

# Sustainability Now Podcast

## “Are Investors Missing Biodiversity Risk?”

Transcript, 10 April 2026

### Gabriela

Hello and welcome to the weekly edition of Sustainability Now, the show where we explore how the environment, our society, and corporate governance affect—and are affected by—our economy. I’m Gabriela de la Serna, and I’m your host for today’s episode.

When it comes to physical climate risk, we’ve come a long way.

Today, if we’re concerned about something like wildfires, we can get very specific. We can identify which assets are exposed, where they’re located, and start to estimate the impact on operations or revenues.

But when it comes to biodiversity risk, getting to that same level of detail has taken much longer. We’ve known these risks are financially material, but measuring them in a precise way has been a challenge. But, that is starting to change.

So on today’s episode, we’re unpacking what’s held biodiversity risk data back, what’s different now, and why investors should be paying close attention.

So, let’s jump right in.

### Gabriela

So what does this blind spot in biodiversity risk data actually look like in practice?

Let’s take water.

Many companies depend on a stable supply of clean water for their operations—for example, manufacturing, agriculture, or energy companies.

But as ecosystems degrade, the impact of water-related risks don’t always show up immediately. And that’s part of what makes it so difficult to measure.

And here, there’s both a conceptual challenge—and a data challenge.

First, let’s go with the conceptual side. And let’s take a concrete example to bring this to life.

Think about an oil & gas refining company. Its operations rely heavily on access to water—for cooling systems and for processing raw materials.

Now, if water availability starts to decline, or water quality deteriorates, that might not immediately show up in the company’s financial results. But over time, it can start to disrupt operations—by forcing slowdowns or by requiring alternative water sources – all of which will cost the company money.

So even when the risk is there, it’s not always easy to connect what’s happening in the natural environment to what’s happening in a company’s operations.

And then there’s the data challenge. Because that water stress risk we just talked about will vary a lot depending on the exact location of a company’s facilities. And so, two refining companies can face very different levels of water stress risk depending on where their facilities are located- in regions prone to water shortages, or areas where water is more abundant.

But typically, investors don’t have visibility at that level. So instead, they have been relying on proxies.

So I sat down with my colleague Bettina Meyer- one of the authors of a report published by MSCI in partnership with WWF titled “identifying nature-related risks. From global portfolios to global risks”. I asked her to walk me through how biodiversity data has evolved- where were we before and where are we now.

### **Bettina**

Yeah, so previously, I mean, the big challenge is, um, at the conceptual, but also at the data side to really make this connection of companies activities and the nature and biodiversity. And previously this connection has done, been done often at considering where our companies headquartered and what's the kind of the state of nature, the state of biodiversity, um, in that country. So really at the very coarse level and neglecting the companies usually operate internationally. And also the biodiversity in nature varies a lot throughout the country. And so we were super happy that at MCI, we started to collect more and more information about where exactly meaning really at the facility level, do companies operate? And so this gives you the possibility to also combine this with nature and biodiversity data that is very granular and really gives you this kind of local view on it.

And thanks to the partnership with WWF, they brought in kind of the nature perspective or the nature expertise, um, that really helped to bridge that side of what is then the potential impact companies can have on their local surroundings or environment, but also what's their dependency on local ecosystems? And so bringing together the data we have at MSCI, giving very granular view on companies activities with this expertise from WWF, um, we can now have this very kind of location based view on companies dependencies on nature or their impacts on nature, and aggregate it back up to the company level while really being based on this location specific information.

We started off exploring these data to see whether they also confirm what's expected from the kind of more traditional sector level analysis and expertise. Um, and it's nice to see that the really location based information confirm, um, that certain sectors are highly dependent or impactful on nature, such as materials sector or energy, and that certain risks are really very widespread, basically sector agnostic, for example, the climate related dependencies, but also water scarcity being very widely, um, spread across the sectors. Um, and then we were diving into, okay, so what can we see from our data now that is different from previous analyses because we have more granular data.

And it was very interesting to see that when we look at our analysis, that we have a very different view on what companies we consider as being high risk or exposed to high risk, versus if we were to do that analysis based only on company's headquarters. And we were very surprised that the numbers are actually quite high in terms of difference. For example, we found that about a third of all companies within ACWI IMI are considered as low or only medium risk if we only consider the headquarter. However, when we look at our metrics which consider all assets and facilities, they are then exposed to high or very high risk. That means these thirty three percent of companies are basically overlooked. With these more traditional headquarter based metrics and only appear on the screen for high or very high nature risks if taking into account this facility level information.

### **Gabriela**

Before we go further, let me quickly unpack a couple of things Bettina just mentioned.

When she talks about screening for high risk, she's referring to looking across a broad universe of companies and identifying which ones are exposed to higher levels of nature-related risks. In this case, the universe she's referring to is called the MSCI ACWI IMI – a global index covering thousands of companies.

So now, what we're seeing is that once you move away from those broad, country-level assumptions and start looking at where companies actually operate, the picture begins to change.

And in many cases, it changes quite significantly. And this is because ecosystems and nature-related risks can vary drastically—even within a single country.

Take the U.S., for example.

If you look at country-level averages, the US country average against the Water Availability risk assessment is a 2 out of 5 – so relatively low risk. But this country average hides that many western states face severe water stress, while other states in the east have much more abundant supply.

And we know that many global companies have their production spread across different countries—or even different regions—sometimes in areas where some risks are much higher than in others.

So when you take both of those things into account—so, how much a risk can vary across locations, and where companies are actually operating—you start to see a very different picture.

Not because the risk wasn't there before—but because we weren't measuring it with enough precision to see it clearly.

But, if I'm an investor – I'm not just interested in where a risk sits, I'd also be keen to understand how much of a company's business depends on those locations that face the highest level of nature related risks. And this is where things start to get even more interesting.

Here's Bettina...

#### **Bettina**

So looking at the tier spatial data that we have, combining the WWF methodology with our MSCI geospatial data gives you the risk level of each of the facilities of a given company. But naturally, not all of these facilities have the same relevance, both because manufacturing processes might be more relevant and less easily replaceable than some administrative office related activities. But also, um, given that not all of these facilities generate the same amount of revenue for a given company. So I looking at this data, I really want to understand, okay, which of these assets that are exposed to high risks and are now also relevant for companies.

#### **Gabriela**

To make this a bit more concrete, let's go back to our imaginary global refining company.

It might have offices in major cities—like let's say London or Houston—and a few key refineries where most production happens.

Now, both types of facilities could be exposed to water-related risks—but the impact is not going to be the same.

If water stress affects an office location, the disruption is likely to be manageable.

But if it affects a key refinery—say, in a region like the Permian Basin, where we know that water availability is already under pressure—that can disrupt operations, slow production, and ultimately have a direct impact on revenue. And so, as an investor this is the kind of nuance I'm interested in.

And here Bettina tells me why...

#### **Bettina**

So, you know, um, as an investor looking at my portfolio and I have these hundreds of companies, I want to be able to identify the companies that are exposed, um, very strongly to specific risks or exposed to across many different risks. Um, and whenever you have identified companies that are potentially exposed to high risk in their relevant, um, uh, operational sites that you then can go back to. The geospatial information and try understanding where does this risk come from? And this would also allow then, for example, to identify, um, geographic concentration of risk. So seeing that all the high risk assets of a given company are located in a similar area would further amplify the risk

because it's more likely that they're all exposed to the materialization of a risk at the same time. Whereas if these high risk assets are more, um, separated across different locations, um, the actual realization of the risk event. Let's, for example, think about the drought event is less likely to happen at the same time. And so the risk is more diversified. So it was really about providing company level information that allows, um, a simple way to identify companies for which you then really want to look deeper into their, um, Operational facilities. Where are they located? What type of risk and why are they exposed to high risk?

**Gabriela**

And that is it for the week. A massive thanks to Bettina for her take on the news with a sustainability twist. And thanks to you as well for listening and sticking around. The research that we discussed on today's show is freely available on MSCI's website. If you liked this episode, don't forget to subscribe and maybe even share it with a friend or colleague. That's all from me. Thanks again and catch you next time.

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