant nature-related regulation set to affect holdings in our portfolios, it is both necessary and material as responsible investors to conduct appropriate due diligence to understand and manage our financial risk, as well as the impact these companies have on the environment around them.

This paper details our engagement on Biodiversity Net Gain and proposes a framework for best practice. Over the course of 2023, we spoke with developers and house builders in our portfolios to understand current practice and conducted research to understand the risks of poor implementation, both to the companies and to the UK's nature and biodiversity ambitions.

Our research found that companies shared a general understanding of BNG and its interaction with social and climate issues at company level. However potential weaknesses in the long-term considerations of on-site BNG were identified. Given risks highlighted around on-site governance gaps, we would like to particularly stress the importance of adaptive management plans, ringfenced funding, and the availability of ecologically sensitive landscape management teams.



**19%**

cross the UK species studied  
have declined on average by  
19% since 1970



**16%**

Nearly one in six species are  
threatened with extinction  
from Great Britain



**151**

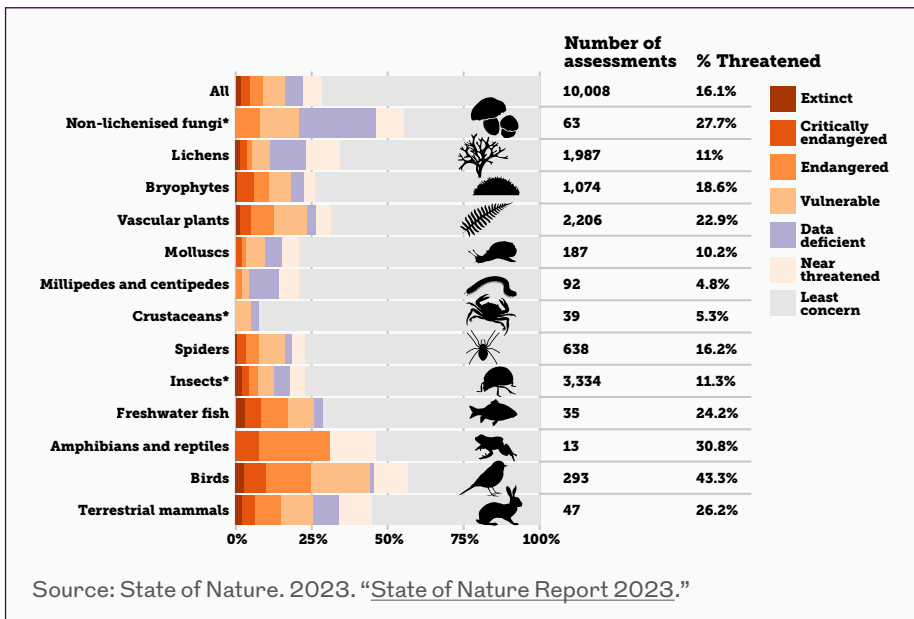
of 10,008 species assessed  
have already become  
extinct since 1500

Source: State of Nature. 2023. "[State of Nature Report 2023](#)."

## 1. Introduction

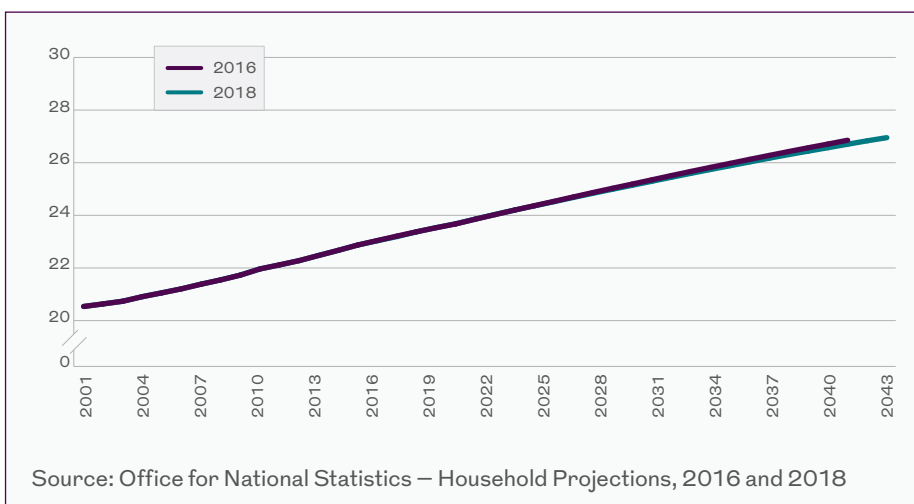
In recent years, the commercial real estate sector has been facing an expanding landscape of environmental regulatory requirements, with a growing focus on biodiversity. Given a greater awareness of the risks of built spaces to nature, and a growing consumer demand for greener buildings with leading environmental credentials. The key implications of this shift may be an increasing linkage of property values and income streams to these environmental credentials, thus potentially creating a performance gap between landlords with leading and lagging practices.

**Figure 1: Summary of the International Union for the Conservation of Nature (IUCN) Red List category of extinction risk for Great Britain.<sup>3</sup>**



One of the most important causes of habitat destruction is housing growth.<sup>4</sup> With the UK being one of the most nature-depleted countries on earth,<sup>5</sup> reconciling the growing need for built spaces with those of local ecosystems is of upmost relevance. While the UK has yet to fully meet its ambitious commitment to building 300,000 homes per year by the mid-2020s,<sup>6</sup> such priorities may have a profound impact on both biodiversity loss and increased carbon emissions, particularly in light of studies showing that 1 in 6 species are now at risk of going extinct in Britain.<sup>7</sup>

**Figure 2: Projected number of households, 2016-based and 2018-based household projections, England, 2001 to 2043.<sup>8</sup>**





## New environmental regulation - Biodiversity Net Gain

Aiming to curb its nature loss, England has introduced the Biodiversity Net Gain (BNG) legislation in February 2024, a first in European environmental policy.<sup>9</sup> BNG is an approach to development and land management that aims to leave the natural environment in a measurably better state than it was beforehand. The law will mandate a minimum of 10% BNG for most future developments, secured for at least 30 years.

The net gain can be achievable **on-site**, or **off-site** on nearby owned land, through the purchasing of off-site biodiversity units traded on the market or, as a last resort, through the Government's statutory credits scheme.

Measuring biodiversity units of a site will depend on factors such as:

1. the types of habitats on site and their distinctive features ('distinctiveness'),
2. their ecological condition,
3. the size of the site

The metric also takes into account strategic significance (location), difficulty of creation or enhancement, temporal risk, and spatial risk.<sup>10,11</sup>

This legislative change could directly impact the companies we invest in, so it's important to investigate if they are prepared for the environmental and financial risks associated with BNG and to inform the market of BNG best practice. Companies less ready for the BNG regulation may find themselves facing regulatory penalties and fines, project delays and cost overruns, increased operational costs, legal liabilities, credit risk and reputational damage<sup>12</sup> - any of which could in turn affect their risk profile and attractiveness as investments from both financial and environmental points of view.

## Our Biodiversity Net Gain engagement project

Royal London Asset Management's key engagement theme for 2022-2024 is "Biodiversity: Corporate impact on biodiversity and Protecting our natural capital".<sup>13</sup> With BNG being a significant nature-related regulation set to affect holdings in our portfolios, it is therefore both necessary and material to conduct appropriate due diligence to understand and manage our financial risk, as well as the impact these companies have on the environment around them.

Through this engagement initiative and associated research, we aimed to answer three questions:

1. How can responsible investors assess how prepared companies are for England's BNG implementation?
2. How can we encourage a more ambitious approach among companies?
3. What are the limitations of England's BNG regulation in the broader context of ecological compensation and environmental goals?

Though not an exhaustive approach, the focus of this project was on the above questions, with the aim of sharing our findings with relevant companies and peers in the industry.

**"Biodiversity Net Gain is an approach to development and land management that aims to leave the natural environment in a measurably better state than it was beforehand."**





## 2. Our approach

Our engagement aimed to understand diverse company approaches and disclosures for our largest exposed holdings. We therefore identified eight companies for engagement, primarily operating in London and urban brownfield sites, with two focusing on greenfield areas. The companies were **British Land, Derwent, Grosvenor UK, Taylor Wimpey, Barratt, Peel L&P, Great Portland Estates and Land Securities**.

Our engagement questions fit broadly into four categories:

1. Governance and overall integration of biodiversity at company level,
2. On-site biodiversity gains and monitoring,
3. Off-site biodiversity gains, offsetting and monitoring, and
4. Interactions between nature, climate, and people.

In some cases, the questions were tailored, extended, or not covered due to the specifics of each company. In-house research and discussions with company representatives informed our next steps in establishing best practice.

## 3. Initial review of the proposed legislation and key challenges

**On-site gains may not be as well-regulated as off-site BNG markets and are therefore at risk of governance gaps.**<sup>14</sup>

While the UK's BNG legislation is a positive step forward, there are governance gaps that risk undermining the effectiveness of the legislation's outcomes relating to on-site gains. A recent study suggested that up to "27% of all biodiversity units fall within governance gaps that expose them to a high risk of non-compliance".<sup>15</sup> Furthermore, the UK government has not currently prioritised the resourcing of Local Public Authorities towards monitoring on-site gains. As it stands, "only 39% of councils have any in-house ecological expertise."<sup>16</sup> As such, this may lead to ineffective regulation for on-site gains, leading to possible future risks if BNG is not managed properly.

**Small-scale initiatives may result in habitat fragmentation.**

Habitat fragmentation is the process during which a large expanse of habitat is transformed into a number of smaller isolated patches.<sup>17</sup> Habitat loss and fragmentation are currently the main threats to terrestrial biodiversity.<sup>18</sup> With the current BNG calculator, developers may trade large habitats for smaller ones if the condition or distinctiveness is higher.<sup>19</sup> If this is done too often, this could result in the overall reduction in habitat area with small and disconnected parcels of nature, which is one of the key issues the legislation was aiming to avoid.<sup>20</sup>



**The regulation may encourage to excessive homogenisation of habitats.** The BNG calculator rightly disincentivises destroying habitats requiring difficult restoration, yet this also has shown to potentially lead to a homogenisation of habitat types, where all developers may opt for restoring 'easier' habitats with lower distinctiveness (e.g. neutral grassland).<sup>21,22</sup>

**Industry-wide issues around potential ecological skillset scarcity in property and landscape management.** Without ecological awareness, landscaping may inadvertently contribute to habitat degradation, species loss and soil erosion and lead to long-term environmental harm.<sup>23</sup>

## 4. Key findings – Best practice and recommendations

### Effective BNG Governance

It is important that responsibility and accountability for biodiversity are fully integrated both vertically and horizontally within the company's organisational processes, as is typically best practice with climate change.<sup>24</sup> Best practice includes clearly defining roles and responsibilities for the delivery and oversight of a company's broader biodiversity strategy (including BNG) and taking steps to align culture and incentive structures with their strategic ambition.

- While none of the companies we spoke with had specific biodiversity accountability at board level, all eight had heads of sustainability directly reporting to their board on a range of ESG (Environmental, Social and Governance) issues, including biodiversity. We would not generally consider the lack of board level accountability as a concern at this stage, however as biodiversity becomes a larger regulatory and strategic priority (as it is the case currently with climate), we hope to see this addressed.

Within the context of large and mid-size companies, leaders should look to integrate biodiversity by employing staff with appropriate environmental backgrounds. For companies who do not have internal specialists on biodiversity, good practice would be to employ consultants with specific expertise in nature and Biodiversity Net Gain.

- Most of the staff leading on BNG of the companies we engaged with had environmental qualifications, with some specifically in biodiversity, conservation or ecology. The majority of companies also used specialised external consultants at varying degrees, whether for company strategy and/or at project level.

### On-site BNG and monitoring

While investors cannot replace the role of Local Public Authorities with regards to ensuring on-site compliance, transparency around the long-term monitoring and planning of BNG resources at company level may help to minimise risks of non-compliance.

With regards to on-site gains, to ensure compliance with regulation, best approach would be for companies to have an **adaptive management plan**. This is a systematic and flexible approach for improving resource management by learning from management outcomes.<sup>25</sup> As part of such a plan, companies should specifically plan for remedial actions to be taken in the case of various possible instances of non-compliance. This should ensure a robust framework to deliver BNG and reduce the likelihood of being non-compliant. We would also look for **clearly ringfenced funds** for the ongoing management of the habitats on-site, with specific performance standards below which the body responsible

for the management of the habitats will be required to take remedial action. This ensures the resources promised towards the net gain are secured regardless of potential future budget pressures. Lastly, we recommend that the property management companies sub-contracted for maintenance of the spaces created for BNG have **specific qualifications and expertise in ecologically sensitive landscaping**.

- All engaged companies planned to opt for on-site BNG as their only, or primary, preference. This is in line with the regulation's habitat delivery hierarchy.<sup>26</sup>
- **Grosvenor** led the way with regards to on-site governance gap risks, generally adopting best practice. Its publicly available BNG monitoring & management guidelines also stood out against peers.
- **Barratt**, while acknowledging the industry-wide issues around landscape management, is involved in the creation of a future working group aiming to improve the ecological standards of landscape management companies.

Efforts to go above the 10% net gain threshold where possible should generally be achievable for urban developers operating on brownfield sites and can be considered best practice - as long as this is not prioritised over the quality of the approach to BNG. Investors should be aware of other mandatory requirements developers may have to follow in different local authorities. Meeting those requirements, even if more stringent (such as the urban greening factor), should not be considered as going voluntarily 'above and beyond' regulation.

- It was generally understood among companies we engaged with that achieving the minimum requirements of 10% on-site was "relatively easy", particularly when building on land with a baseline of zero (meaning that there are no identified biodiversity units on the site - this is common on pre-developed, brownfield sites). This is similarly reflected in a recent study of early adopters of BNG, where large developers were more likely to meet their liability within their own development footprint.<sup>27</sup>
- Within the scope of our engagement, different measures and targets were taken depending on the company, such as **Land Securities** adopting an internal target of 15% BNG across all new developments and 25% across 5 selected sites. In some cases, individual sites aim for much higher net gain where possible and strategically advantageous, such as one of **British Land's** projects expecting to achieve 866% BNG.

When speaking to developers about their approach to restoration, particularly for those building on greenfield areas requiring significant habitat restoration, we would expect a clear understanding of the risks of contributing to homogeneity of English land due to certain types of habitats being easier and more cost-effective to restore. Within urban areas, developers should also aim to contribute to DEFRA's aim for 'bigger,



better, more joined up' habitats<sup>28</sup> instead of only creating isolated patches of nature squeezed between buildings. This can be achieved through creating 'green' or 'wildlife' corridors<sup>29</sup> - however this needs to be followed up with clear and concrete examples of how this has been realised.

For developers and housebuilders operating in countries outside the UK, expecting companies to apply England's BNG requirements to all international operations is complex, as the regulation and its associated tools are fully adapted to the UK Habitats Classification.<sup>30</sup> Suggested best practice would be to merge the country's own mandatory compensation policies (where applicable) with England's 10% net gain requirement, and attempting to meet the highest of both requirements. Countries such as Singapore, the US and Australia, for instance, have their own nature compensation policies.

- None of the developers we spoke with had operations outside of the UK within their direct control. Most did apply a similar BNG approach to all operations within the UK outside of England however, such as **Derwent** and **Taylor Wimpey**.

### Off-site BNG offsetting and monitoring

As discussed prior, most large urban developers are likely to opt for on-site BNG wherever possible. However, there are some reasons why using some off-site credits may be preferable both for the company and broader nature goals. The governance monitoring mechanisms in place for the offset market in England are significantly more robust than those for on-site delivery. For instance, all offsets will need to be on an official register, requiring much stricter monitoring and compliance as well as having clear legal pathways in the case of non-compliance.<sup>31</sup> Furthermore, obtaining BNG credits off-site should shift the liability for maintaining net gain to a third party, and as such may buffer from risks associated with on-site regulatory and implementation gaps. This is not to say that we support the scrapping of the regulation's current hierarchy to delivering the minimum BNG requirements, as this may particularly encourage developers who operate mostly on greenfield land to resort to offsetting instead of putting their best efforts in minimising their sizeable impacts on-site - as can be seen in some developer responses to the Defra consultation.<sup>32</sup>

Nevertheless, with regards to off-site gains through offsetting, and for developers purchasing land to build their own nature banks and their own credits, we believe that the Business and Biodiversity Offsets Programme Principles ('BBOPP') encourage best practice for responsible, verifiable biodiversity contributions. These principles establish a framework for designing and implementing biodiversity offsets and verifying their success.<sup>33</sup> For developers purchasing credits externally, we would also expect appropriate due diligence to be conducted around offsetting principles with their unit providers.

- **Peel L&P** were the only company we spoke with currently planning to establish a biodiversity bank to sell credits to the broader market. They were clear in acknowledging the BBOPP.





## Interactions between people, nature and climate

Choosing the right approach to landscape management, particularly within cities, can be difficult when juggling multiple priorities. The growing need for climate-resilient plants may mean that some non-native plants are preferred, especially if the BNG is to be maintained over 30 years. The important need to increase public access to nature<sup>34</sup> and choosing visually pleasing, non-toxic vegetation, given certain plants or animals may not fare well in areas of high human and pet pressure, may also conflict with biodiversity aims. We also recommend synergies between climate, people and nature be explored and transparently communicated in company documentation and communications.

- This was generally well understood among large developers we spoke with given their buildings are often for extensive human use, and most did acknowledge the delicate interplay between people, nature, and climate. However, the extent to which detail was provided on how exactly this was implemented varied greatly.
- One best-in-class example was **Grosvenor**, publishing a guide to specific types of design interventions available in urban development contexts, mapping them against impact, delivery time, lifespan, upfront cost, and maintenance criteria while also considering climate resilience, community engagement and horticultural best practice.
- **Grosvenor** are also looking at tools to assess biodiversity impacts in their supply chain.

## 4. Conclusion

With the growing discourse around ecological compensation practices and 'net gain' becoming more mainstream, this paper summarises our engagement around Biodiversity Net Gain and proposes a framework for best practice for developers and investors attempting to navigate this shifting terrain.

Our bespoke engagement has enabled us to compare the practices of a range of developers and housebuilders and highlights the complexity of biodiversity and ecological compensation.

We emphasise the critical need for long-term BNG strategies that are not only transparent, consistent and science-based, but also people- and climate-sensitive. While general awareness of social and climate issues at company level was satisfactory, potential weaknesses in the long-term considerations of on-site BNG were identified. Given the risks highlighted around on-site governance gaps, we would like to particularly stress the importance of adaptive management plans, ringfenced funding, and the availability of ecologically sensitive landscape management teams



## Appendix

### Reference list and bibliography

- BBC News. 2023. 'New homes: What's happened to the government's housebuilding target?' Accessed December 5, 2023. <https://www.bbc.co.uk/news/61407508>.
- Business and Biodiversity Offsets Programme. 2018. The BBOP Principles on Biodiversity Offsets. [https://www.forest-trends.org/wp-content/uploads/2018/10/The-BBOP-Principles\\_20181023.pdf](https://www.forest-trends.org/wp-content/uploads/2018/10/The-BBOP-Principles_20181023.pdf).
- Colley, Tess. 2022. "Thunderous warnings': How some of the UK's top developers are seeking to weaken biodiversity net gain reforms." Accessed November 1, 2023. <https://www.endsreport.com/article/1808243/thunderous-warnings-uks-top-developers-seeking-weaken-biodiversity-net-gain-reforms>.
- Colley, Tess. 2024. "Change to BNG metric set to 'incentivise building in areas earmarked for nature recovery'" Accessed 30 January 2024: <https://www.endsreport.com/article/1859260/change-bng-metric-set-incentivise-building-areas-earmarked-nature-recovery>.
- DCCEEW (Department of Climate Change, Energy, the Environment and Water). n.d. "What are wildlife corridors?" Accessed November 3, 2023. <https://www.dcceew.gov.au/environment/biodiversity/conservation/wildlife-corridors>
- Defra (Department for the Environment, Food and Rural Affairs). 2018. Net gain: Consultation proposals. UK Government Department for the Environment, Food and Rural Affairs, London, UK.
- Disruptive Innovators Network. n.d. "Qualis Flow." Accessed November 3, 2023. <https://disruptiveinnovatorsnetwork.co.uk>.
- EcoLandscaping. 2008. 'The Basics of Ecological Landscaping'. Accessed 20 February 2024: <https://www.ecolandscaping.org>
- Laurance W. F., A. Peletier-Jellema, B. Geenen, H. Koster, P. Verweij, P. Van Dijk, T.E. Lovejoy, J. Schleicher, M. Van Kuijk. 2015. Reducing the global environmental impacts of rapid infrastructure expansion. *Current Biology* 25:259–262.
- Marsh, Emma. 2021. "Why access to nature is a social justice issue." *Land Journal* June 11, 2021. <https://ww3.rics.org/uk/en/journals/land-journal/why-access-to-nature-is-a-social-justice-issue-.html>
- Natural England. 2022. Biodiversity Net Gain: An introduction to the benefits. UK Government Department for the Environment, Food and Rural Affairs, London, UK. [https://naturalengland.blog.gov.uk/wp-content/uploads/sites/183/2022/04/BNG-Brochure\\_Final\\_Compressed-002.pdf](https://naturalengland.blog.gov.uk/wp-content/uploads/sites/183/2022/04/BNG-Brochure_Final_Compressed-002.pdf)
- Natural England. 2023. The Biodiversity Metric 4.0 User Guide. UK Government Department for the Environment, Food and Rural Affairs, London, UK. <https://publications.naturalengland.org.uk/file/6188841413902336>.
- Office for National Statistics. 2020. 'Household projections for England: 2018-based'. Accessed 3 February 2024: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/householdprojectionsforengland/2018based>.
- Rampling, Emily E., Sophus O. S. E. zu Ermgassen, Isobel Hawkins, and Joseph W. Bull. 2023. "Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies." *Conservation Biology*, 00, 00–00. <https://doi.org/10.1111/cobi.14198>.
- Rogan, Jordan E., Thomas E. Lacher Jr. 2018. Reference Module in Earth Systems and Environmental Sciences. Elsevier. <https://doi.org/10.1016/B978-0-12-409548-9.10913-3>.
- Royal London Asset Management. 2022. Stewardship and responsible investment 2022 report. <https://employer.royallondon.com/globalassets/docs/shared/investment/rlam-stewardship-report-2022.pdf>.
- State of Nature Partnership. 2023. State of Nature Report 2023. [https://stateofnature.org.uk/wp-content/uploads/2023/09/TP25999-State-of-Nature-main-report\\_2023\\_FULL-DOC-v12.pdf](https://stateofnature.org.uk/wp-content/uploads/2023/09/TP25999-State-of-Nature-main-report_2023_FULL-DOC-v12.pdf).
- Science Direct. N.d. "Habitat Fragmentation". Accessed 20 February 2024: <https://www.sciencedirect.com/topics/earth-and-planetary-sciences/habitat-fragmentation>.
- TPT (Transition Plan Taskforce). 2023. Disclosure Framework. [https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT\\_Disclosure-framework-2023.pdf](https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf)
- UK Government. 2018. "Government Announces New Housing Measures." Accessed November 1, 2023. <https://www.gov.uk/government/news/government-announces-new-housing-measures>.
- UK Government. 2023. "PM to build 1 million new homes over this Parliament." Accessed November 1, 2023. <https://www.gov.uk/government/news/we-will-build-1-million-new-homes-says-prime-minister>.
- Williams, B. K., R. C. Szaro, and C. D. Shapiro. 2009. Adaptive Management: The U.S. Department of the Interior Technical Guide. Adaptive Management Working Group, U.S. Department of the Interior, Washington, DC.
- Zu Ermgassen, Sophus O. S. E., M.P. Drewniok, J.W. Bull, C.M. Corlet Walker, M. Mancini, J. Ryan-Collins, A. Cabrera Serrenho. 2022. A home for all within planetary boundaries: Pathways for meeting England's housing needs without transgressing national climate and biodiversity goals. *Ecological Economics* 201:1–33.
- zu Ermgassen, Sophus O. S. E., S. Marsh, K. Ryland, E. Church, R. Marsh, J. W. Bul. 2021. Exploring the ecological outcomes of mandatory biodiversity net gain using evidence from early-adopter jurisdictions in England. *Conservation Letters* 14:1–10.



## Appendix

### Endnotes

- 1 MAHB. 2019. "Housing growth threatens biodiversity – are we ignoring fundamental causes?" <https://mahb.stanford.edu/blog/housing-growth-threatens-biodiversity-ignoring-fundamental-causes/>
- 2 Royal London Asset Management. 2022. Stewardship and responsible investment 2022 report. <https://employer.royallondon.com/globalassets/docs/shared/investment/rlam-stewardship-report-2022.pdf>
- 3 Please note no assessments for marine species had been published other than for seabirds, although one is underway for marine mammals. Species assessed as Critically Endangered, Endangered or Vulnerable are classified as threatened by IUCN and therefore deemed at risk of extinction in Great Britain. Source: State of Nature. 2023. "State of Nature Report 2023." <https://stateofnature.org.uk/>
- 4 MAHB. 2019. "Housing growth threatens biodiversity – are we ignoring fundamental causes?" <https://mahb.stanford.edu/blog/housing-growth-threatens-biodiversity-ignoring-fundamental-causes/>
- 5 State of Nature. 2023. "State of Nature Report 2023." <https://stateofnature.org.uk/>
- 6 UK Government. 2018. "Government Announces New Housing Measures." Accessed November 1, 2023. <https://www.gov.uk/government/news/government-announces-new-housing-measures>
- 7 State of Nature. 2023. "State of Nature Report 2023." <https://stateofnature.org.uk/>
- 8 Office for National Statistics. 2020. 'Household projections for England: 2018-based'. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/householdprojectionsforengland/2018based>
- 9 State of Nature. 2023. "State of Nature Report 2023." <https://stateofnature.org.uk/>  
Natural England. 2023. The Biodiversity Metric 4.0 User Guide. UK Government Department for the Environment, Food and Rural Affairs, London, UK. <https://publications.naturalengland.org.uk/file/6188841413902336>.
- 10 DEFRA. 2024. 'Understanding Biodiversity Net Gain.' Accessed 20 February 2024: <https://www.gov.uk/guidance/understanding-biodiversity-net-gain>.
- 11 Colley, Tess. 2024. "Change to BNG metric set to 'incentivise building in areas earmarked for nature recovery'" Accessed 30 January 2024: <https://www.endsreport.com/article/1859260/change-bng-metric-set-incentivise-building-areas-earmarked-nature-recovery>.
- 12 Zu Ermgassen, Sophus O. S. E., M.P. Drewniok, J.W. Bull, C.M. Corlet Walker, M. Mancini, J. Ryan-Collins, A. Cabrera Serrenho. 2022. A home for all within planetary boundaries: Pathways for meeting England's housing needs without transgressing national climate and biodiversity goals. *Ecological Economics* 201:1–33
- 13 Royal London Asset Management. 2022. Stewardship and responsible investment 2022 report. <https://employer.royallondon.com/globalassets/docs/shared/investment/rlam-stewardship-report-2022.pdf>
- 14 Rampling, Emily E., Sophus O. S. E. zu Ermgassen, Isobel Hawkins, and Joseph W. Bull. 2023. "Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies." *Conservation Biology*, 00, 00–00. <https://doi.org/10.1111/cobi.14198>
- 15 Ibid.
- 16 Ibid.
- 17 Science Direct. N.d. "Habitat Fragmentation". Accessed 20 February 2024:  
Rogan, Jordan E., Thomas E. Lacher Jr. 2018. Reference Module in Earth Systems and Environmental Sciences. Elsevier. <https://doi.org/10.1016/B978-0-12-409548-9.10913-3>
- 18 Rampling, Emily E., Sophus O. S. E. zu Ermgassen, Isobel Hawkins, and Joseph W. Bull. 2023. "Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies." *Conservation Biology*, 00, 00–00. <https://doi.org/10.1111/cobi.14198>
- 19 Defra (Department for the Environment, Food and Rural Affairs). 2018. Net gain: Consultation proposals. UK Government Department for the Environment, Food and Rural Affairs, London, UK.
- 20 Rampling, Emily E., Sophus O. S. E. zu Ermgassen, Isobel Hawkins, and Joseph W. Bull. 2023. "Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies." *Conservation Biology*, 00, 00–00. <https://doi.org/10.1111/cobi.14198>
- 21 Please note new adjustments to the metric encourages habitat banks and offsets to be located in areas earmarked for recovery. However, as this also applies to on-site calculation of BNG, this may unintentionally incentivise developments in these sensitive areas. Given this change was after our engagement window, these concerns were not raised with the companies. Source: Colley, Tess. 2024. "Change to BNG metric set to 'incentivise building in areas earmarked for nature recovery'" <https://www.endsreport.com/article/1859260/change-bng-metric-set-incentivise-building-areas-earmarked-nature-recovery>
- 22 EcoLandscaping. 2008. 'The Basics of Ecological Landscaping'. Accessed 20 February 2024: <https://www.ecolandscaping.org>.
- 23 TPT (Transition Plan Taskforce). 2023. Disclosure Framework. [https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT\\_Disclosure-framework-2023.pdf](https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf)
- 24 Williams, B. K., R. C. Szaro, and C. D. Shapiro. 2009. Adaptive Management: The U.S. Department of the Interior Technical Guide. Adaptive Management Working Group, U.S. Department of the Interior, Washington, DC.
- 25 Defra (Department for the Environment, Food and Rural Affairs). 2018. Net gain: Consultation proposals. UK Government Department for the Environment, Food and Rural Affairs, London, UK.
- 26 Rampling, Emily E., Sophus O. S. E. zu Ermgassen, Isobel Hawkins, and Joseph W. Bull. 2023. "Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies." *Conservation Biology*, 00, 00–00. <https://doi.org/10.1111/cobi.14198>
- 27 Natural England. 2022. Biodiversity Net Gain: An introduction to the benefits. UK Government Department for the Environment, Food and Rural Affairs, London, UK. [https://naturalengland.blog.gov.uk/wp-content/uploads/sites/183/2022/04/BNG-Brochure\\_Final\\_Compressed-002.pdf](https://naturalengland.blog.gov.uk/wp-content/uploads/sites/183/2022/04/BNG-Brochure_Final_Compressed-002.pdf)
- 28 DCCEEW (Department of Climate Change, Energy, the Environment and Water). n.d. "What are wildlife corridors?"
- 29 DCCEEW (Department of Climate Change, Energy, the Environment and Water). n.d. "What are wildlife corridors?" Accessed November 3, 2023. <https://www.dcceew.gov.au/environment/biodiversity/conservation/wildlife-corridors>



- 30** Defra (Department for the Environment, Food and Rural Affairs). 2018. Net gain: Consultation proposals. UK Government Department for the Environment, Food and Rural Affairs, London, UK.
- 31** zu Ermgassen, Sophus O. S. E., S. Marsh, K. Ryland, E. Church, R. Marsh, J. W. Bul. 2021. Exploring the ecological outcomes of mandatory biodiversity net gain using evidence from early-adopter jurisdictions in England. *Conservation Letters* 14:1–10
- 32** Colley, Tess. 2022. “‘Thunderous warnings’: How some of the UK’s top developers are seeking to weaken biodiversity net gain reforms.” Accessed 1 November 2023. <https://www.endsreport.com/article/1808243/thunderous-warnings-uks-top-developers-seeking-weaken-biodiversity-net-gain-reforms>
- 33** Business and Biodiversity Offsets Programme. 2018. The BBOP Principles on Biodiversity Offsets. [https://www.forest-trends.org/wp-content/uploads/2018/10/The-BBOP-Principles\\_20181023.pdf](https://www.forest-trends.org/wp-content/uploads/2018/10/The-BBOP-Principles_20181023.pdf)
- 34** Marsh, Emma. 2021. “Why access to nature is a social justice issue.” *Land Journal* June 11, 2021

**For professional clients/qualified investors only, not suitable for retail investors.**

The views expressed are those of Royal London Asset Management at the date of publication unless otherwise indicated, which are subject to change, and is not investment advice.

Telephone calls may be recorded. For further information please see the Privacy policy at [www.rlam.com](http://www.rlam.com).

Issued in April 2024 within Europe (ex-Switzerland) by FundRock Distribution S.A. (“FRD”) the EU distributor for Royal London Asset Management Limited. FRD is a public limited company, incorporated under the laws of the Grand Duchy of Luxembourg, registered office at 9A, rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg, and registered with the Luxembourg trade and companies register under number B253257. Page 23, FRD is authorized as distributor of shares/units of UCIs without making or accepting payments (within the meaning of Article 24-7 of the 1993 Law), as updated from time to time. FRD is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF). Portfolio management activities and services are undertaken by Royal London Asset Management Limited, 80 Fenchurch Street, London, EC3M 4BY, UK.

Authorised and regulated by the Financial Conduct Authority in the UK, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

Issued in April 2024 by Royal London Asset Management Limited, 80 Fenchurch Street, London EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

Ref: BR RLAM PD 0186

