

Guernsey Finance Sustainable Finance Week 2023

How can finance solve the nature crisis?

**Day 2: Biodiversity & Innovation -
Funds & Private Wealth**

Thursday 21 September 2023



SAVE OUR WILD ISLES

Banking on a Wilder Tomorrow

If you would like to watch this again, the link is here

<https://youtu.be/bduT5FcOSTM?si=pxGQyF2zCwKbeoR9>

If you would like to host your own screening, information is here

<https://www.saveourwildisles.org.uk/business>

Working together
to protect and
restore UK nature.



Panel discussion



Ali Cambray
ESG Advisory Director
Jersey

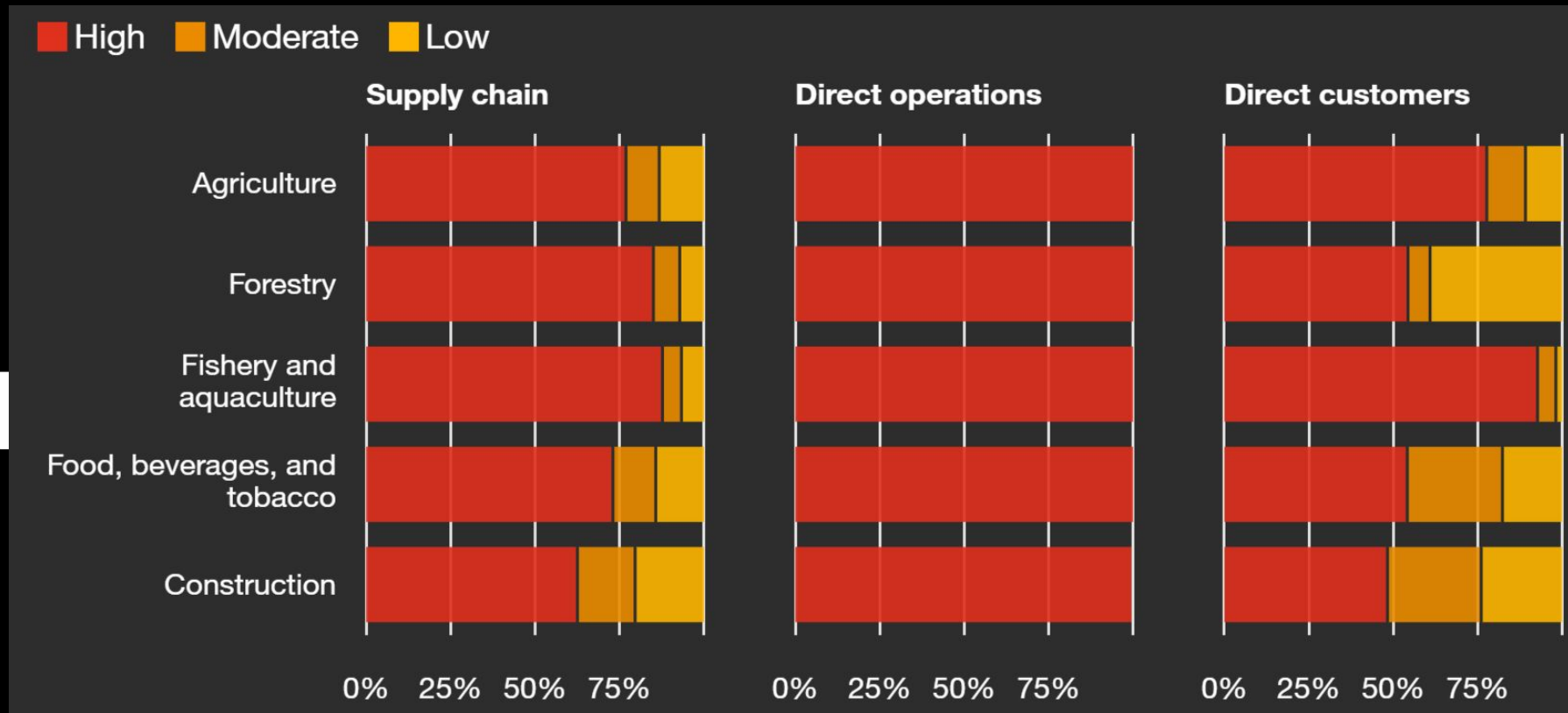


Amy Pickering
ESG Assurance Director
Guernsey



James King
Nature Policy & Finance
UK

Industries with highest nature dependence



Full report available here
<https://www.pwc.com/gx/en/issues/esg/nature-and-biodiversity/managing-nature-risks-from-understanding-to-action.html>



In **five industries**, all of the economic value from **direct operations** exhibits **high nature dependence**

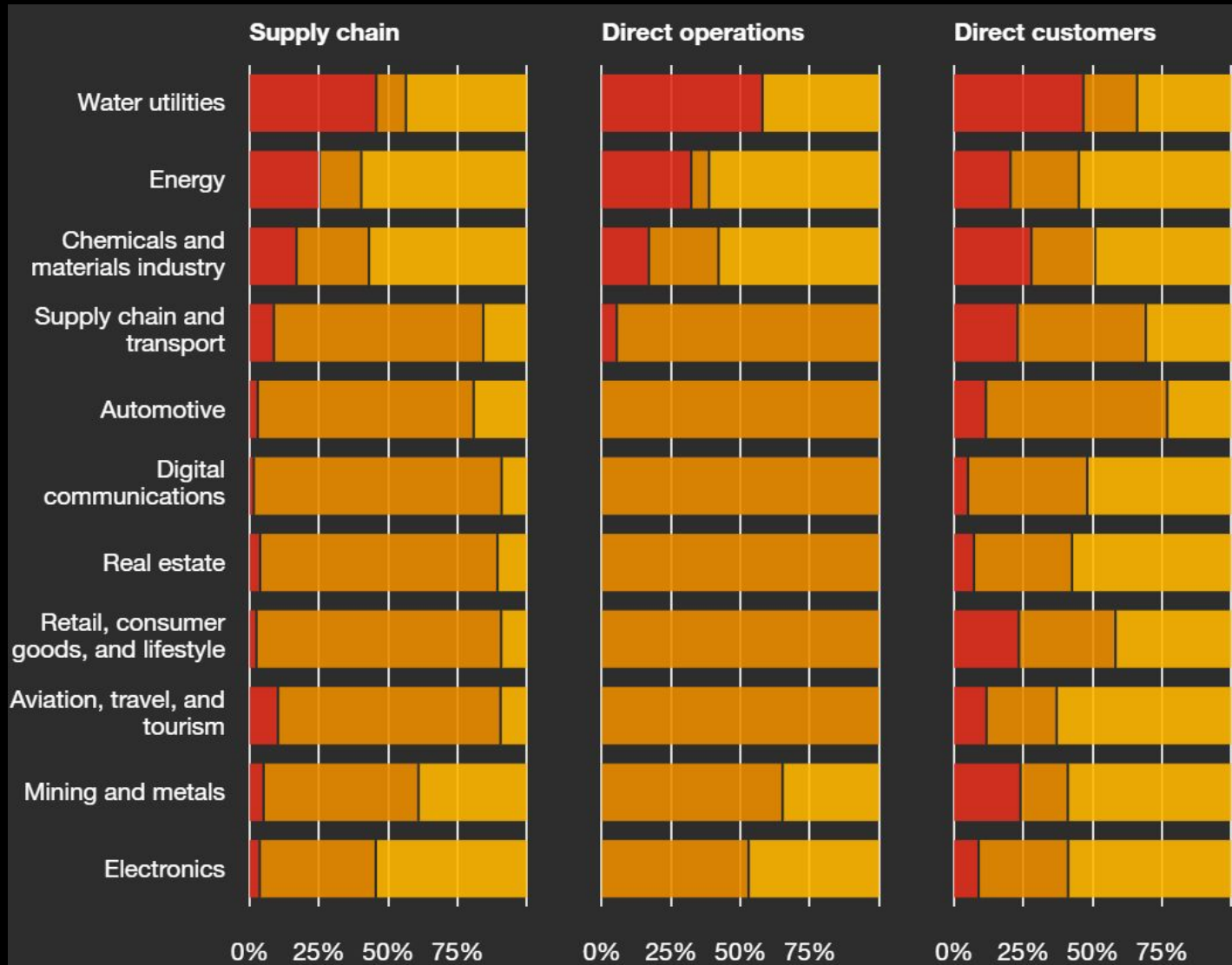


>**60%** of the economic value produced by these five industries' **supply chains** is **highly nature-dependent**.



Together, these five industries produce **more than US\$13 trillion** of economic value - **12% of global GDP**

Industries with moderate to high nature dependence



Eleven industries have **moderate or high nature dependence** for **>35% of the economic value** from their direct operations.

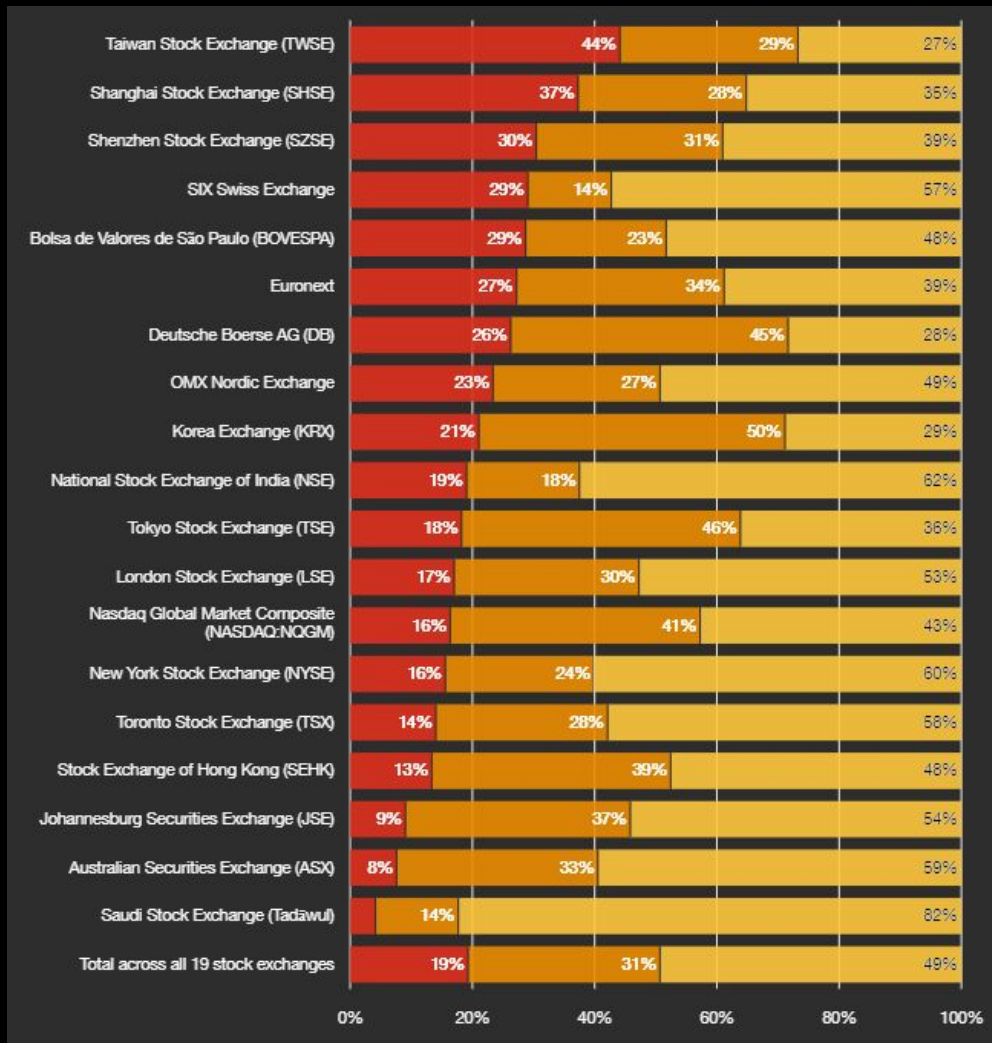


>40% of the economic value produced by these eleven industries' **supply chains** is **highly or moderately nature-dependent**.



>35% of the economic value from produced by the direct customers of these industries is **highly or moderately nature-dependent**.

More than half of the market value of companies listed on 19 major stock exchanges are exposed to nature risk



More than half the market value of listed companies - nearly **US\$45 trillion**—is exposed to nature-related risks.



Variations appear from one stock exchange to another, due to the mix of companies listed on each one:

- **New York Stock Exchange (NYSE):** A below average proportion of equity with high or moderate nature dependence (40%), driven by low dependency industries e.g. banking and information technology making up a large share of equity.
- **Taiwan Stock Exchange (TWSE):** An above average proportion of equity with high or moderate nature dependence (>70%), driven by moderately nature dependant energy companies accounting for 40% of the listed equity.

What are the opportunities for investment?

Nature tech

Technologies that enable nature-based solutions

Data and metrics providers

Nature positive business

Goods and services that create value through a nature-positive approach

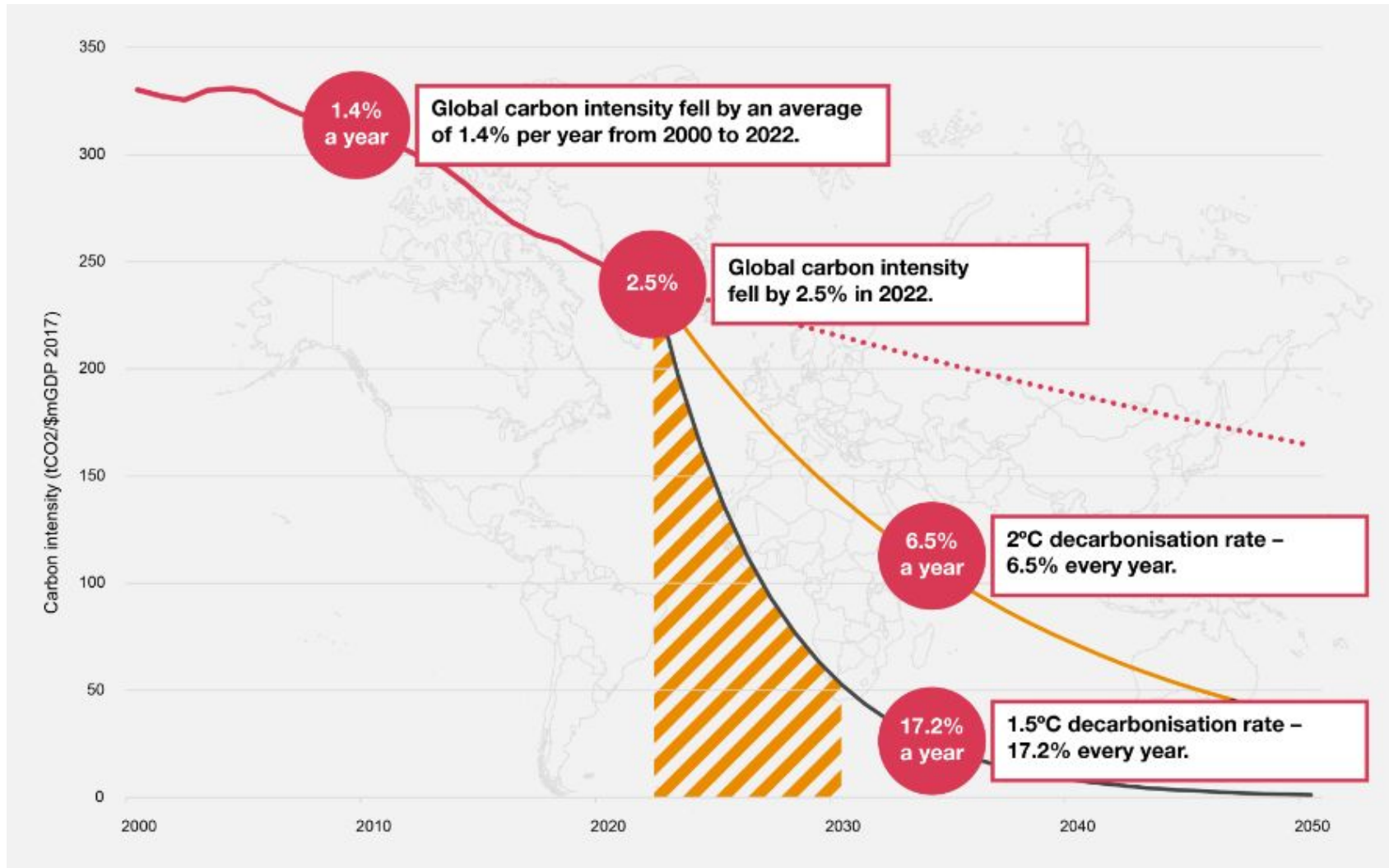
Financing nature

Innovative financing solutions for nature conservation and restoration:



There is no net zero without nature

PwC Net Zero Economy Index 2023



- Year-on-year decarbonisation rate of 17.2% now required to limit average global warming to 1.5°C
- 7 x faster than at present
- Stark reminder we must act to meet ambitious net zero targets
- Growing potential for an accelerated and market-led transition
- Global new investment in renewable energy reached all-time high H1 2023

A roadmap for the UK to become a global centre for nature finance

What is transferable or complementary for Guernsey?

	RECOMMENDATION	APPLIES TO	UK MATURITY*	TERM**
Financing nature	1. Signalling & policy certainty (Page 19): Develop sector-specific targets and roadmaps for nature restoration and protection and provide clarity on how the UK will operationalise its key commitments under the Global Biodiversity Framework.	  		6-12 MONTHS
	2. Project pipeline creation (Pages 20-21): Support the development of a pipeline of sufficiently large investible opportunities, including by accelerating the supply of supporting monitoring, reporting and verification products and services.	  		3+ YEARS
	3. Concessional capital and financial guarantees (Page 22): Develop and utilise solutions that de-risk nature-related investment opportunities.	  		1-3 YEARS
	4. Facilitate UK nature credit markets (Pages 23-26): Lead the way in developing robust and high integrity nature credit markets.	  		3+ YEARS
	5. Develop long-term nature investment strategies (Page 27): Financial institutions should utilise the growing suite of innovative market tools to invest in nature at scale.	  		1-3 YEARS
Integrating nature into the financial system	6. Build on the UK's already world leading regulatory architecture for sustainability (Pages 29-34): Seek out opportunities to strengthen or accelerate the deployment of nature-related regulation that supports the UK Government's Roadmap to Sustainable Investing, including encouraging businesses to voluntarily align their reporting with the Taskforce on Nature-related Financial Disclosures (TNFD) Framework and incorporating the anticipated Transition Plan Taskforce (TPT) guidance on nature.	  		6-12 MONTHS
	7. Advance Central Bank oversight (Page 35): The Bank of England and Prudential Regulation Authority (PRA) should consider the supervisory steps needed to ensure that the safety and soundness of regulated firms are not impacted by nature-related financial risks, while also securing an appropriate degree of protection for insurance policyholders from those risks.	  		1-3 YEARS

 Government  Regulator  Financial & professional services sector

* UK maturity provides a qualitative assessment of how well developed each recommendation area already is in the UK against the level of maturity required from a global centre for nature finance.

** Term denotes the indicative time period it might take for the UK to reach the level of maturity required from a global centre for nature finance for each respective recommendation area.



THE GLOBAL CITY



Source: A global centre for nature finance (2023) https://www.theglobalcity.uk/PositiveWebsite/media/Research-reports/Global_centre_nature_finance.pdf

Biodiversity frameworks are inspired by climate and will enable integrated climate-nature approaches

Area	Climate framework	Biodiversity equivalent
Setting targets to reduce negative impacts	 <p>SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</p>	 <p>SCIENCE BASED TARGETS NETWORK GLOBAL COMMONS ALLIANCE</p>
Managing risks and opportunities	 <p>TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</p>	
Measurement protocol	 <p>GREENHOUSE GAS PROTOCOL</p>	 <p>NATURAL CAPITAL COALITION</p>
Accounting framework	 <p>PCAF Partnership for Carbon Accounting Financials</p>	 <p>Partnership for Biodiversity Accounting Financials</p>

Taskforce on Nature-related Financial Disclosures

14 recommended disclosures (September 2023)

Governance	Strategy	Risk & impact management	Metrics & targets
<p>Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.</p>	<p>Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.</p>	<p>Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.</p>	<p>Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.</p>
<p>Recommended disclosures</p> <p>A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.</p> <p>B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.</p> <p>C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.</p>	<p>Recommended disclosures</p> <p>A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.</p> <p>B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.</p> <p>C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.</p> <p>D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.</p>	<p>Recommended disclosures</p> <p>A(i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.</p> <p>A(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).</p> <p>B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.</p> <p>C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.</p>	<p>Recommended disclosures</p> <p>A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.</p> <p>B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.</p> <p>C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.</p>

- Consistent with TFCF and the ISSB to enable integrated climate-nature reporting.
- Double materiality approach meeting needs of financiers (risk) and stakeholders (impact).
- Aligned with the new Global Biodiversity Framework's Target 15 (corporate reporting).
- Full suite of supporting guidance.

Practical steps for action on biodiversity in the FS sector

- TNFD recommends a 17-step 'how to' process (LEAP) to support preparation for disclosure.
- Using LEAP as a basis, we recommend the following four steps for action in the finance sector.

1 Scoping

- Educate yourself on the fundamentals of nature and get familiar with the regulations i.e. TNFD, ISSB, CSRD, SFDR.
- Establish your governance structure.
- Engage with stakeholders and set your level of ambition.

2 Evaluate

- Analyse your portfolio to establish the nature-related impacts and dependencies.
- Identify the most relevant sectors and location of assets/ activities.
- Materiality analysis.
- Resilience and gap analysis.

3 Target setting and action plan

- Set objectives and formulate policies.
- Engage with stakeholders.
- Establish KPIs.

4 Data Architecture and reporting

- Identify what data you need - work with what you have.
- Monitor and report on your progress.

Source: <https://www.pwc.de/de/nachhaltigkeit/sustainable-finance/pwc-point-of-view-managing-biodiversity-risks-and-opportunities.pdf>

Key takeaways

- Nature loss is both a financial risk and investment opportunity
- Nature isn't new - build on climate and net zero capabilities - towards integrated climate-nature strategy and reporting
- Start with understanding your nature-related impacts and dependencies
- Key role for Guernsey as an IFC in supporting innovative finance for nature



Thank you

Please do get in touch if you would like to discuss further:

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