

Investments in a new era of risk

Speaker: Beatrice Crona

Abstract

The physical world around us is changing, sometimes rapidly, with droughts, heatwaves, floods, disruptions to transport, food production, and forestry. This new geological epoch we have entered – the Anthropocene - captures the fact that humans have become the dominating force of change on the planet. And it brings with it a changing risk landscape.

While risks are always a core consideration for investors, in the Anthropocene new systemic risks are evolving which both threaten to increasingly outstrip any excess return, but are also fuelled by investments themselves. This talk will depart from one of the central concepts in sustainable investment – Environmental Social & Governance (ESG) – and examine the risks of using it as a fundament of sustainable investment. It will end with some reflections on alternative ways forward, and flag a few opportunities for sustainability science, finance and accounting to link arms to improve what we have, in the time available.

The talk is not based on just one paper, but rather broader thinking and a set of papers and work in progress. Some references are as follows:

Crona, B., Folke, C., & Galaz, V. (2021). The Anthropocene reality of financial risk. *One Earth*, 4(5), 618-628. [https://www.cell.com/one-earth/pdf/S2590-3322\(21\)00235-9.pdf](https://www.cell.com/one-earth/pdf/S2590-3322(21)00235-9.pdf)

Crona, B., & Sundström, E. (2023). Sweet Spots or Dark Corners? An Environmental Sustainability View of Big Data and Artificial Intelligence in ESG. In *Handbook of Big Data and Analytics in Accounting and Auditing* (pp. 105-131). Singapore: Springer Nature Singapore.: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4037299