



# Nature Risk and Opportunity Management and Financial Disclosure

Judson Berkey  
UBS Chief Sustainability Office  
Member, Taskforce on Nature-related Financial Disclosures

October 2022



# Why Does Nature Matter?

- 1 The economic case for nature is rapidly growing  
This will affect how nature is valued and accounted for in economic decision making. Reporting will demonstrate our impact and dependency on nature across the economy.
- 2 Natural capital is a source of long-term value creation  
Better understanding empowers companies and financial firms (public and private) to make smarter, 'nature-positive' economic, investment, and risk management decisions.
- 3 Nature-related risks are becoming increasingly visible  
While data and methodologies are still works in progress, an increasing number of initiatives and stakeholders are working to enhance transparency on risks and opportunities.
- 4 Investor demand for opportunities related to nature is growing  
It is estimated that US\$722-967 billion are required each year to reverse the decline in biodiversity by 2030 (Paulsen Institute).
- 5 Nature is a necessary ally for decarbonization  
It is not possible to achieve net zero without harnessing our oceans, soil and forests as natural carbon sinks. Estimates are 30% of carbon sequestration will be nature based.

44

USD trillion

Over 50% global GDP is moderately or highly dependent on nature (World Economic Forum).

1.7

Number of Earths that would be needed to provide resources used by impact of our current consumption (World Footprint Network)

Top 5

Of global risks by impact include biodiversity loss, natural resource crises and climate change (World Economic Forum).

10.1

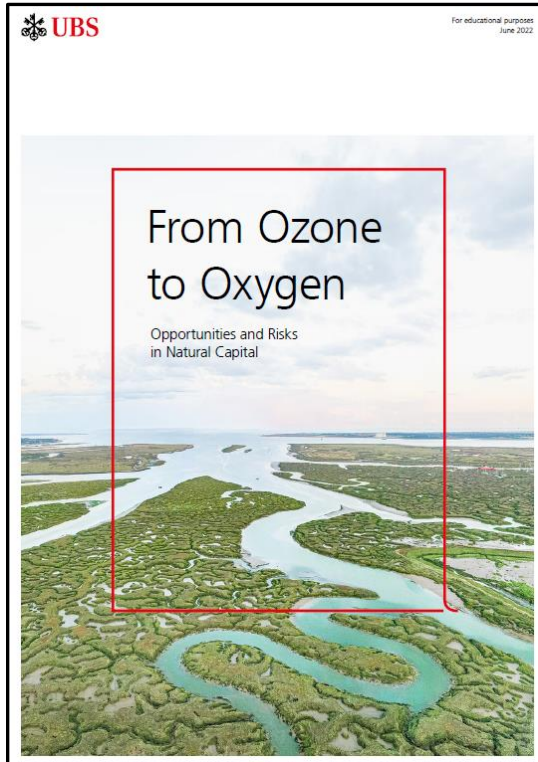
USD trillion

Of annual business value and 395 million jobs could be created by 2030 with nature-positive transitions. (World Economic Forum).

# Nature is Following the Climate Playbook



# UBS Viewpoint – *From Ozone to Oxygen*



## Science

Everything starts with the science. For Natural capital, the challenge is understanding the composition of ecosystems and habitats and the links between and within these that create the stock and flow of natural capital.

## Corporations

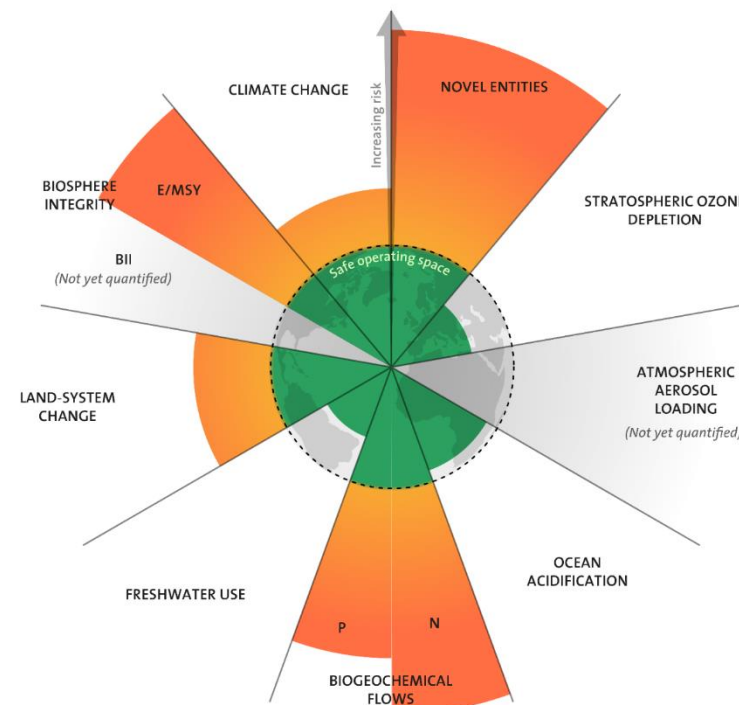
The corporate sector has a key role to play in the effective management of natural capital. It differs from their role in climate-change efforts because of the need for multiple natural-capital asset-related targets.

## Government

UBS strongly supports governments' efforts to achieve a global agreement on natural capital as a precursor to much greater involvement from the financial sector.

## Investors

UBS recognizes the importance of mobilizing and significantly increasing financial resources to conserve nature for all. Institutional Investors can draw from successful models such as Climate Action 100+ for collaborative engagement platforms and UBS can offer guidance to private wealth



Source: TL. Persson, Carney Almroth, C.D. Collins, S. Cornell, C. de Wit et.al. 2022. "Outside the Safe Operating Space of the Planetary Boundary for Novel Entities," Environ. Sci. Technol., <https://doi.org/10.1021/acs.est.1c04158> NFD 2022

# Ongoing scrutiny and innovation

## Rating agencies

New sections in key questionnaires leveraging the approach used for climate.

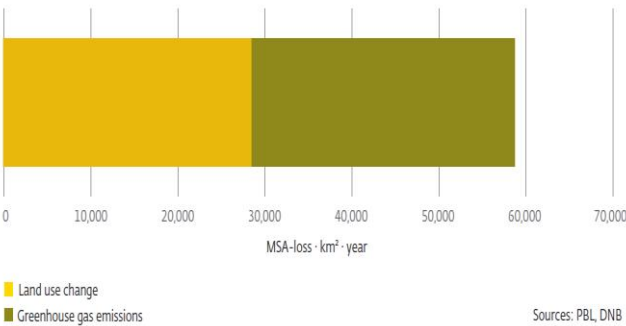


## Regulators

Conducting analyses and requiring new disclosures.



Figure 4 Biodiversity footprint of the Dutch financial sector, 2018-IV\*



\* The shareholdings of Dutch financial institutions for which the sector classification is available total EUR 397 billion. Data available from these companies, including a geographical breakdown of sales, represent EUR 321 billion.



## NGOs

Actively assessing capabilities and progress of financial institutions.



Credit Suisse acts as Sole Conservation Bond Structurer on World Bank's 'Rhino Bond'



Creating long-lasting impact and returns at scale.

## Pictet AM founds biodiversity research programme

New initiative will be overseen by the Stockholm Resilience Centre at Stockholm University.

Investing to limit biodiversity loss

The PB-LCA framework is used in the construction of our Global Environmental Opportunities (GEO) portfolio.

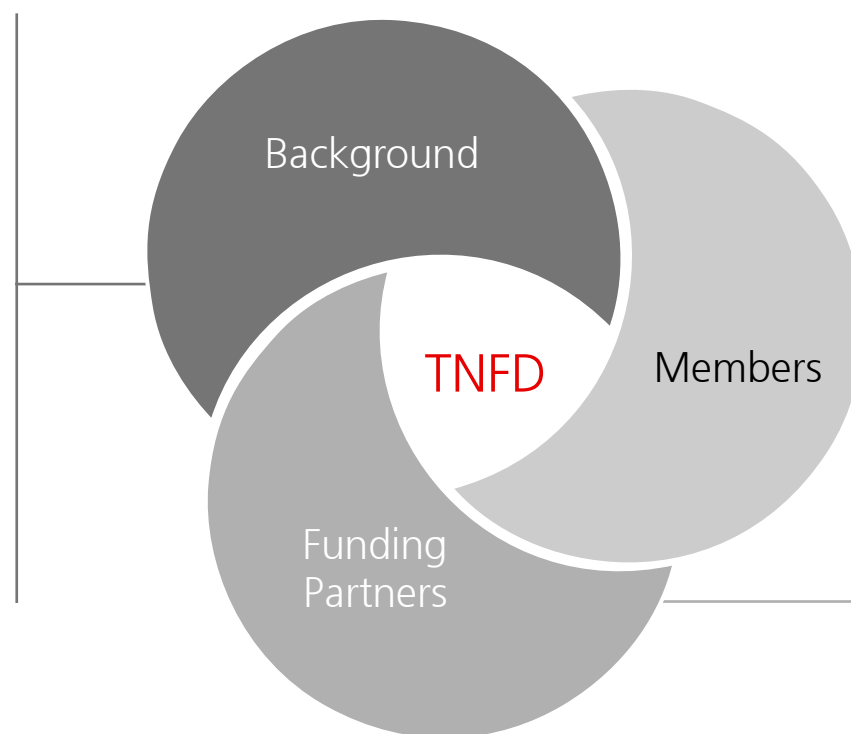


UBS launches Future of Earth fund

# Taskforce on Nature-related Financial Disclosures (TNFD)

It has been **endorsed by G7 Financial Ministers and G20 Environmental Ministers** to develop and deliver a **risk management and disclosure framework** for organizations to report and act on evolving **nature-related risks**.

The aim is to support a **shift in global financial** flows away from nature-negative outcomes and toward nature-positive outcomes.

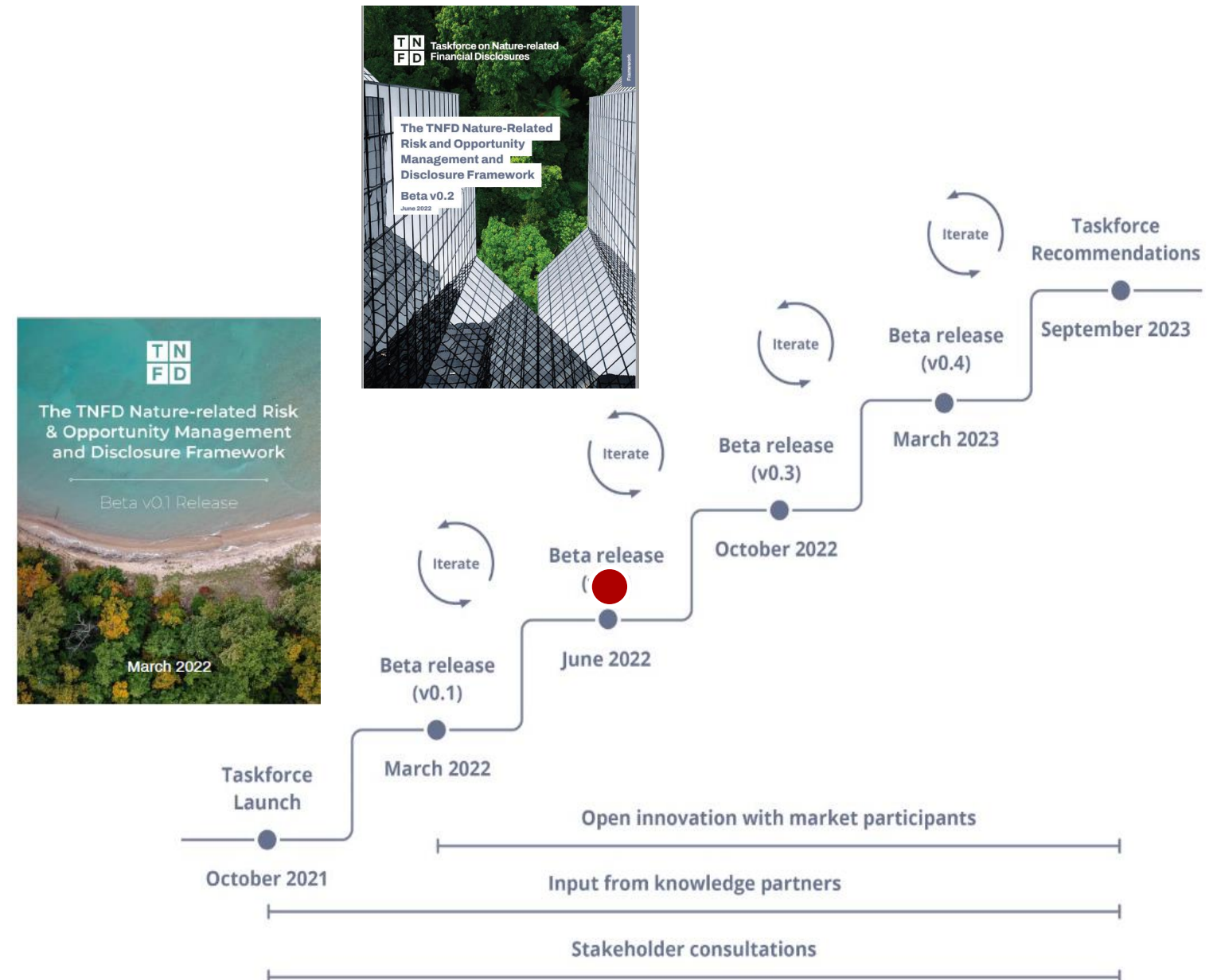
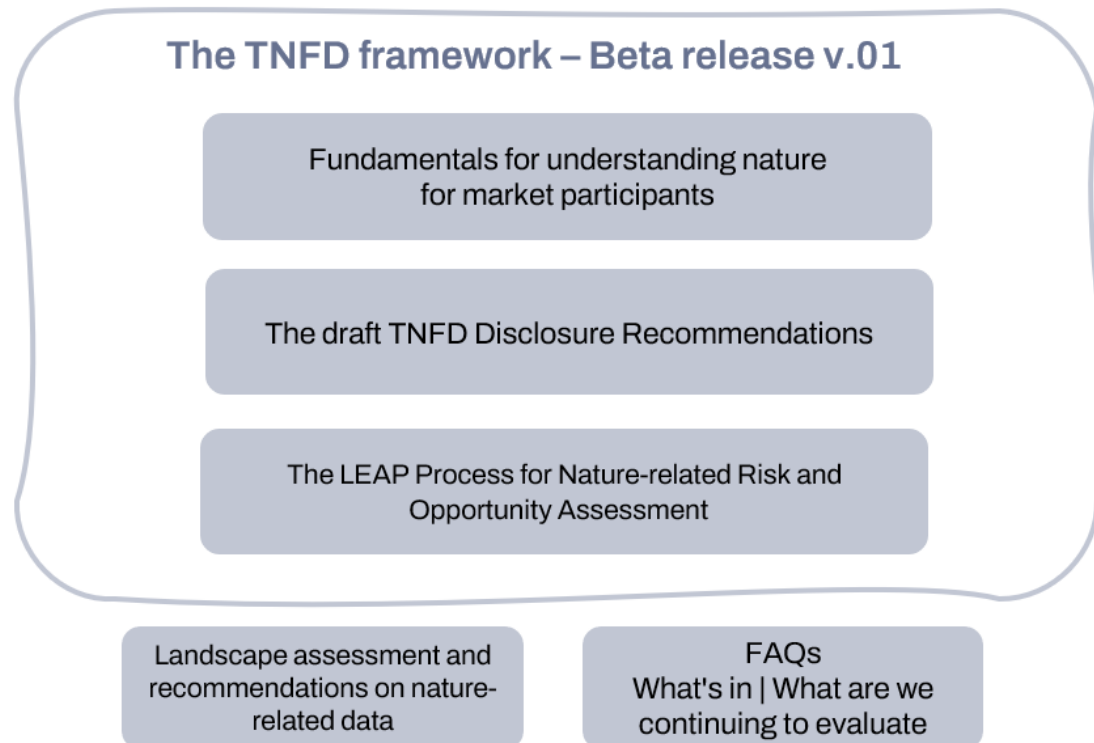


- UK Government
- Swiss Government
- Dutch Government
- UNDP
- UNEP-FI
- Childrens' Investment Fund Foundation (CIFF)

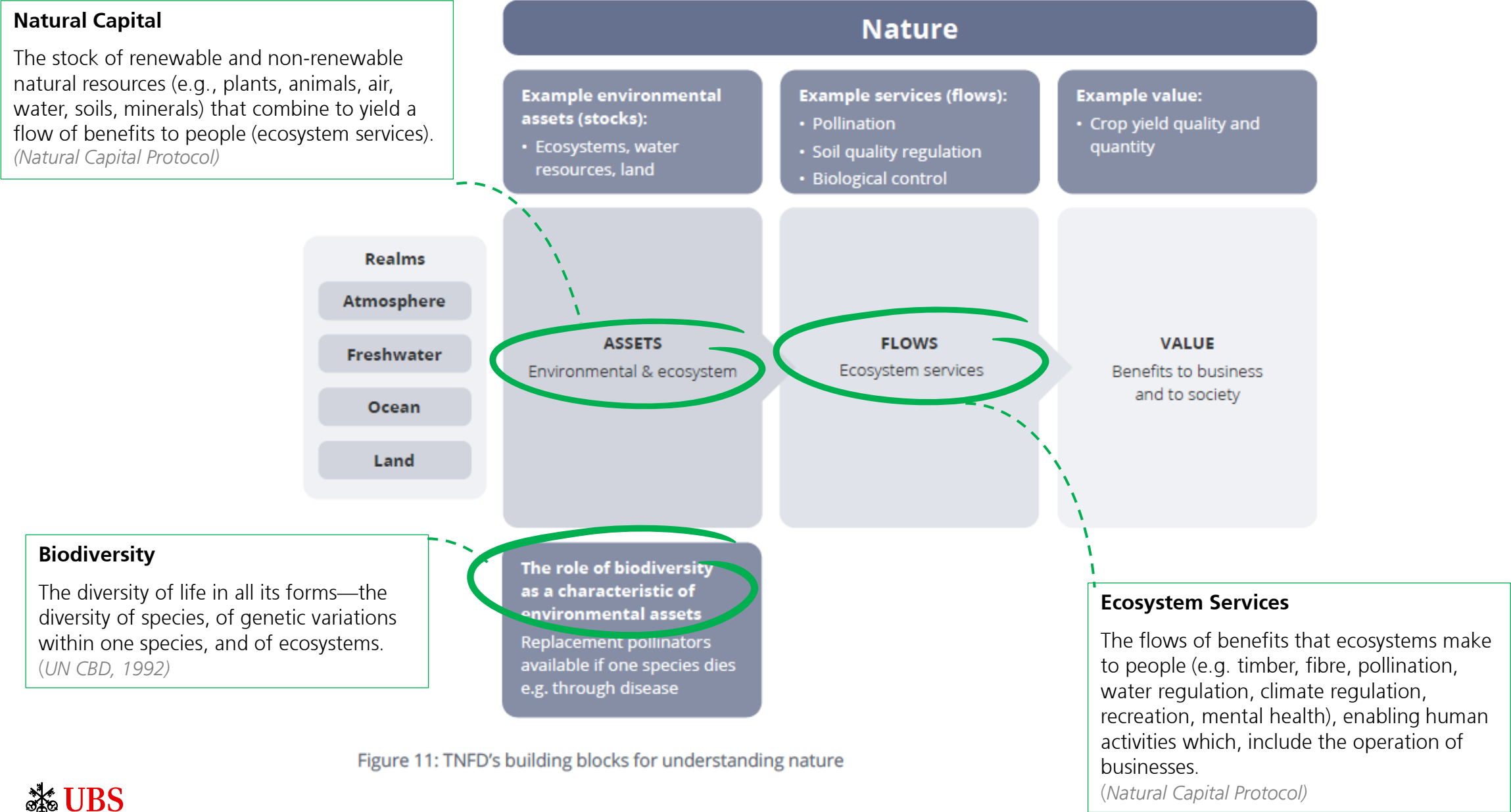
TNFD recommendations and technical guidance will be released in **September 2023**.



# Taskforce on Nature-related financial disclosures (TNFD) – Beta Framework release



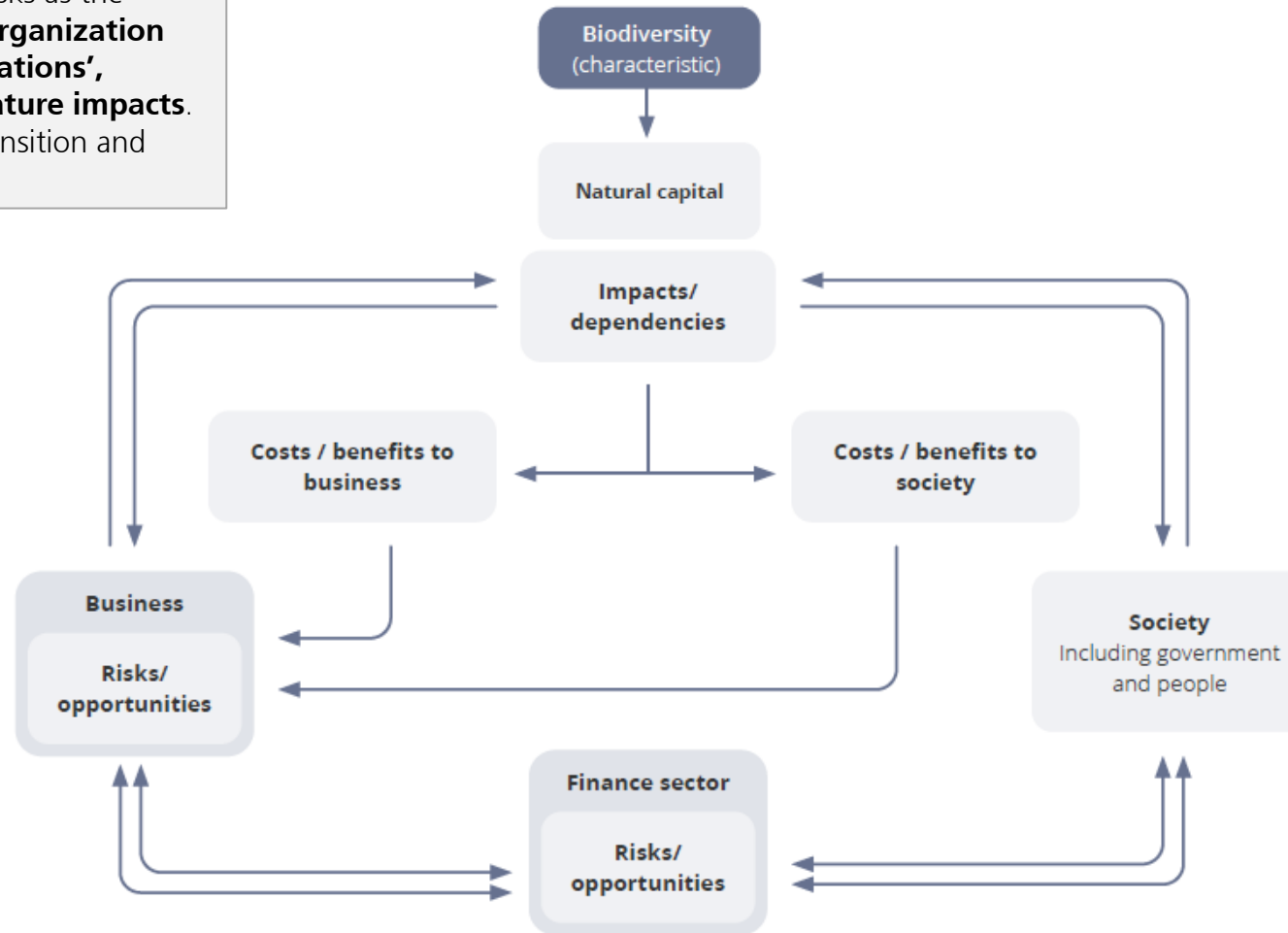
# Key Nature definitions – natural capital, biodiversity, ecosystem services





# Nature related impacts and dependencies create financial risks and opportunities

The TNFD defines nature-related risks as the **potential threats posed to an organization linked to its, and other organizations', dependencies on nature and nature impacts**. These can derive from physical, transition and systemic risks.



**84%** of institutional investors are very concerned about biodiversity loss and **55%** of them believe biodiversity loss needs to be addressed in the next 24 months.  
*(Based on the Credit Suisse and Responsible Investor survey - 327 institutional investors surveyed in 2021)*

Figure 14: Relationships among business dependencies & impacts and financial risks & opportunities<sup>26</sup>

# TNFD – Draft Disclosure Recommendations




Source: TNFD 2022


# Other initiatives

## Finance for Biodiversity

Guide on biodiversity measurement approaches

2nd edition





Annex on Assessing Impact to Pledge Guidance  
July 2022



PBAF Q&A  
Introduction to biodiversity impact assessment



Taking biodiversity into account  
PBAF Standard v 2022  
Biodiversity impact assessment - Overview of approaches



Taking biodiversity into account  
PBAF Standard v 2022  
Biodiversity impact assessment - Footprinting



Increasing the materiality of biodiversity in financial decision-making.

## PRB Biodiversity Community

Taking you from theory and practice



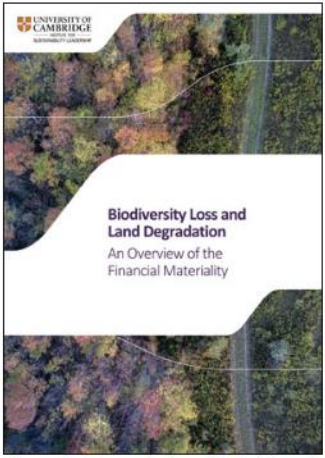
UN environment programme



finance initiative

Principles for Responsible Banking

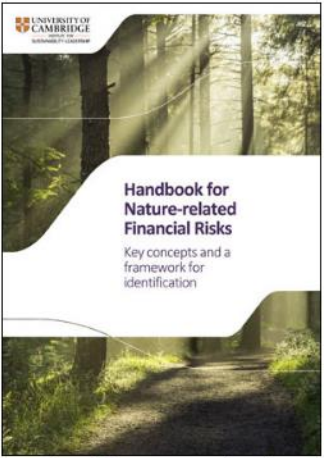




Biodiversity Loss and Land Degradation  
An Overview of the Financial Materiality

**Financial materiality of biodiversity loss and land degradation**

Business briefings detailing the current ways that biodiversity loss and land degradation are financially material.



Handbook for Nature-related Financial Risks  
Key concepts and a framework for identification

**Handbook for Nature-related Financial Risks**

Explaining key concepts and providing a framework for risk identification.



Integrating Nature  
The case for action on nature-related financial risks

NATURE POSITIVE

**Integrating Nature: The case for action**

The case for action on nature-related financial risks