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SUSTAINABILITY LEADERSHIP

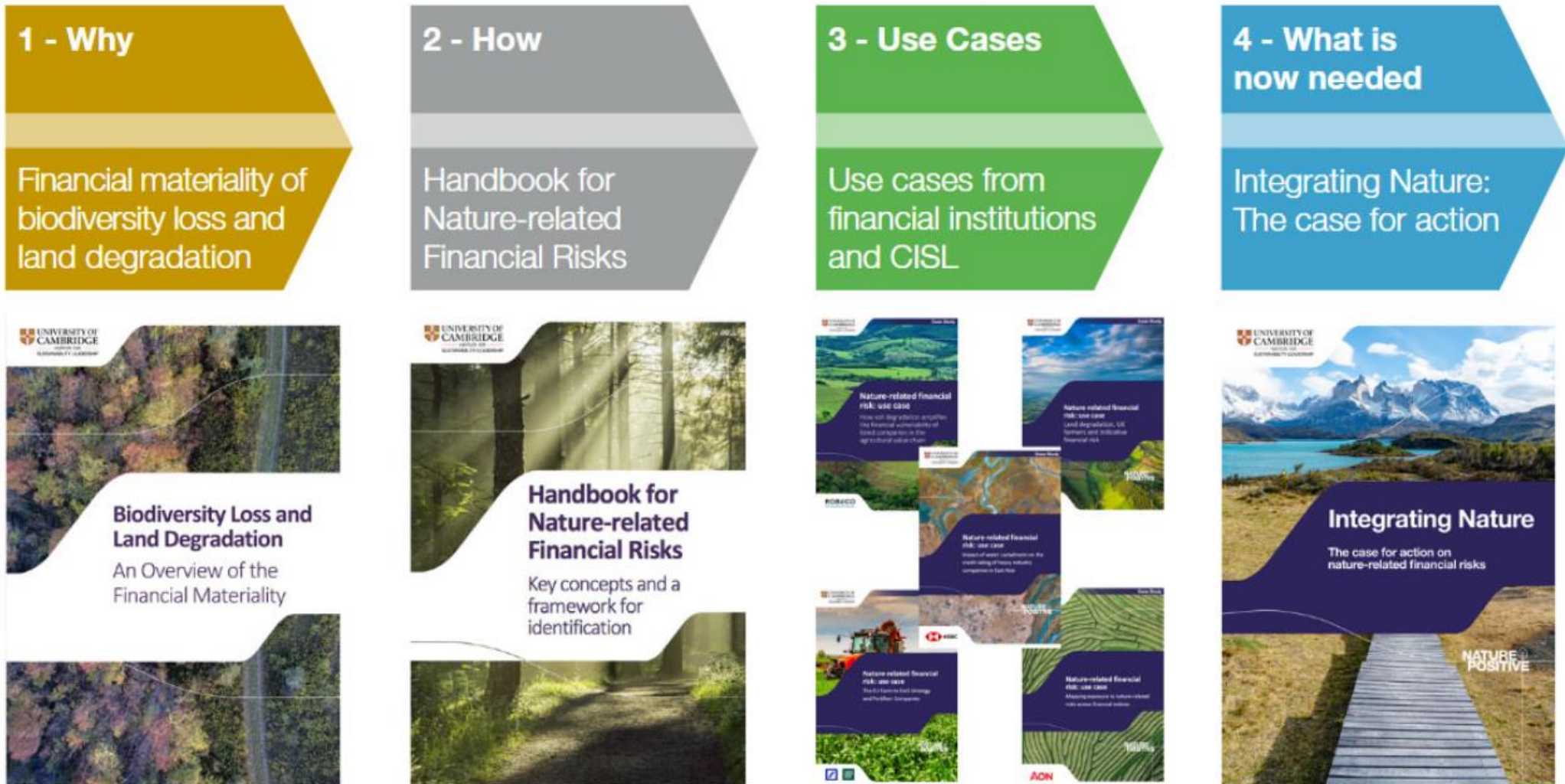


# Valuing nature in financial decision-making

## 5-minute briefing for senior management

Centre for Sustainable Finance, CISL – June 2022

# To integrate nature into decision-making, CISL developed - in partnership with banks and investors - a series of practical tools for financial institutions

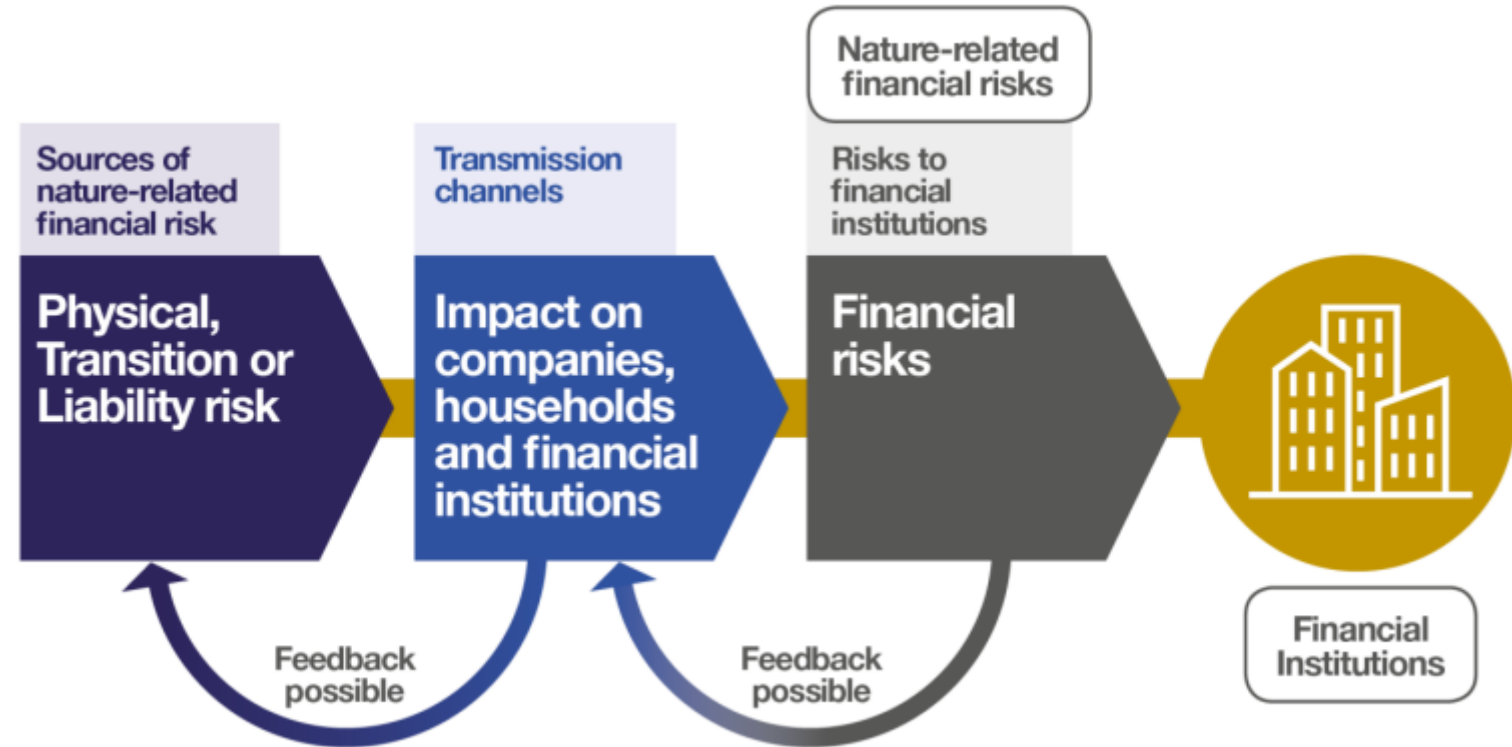


# The loss of nature poses physical, transition and liability risks that impact households, companies and financial institutions

~USD 600 billion of annual crop values are at risk due to pollinator losses (IPBES)

~75% of the land-based environment and ~66% of the marine environment have been significantly altered by human actions (IPBES)

~1/3 of the world's population is already facing water scarcity (UNCCD)



- Decline of ecosystem services
- Changes in policy or regulation
- New technologies and/or business models
- Changes in consumer or investment sentiment
- Disruption of activities or value chain
- Raw material price volatility
- Adjustment or relocation of activities
- Stranded assets
- Credit
- Market
- Liquidity
- Business

## Nature-related financial risks are highly material, as attested by 5 use cases co-developed with financial institutions

Exposure to degraded land can lower the value of listed companies in the agricultural supply chain

~ **45%**  
of equity value is at risk if smaller packaged food companies source from those on degrading land

Water stress affects the credit rating of heavy industry

Credit rating of a significant share of companies moves from investment grade to speculative grade.

EU Farm to Fork Strategy impacts the market value of fertiliser companies

Up to **46%**  
valuation decline suffered by listed fertiliser companies across three scenarios

Land degradation puts UK farmers at risk during extreme weather events

Financial losses for farmers happen when declines of crop yields exceed 27% for two consecutive years.

Financial market indices are exposed to different types of nature-related physical risks

Water security is a top risk for companies of the MSCI All Companies World Index (ACWI).

Click the boxes to read each use case

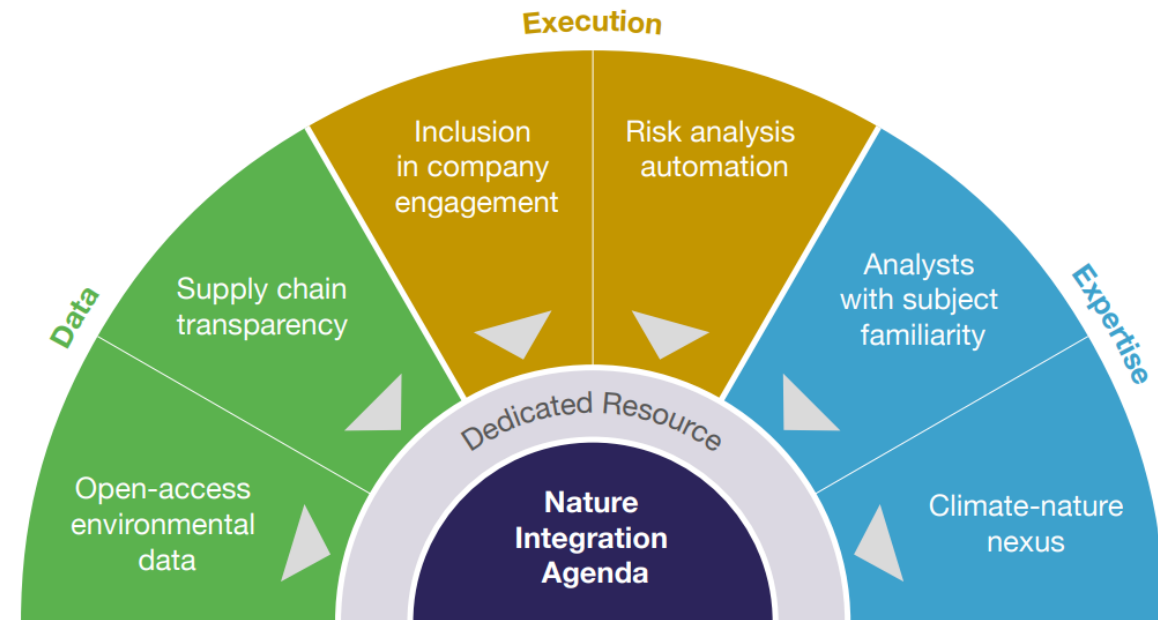
**And this is only the tip of the iceberg... There are also wider risks to tax revenues, supply chains, social cohesion and financial markets.**

# Financiers are uniquely placed to value nature in economic decisions

## 5 key results that drive action

1. Data exists today to assess some nature-related financial risks.
2. Tools are available to map financial portfolio exposure to nature-related risks.
3. Some responses to nature loss can be modelled today with limited specialist guidance.
4. First assessments of nature risk promote engagement within financial institutions and with companies.
5. Supply chain transparency is a key barrier to assessing the scale of risks.

## What's next for the nature integration agenda?



# Get in touch for more information

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