

June 2024

Navigating a new moment for investors on nature

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Road to COP30 briefing pack

**Nature risks are
now too big to ignore**



Nature loss presents a financially material and systemic threat

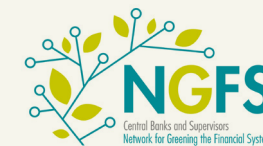
\$5 trillion in 5 years is the potential cost to the global economy¹



Top 3 global risk to our economies and societies²



A “macro-critical” threat to our financial stability^{3 4}



2020 UN BIODIVERSITY CONFERENCE
COP 15 - CP/MOP 10 - NP/MOP 4
Ecological Civilization-Building a Shared Future for All Life on Earth
KUNMING - MONTREAL

1. [Environmental Change Institute: The Green Scorpion: the Macro-Criticality of Nature for Finance, December 2023](#)
2. [World Economic Forum: Global Risks Report 2024](#)
3. [Network for Greening the Financial System Occasional Paper: The Green Scorpion: the Macro-Criticality of Nature for Finance 13 December 2023](#)
4. [UN Environment Programme: Convention on Biological Diversity December 2022](#)

Compounding nature risks are accelerating for unprepared businesses and their investors

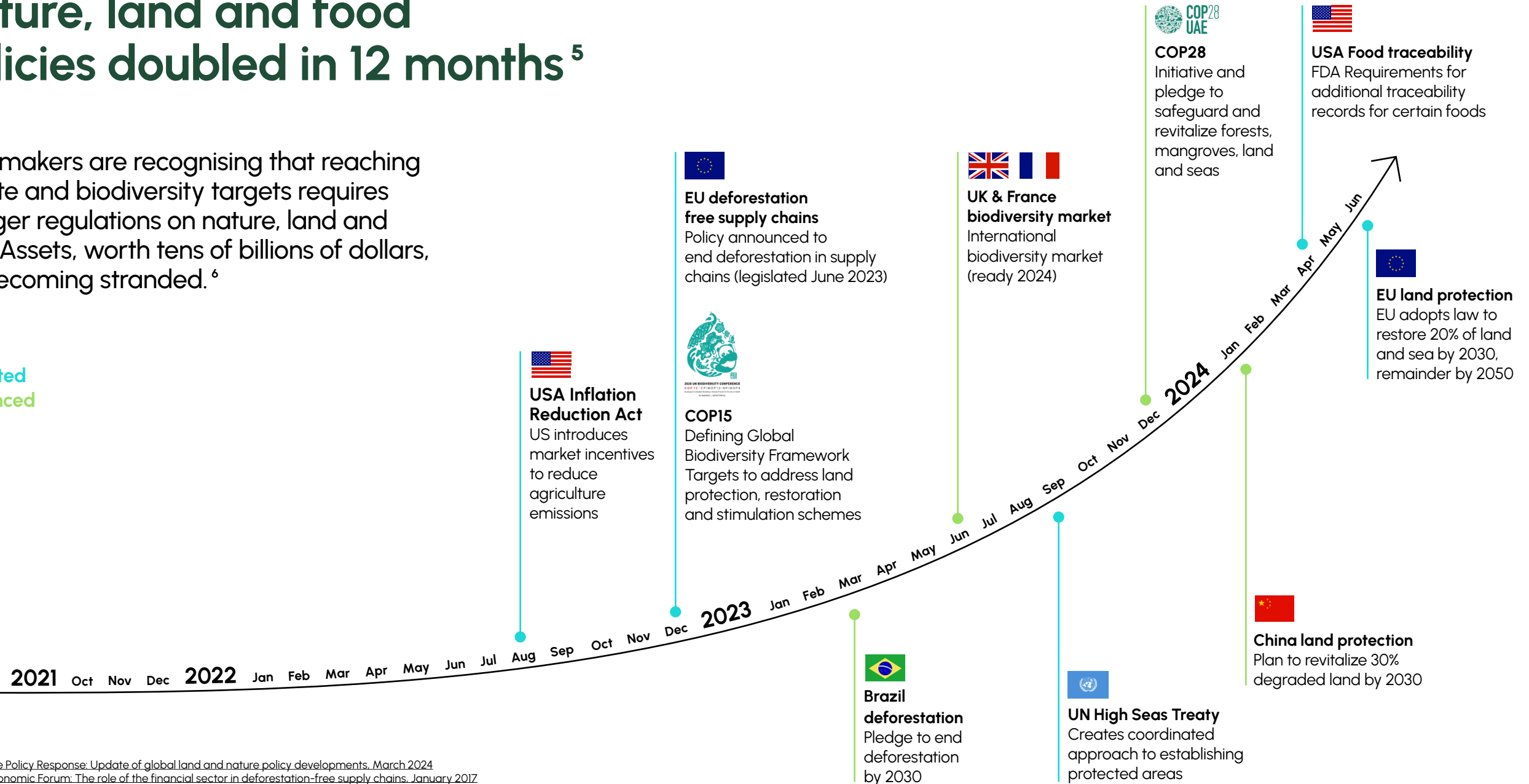


Policy and regulatory risks

Nature, land and food policies doubled in 12 months⁵

Policymakers are recognising that reaching climate and biodiversity targets requires stronger regulations on nature, land and food. Assets, worth tens of billions of dollars, risk becoming stranded.⁶

Legislated
Announced



5. Inevitable Policy Response: Update of global land and nature policy developments, March 2024
 6. World Economic Forum: The role of the financial sector in deforestation-free supply chains, January 2017

Legal risks

Litigation causing financial liabilities, operational disruption and layoffs

Climate and nature-related litigation cases are surging, leading to material financial losses for companies.



The total number of climate change court cases has more than doubled since 2017 and is growing worldwide.⁷



7. UN Environment Programme. *Global Climate Litigation Report: 2023 Status Review*. July 2023
8. BloombergNEF. *Ten Case Studies Highlight the Financial Costs of Nature-related Risk* 8 December 2023



Case Study

BloombergNEF

BloombergNEF examined 10 companies suffering significant financial losses from mishandled interactions with nature⁸. They found an \$83.2bn total financial impact on the firms profiled – excluding strategic delays.

Examples cited include:



Formosa Plastics[®]

Reported to have discharged billions of plastic pellets into waterways.

\$50m
settlement

\$9.4bn
plant construction
suspended



In 2023, press reports claimed that the company sourced palm fruit from Indonesian protected plantations – breaching sustainability claims.

Since this event, alongside an ongoing multi-stakeholder effort, AAK has made improvements.

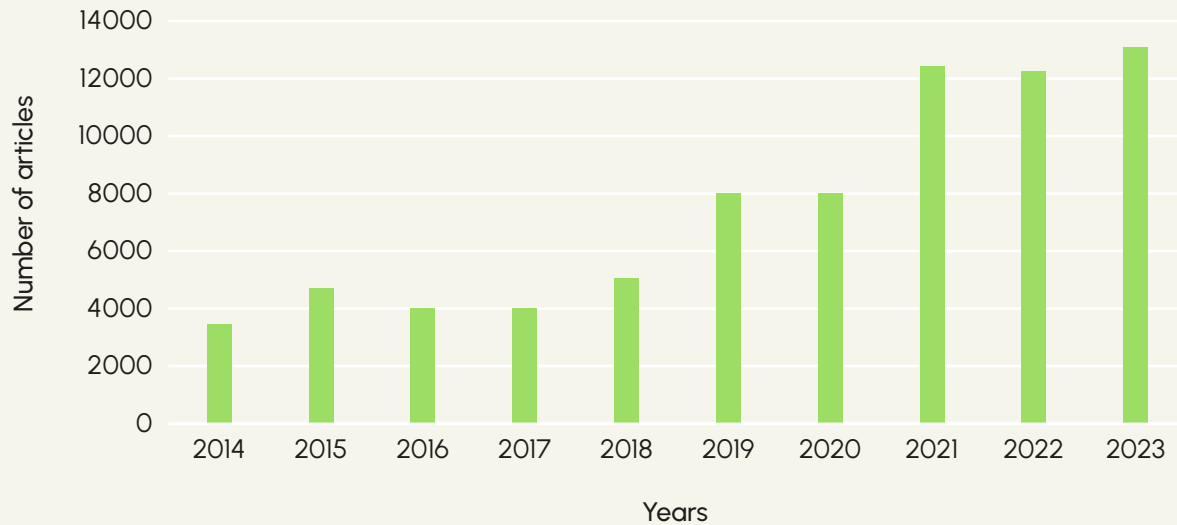
5.5%
fall in share price within
24 hours of publishing
investigation

Reputational risks

Nature-related scrutiny of business is intensifying

Scrutiny is becoming salient, sustained and increasingly sophisticated.

Top tier coverage of nature and business



Data source: Factiva, major news and business sources, English-language, search terms: (nature positive or nature loss or nature destruction or natural capital or deforestation or overfishing or biodiversity or UN CBD or COP15 or COP16) and (business or corporate or financial institution or bank or company or investor)



Headlines in the past 12 months...



Stop EU companies from bankrolling nature destruction



Nickel miners linked to devastation of Indonesian forests



JBS Deforestation-Risk Exposure Tops Meat Rank, Study Shows



500 companies and banks could stop the destruction of tropical forests. They are failing, report warns



Insight: Amazon rainforest gold mining is poisoning scores of threatened species



Fast-fashion giants H&M, Zara working with Brazilian farms linked to habitat destruction, says environmental group

Physical and operational risks

Erasing billions off bottom lines for decades

Nature-related impacts have been hitting companies' balance sheets and share prices globally for more than a decade, motivating companies to address the issue.

Food

2012 US drought contributed to an 82% drop in earnings and a ratings downgrade.⁹



Beverage

2010 Russian heatwave decimated the country's grain harvest and contributed to a \$5bn loss for Russian grain producers and a 13% loss in profits quarterly for Carlsberg.¹⁰



Automobiles

2024, Tesla's Berlin-Brandenburg 'Gigafactory' endured months of delays because of groundwater impacts. This contributed to a 3% decline in its share price, putting \$36 billion of revenue at risk annually.¹¹

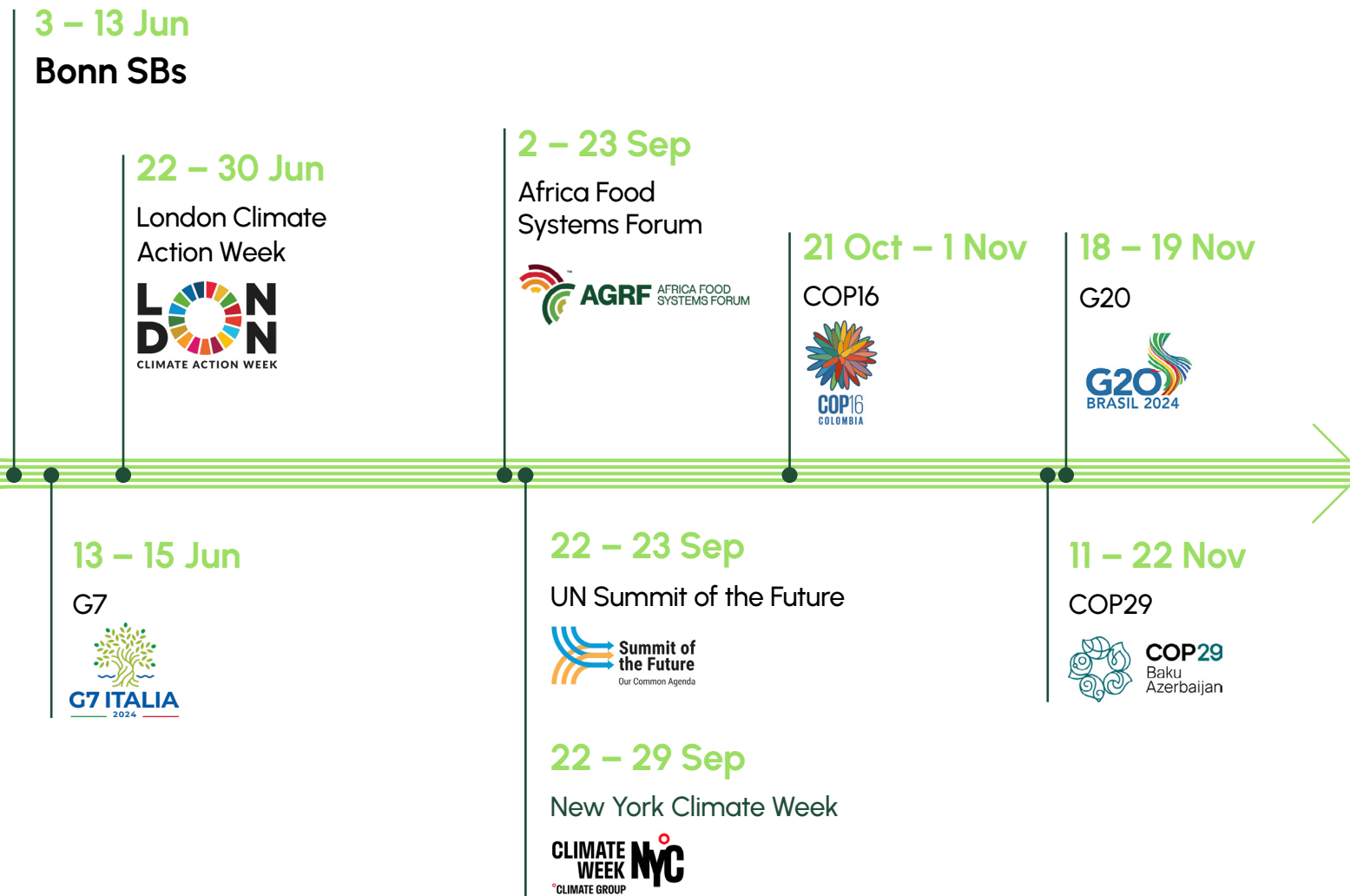


9. Reuters: Cargill reports worst quarterly earnings since 1991. August 2012

10. Financial Times: Carlsberg warns on rising input costs. 9 November 2010

11. BloombergNEF: Ten Case Studies Highlight the Financial Costs of Nature-related Risk. 8 December 2023

The spotlight will intensify in 2024 as climate and nature agendas converge



PP

Although the climate is affecting biodiversity, nature is an answer to the climate crisis... and we want to position it very strongly to build towards COP30 in Brazil.

We need to create the momentum and the role of COP16 is to make nature a pillar of those discussions.¹²

Susana Muhamad,
Colombian Environment Minister

PP

If everyone's talking about the Amazon, then why not hold the COP in an Amazon state so that they can find out more about the region? About its rivers, its forests, its fauna?¹³

Luiz Inácio Lula da Silva,
Brazilian President

12. The Guardian: Colombia vows to put nature at the heart of global environmental negotiations. February 2024

13. Climate Home News: Amazon gateway city Belém will host Cop30 climate talks 30 May 2023

Nature-ready or not?
Get ahead of risks.
Seize opportunities.



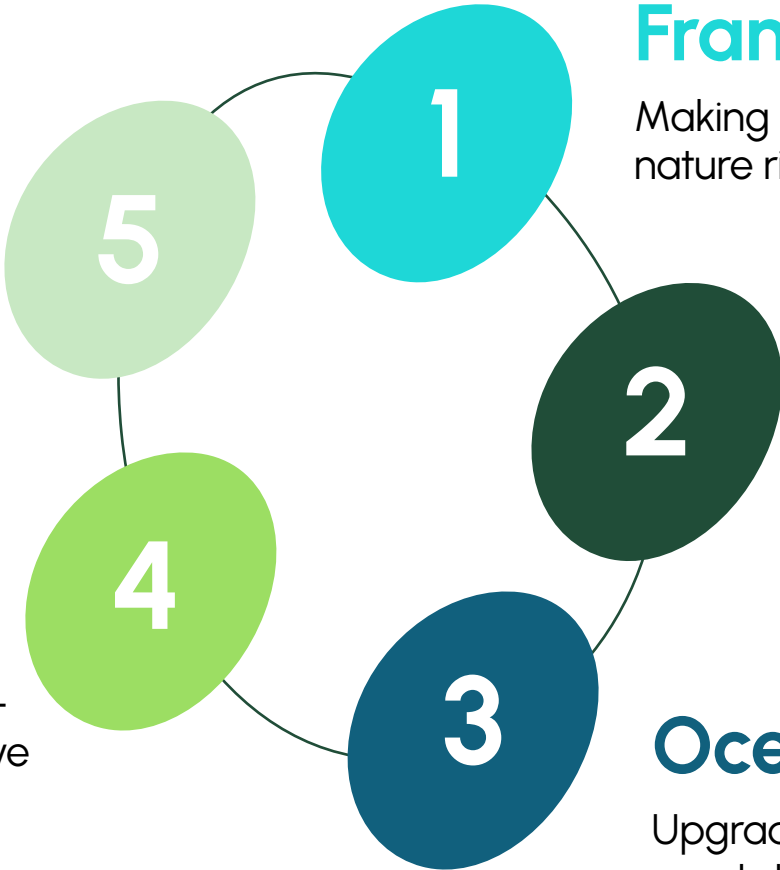
Five themes upon us now and set to gain investor focus through to 2025

Policy engagement

Active engagement to support policies that reduce nature risk

Nature alpha

Acting with conviction on nature-based investment to drive positive returns and impacts



Framework alignment

Making disclosure and governance of nature risks more demonstrably robust

Deforestation data

Harnessing AI to accelerate deforestation-free supply chains and portfolios

Ocean-related impacts

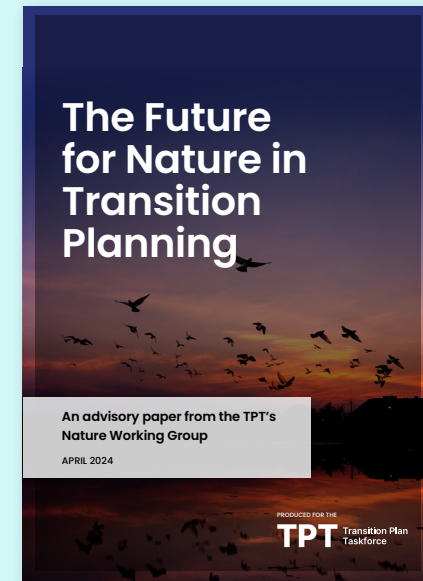
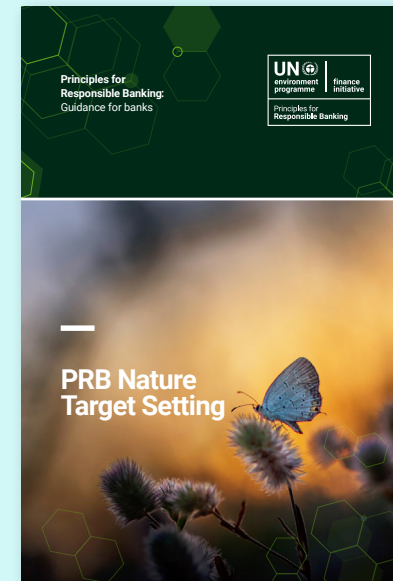
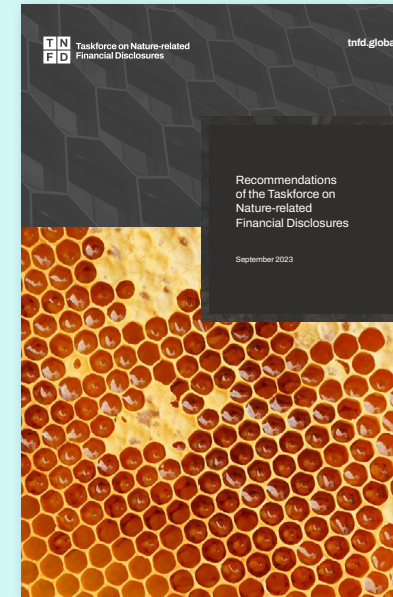
Upgrading policies to mitigate high profile reputational, regulatory and market risks and seize opportunities

1

Framework alignment

How to manage what matters

More businesses and investors are using new tools and frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Science Based Targets for Nature – sister frameworks to those that are the norm for understanding climate risk and action. These new tools are used to better understand and manage their company's impacts and dependencies on nature and make governance of nature risks more demonstrably robust.



2

Deforestation data

Corporate net zero means zero deforestation

Investors are increasingly realising that deforestation and land conversion must be core components of credible net zero plans.

In addition to on the ground impact assessments, new technologies, data and pathways are transforming the ability of banks and investors to understand their dependencies and impacts and drive deforestation out of their portfolios and financing.

Imperative



The world can't reach net zero by 2050 without ending deforestation this decade.¹⁴



Accelerating



Forest IQ is a powerful new data platform for financial institutions that for the first time brings together aligned, best-in-class, and actionable data on how more than 2,000 major companies are addressing their links to deforestation, leveraging the Trase database.¹⁵



NGO's are using AI's predictive capabilities in conjunction with media to transform global efforts to combat deforestation.

To mitigate risks, companies like Nestlé are also deploying AI-powered deforestation monitoring technology to scrutinize their supply chains.¹⁶



14. Climate Champions: Why net zero needs zero deforestation now
15. Forest IQ
16. Green Citizen: Green Technology, AI Revolutionizes Fight Against Deforestation, February 2024

3

Ocean-related impacts A sustainable blue economy in the spotlight

In addition to addressing impacts to nature on land, investors are increasingly turning their attention to how they can address impacts to nature in our oceans. Growing awareness of new regulations, consumer demand and the business case for nature is creating an increased recognition of the economic importance of ocean health.

17. WWF and Metabolic: Value at risk in the blue economy, November 2019.
18. OECD: OECD work in support of a sustainable ocean.
19. World Wildlife Fund: Above Board: Banks' Seafood Sector Policy Analysis, April 2024.
20. European Commission: BlueInvest Investor Report 2024.

Imperative



Mitigating risk

Ocean-related risks are rarely if ever priced into the value of assets. For a business-as-usual scenario, around US\$8.4 trillion of assets and revenues are at risk in the coming 15 years in the blue economy.¹⁷



Seizing opportunity

The blue economy is projected to grow faster than the global economy in the coming decades and reach \$3 trillion by 2030.¹⁸



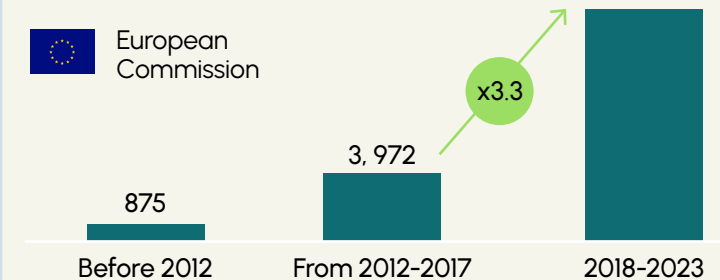
Accelerating



An increasing number of banks are taking action to manage E&S risks related to nature loss, climate change and human rights issues in the seafood sector. Of 40 banks assessed by WWF in 2022 and 2023, nine banks (23%) demonstrated improvements in their seafood-related policy commitments and risk management processes, year-on-year.¹⁹



Investments in the blue economy are increasing²⁰



4

Nature alpha

Business opportunities in the nature transition

Drawing down carbon and conserving ecosystems through sustainable agriculture and investible nature-based solutions is delivering profitable and scalable shared value today.

Generating:

- Improved farmer incomes
- Strong double-digit returns
- Enhanced food security and strengthened climate resilience
- Sustainable development in countries

21. World Economic Forum: 395 Million New Jobs by 2030 if Businesses Prioritize Nature, Says World Economic Forum, July 2020

22. BCG: Nature Is Banking's Next Opportunity, March 2024

23. Business Daily Africa: Marisa Drew: StanChart Chief Sustainability Officer on opportunities in nature financing, February 2024

24. Apple: Restore Fund, launched 2021, scaled 2023

Imperative



15 nature-positive transitions could generate up to \$10.1 trillion in annual business value and create 395 million jobs by 2030.²¹



Ambitions to reverse the dangerous decline in natural systems will require an estimated \$1.2 trillion a year in private capital... Our analysis also finds that for an individual bank... investing in actions to advance nature can generate up to \$250 million in incremental revenue.²²



Accelerating

Business Daily

Marisa Drew: StanChart Chief Sustainability Officer on opportunities in nature financing²³



Through creating a fund that generates both a financial return as well as real, and measurable carbon impacts, we aim to drive broader change in the future — encouraging investment in carbon removal around the globe.²⁴

Lisa Jackson, Vice President, Environment, Policy, and Social Initiatives, Apple



5

Policy engagement Influence policy and create change

Investors and companies can influence policy development and implementation to support faster change.

With a suite of stewardship tools at their disposal, investors can influence corporate action to mitigate deforestation risks and influence policy to halt and reverse biodiversity loss. Investor engagement is becoming more sophisticated by recognising how business can shape nature action and harnessing this knowledge to engage with policy makers.

Imperative



New research demonstrates that the world's largest companies lack transparency around their biodiversity-related advocacy, while retaining membership of industry associations actively opposing critically needed policy.

95% of companies analysed are members of industry associations pushing to delay, dilute, and block critically needed biodiversity policy.²⁵



Accelerating



Hundreds of investors managing trillions of assets have joined PRI's Spring. The investor stewardship initiative will engage corporates on nature policy influence as systemic risks grow.²⁶



25. Influence Map: How the largest companies and their industry associations are engaging on biodiversity policy and regulation, December 2023

26. Tropical Forest Alliance: Investor Policy Dialogue on Deforestation, December 2022

An increasingly aligned set of investor initiatives are taking shape to accelerate action

Investors can join:

Nature Action 100



to actively engage large companies in sectors that are systemically important for reversing nature loss across multiple nature-related issues.



A PRI stewardship initiative for nature

to engage influential companies on their impacts and dependencies on forests; through their business operations, their supply chains, and their engagement with policy-makers.

The Finance Sector Deforestation Action (FSDA) Initiative

to work toward eliminating commodity-driven deforestation and scaling nature-based solutions in investment portfolios in the near-term.

FAIRR's Seafood Traceability Engagement

to drive the implementation of traceability across major companies committed to action in the seafood supply chain.

A collaboration by:



to coordinate a public policy dialogue on halting deforestation by engaging with government-related authorities and associations, industry and trade bodies and other stakeholders.



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 **WWF**

 **FAIRR**
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 **Nature Action 100**

 **IPDD**