COMMUNITY RESILIENCE TO PHYSICAL RISKS

as a cornerstone for economic activity and social development

BCTI The Business Commission to Tackle Inequality

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Executive Action Brief

for corporate executives who seek to secure long-term business continuity by investing in the communities their company relies on.

What physical risks and community resilience mean for business

Physical risks are the acute and chronic climate- and nature-related hazards that threaten – either directly or indirectly – the longer-term viability of a business. These risks affect the company and the communities it relies on across operations and market offerings.

Building **community resilience through shared value** means:

- → Identifying, engaging and supporting local communities to prevent, prepare for and adapt to climate and nature risks;
- → Strengthening operations, assets and community capacity to mitigate climate impacts to lower the likelihood and severity of disruptions.

Why put community resilience on your corporate agenda?

Ensure business continuity

Investing in local community resilience helps reduce disruptions due to climate- and nature-related events affecting supply chains, labor, transportation and infrastructure, protecting core operations and value chains.

Safeguard future insurability

Investing in resilience helps reduce the risk of assets becoming uninsurable or insurance premiums rising to unaffordable levels.

Win and preserve the social license to operate

Investing in health, livelihoods and inclusion to build local community resilience nurtures the stakeholder trust and acceptance companies need to operate.

Secure significant medium- and long-term returns

Businesses that invest in resilience early on can reduce financial costs, tap into new financial markets and access concessional funding and blended finance.

> "Climate resilience isn't just risk management – it's strategic value creation. Our investments in community-based solutions deliver measurable returns through reduced operational disruptions, enhanced business continuity and strengthened local partnerships. For example, our recent solar array investment in St. Louis reduces our vulnerability to climate-related grid disruptions while also strengthening grid resilience for surrounding communities. By reducing local energy demand, we create shared benefits for the community in the form of greater access to energy. This approach – aligning our resilience strategy with community needs – safeguards our people and operations today while positioning all of us for sustainable growth in an increasingly volatile climate."
>
> **Ellen Jackowski, Chief Sustainability Officer, Mastercard**

Heat stress already affects 2.4 billion workers, with productivity losses starting at surprisingly moderate temperatures (16–20°C) and reaching up to 50% in manual labor at 33–34°C.[1]

Only 22% of businesses in the EU have strategies to tackle physical risks, despite 66% recognizing them.[2]

The adaptation sector has already generated **USD $1 trillion in revenue in 2024.**[2]

How can you invest in community resilience to physical risks in your own business and value chain?

Set resilient communities as a strategic, long-term business goal

→ **Define community resilience in your business context:** Use recognized frameworks* to clarify what community resilience means for your business.

→ **Integrate community resilience into core business functions:** Make it a requirement in your market strategy, product innovation, development and operations management.

→ **Map communities and physical risks:** Assess physical risks across operations, supply chains and geographies to identify which communities your value chain relies on and where your business is vulnerable.

→ **Prioritize high-impact, high-risk areas:** Focus interventions and investments where your business faces the greatest exposure and has deep operational and social-ecological ties.

→ **Balance risk preparedness with proactive resilience:** Include investments that build up core community resilience beyond specific risk mitigation in consultation with stakeholders.

→ **Identify resilience-related market opportunities:** Pinpoint where and how building resilience can drive revenue and customer value by integrating it into your market offer.

Engage stakeholders in the co-creation and delivery of viable solutions

→ **Engage all stakeholders early:** Involve affected communities, governments, other businesses and civil society to ensure locally relevant, business-aligned and socially just strategies.

→ **Ensure fair representation in communities:** Give voice to diverse groups – including marginalized or vulnerable populations – so decision-making embeds inclusion and measures it as a key outcome.

→ **Leverage local community knowledge and invest in social and human capital:** Strengthen local capacity, leadership, trust networks and social cohesion for long-term adaptive ability.

→ **Deploy firm-specific assets for resilience:** Provide resources directly (data, networks, convening power) or indirectly by enabling partners to address resilience challenges.

** See Key resources*

Case Study: How Nespresso is helping scale watershed resilience in Brazil's Cerrado Mineiro

As a long-term buyer in Brazil's Cerrado Mineiro, Nespresso faces intensifying water stress and climate variability that threaten farmer livelihoods and coffee supply reliability – as evidenced by a 40% regional harvest decline in 2020 (~USD $30 million in losses) and a projected 18% reduction in land suitable for coffee production by 2050.[3]

To address these risks, the company participates in the Cerrado Waters Consortium (Consórcio Cerrado das Águas, CCA), a collaborative platform that brings together farmers, companies and local authorities to manage resources at the watershed level. The CCA's governance ensures local agency: its Board President is always a producer, supported by a participatory engagement process and a General Assembly that meets twice a year.

Through its Investment Program for Conscious Producers, growers receive tailored climate adaptation plans, technical guidance and restoration support, with municipalities providing labor and equipment. The Consortium has disbursed BRL 5.95 million (≈ USD $1.05 million) funded mainly by member fees and grants, with private members committing USD $15,000 annually under five-year agreements. Resilience measures include monitoring river flows and water quality to recharge aquifers, restoring native vegetation to improve infiltration and promoting climate-smart practices that enhance soil health and water retention.

This precompetitive collaboration mitigates physical risks such as water stress, heat and drought, safeguards coffee quality and volumes and strengthens community resilience. The CCA also works to increase women's participation through partnerships with local groups and the planned Women Builders of Sustainable Landscapes Network.

How can you influence community resilience investments at a system level?

- **Hard-wire resilience into green and transition finance:** Make community-focused disaster and physical risk reduction a requirement for all climate-related investments, ensuring the addressing of adaptation and mitigation.
- **Promote success stories:** Use high-visibility, high-impact case studies to demonstrate ROI from resilience and build investor confidence in resilience-building projects.
- **Develop and apply resilience investment guidelines:** Co-create or adopt guidelines* to integrate resilience systematically into finance and infrastructure planning and share them transparently with stakeholders.
- **Share knowledge of risks and promote transparency:** Facilitate an environment where businesses, communities and local governments openly share knowledge of risks to increase collective prevention and preparedness efforts.
- **Engage in multi-stakeholder coalitions:** Collaborate with businesses, governments, investors, insurers and NGOs to clarify roles and accelerate coordinated resilience investments.

** See Key resources*

Key resources

Sendai Framework for Disaster Risk Reduction 2015-2030

United Nations Office for Disaster Risk Reduction (UNDRR)

The global blueprint for reducing disaster risk and strengthening resilience across societies, economies and ecosystems

Adaptation Planning for Business – Navigating uncertainty to build long-term resilience

World Business Council for Sustainable Development (WBCSD)

Guidance on how to plan for climate adaptation and manage uncertainty to strengthen long-term business resilience

Building Resilience Through Adaptation

J.P. Morgan

An exploration of how financial institutions and businesses can mitigate risks and seize opportunities through climate adaptation strategies

Co-creating Climate Justice Interventions between Business and Communities

Business for Social Responsibility (BSR)

A framework for businesses to work with local communities in designing climate interventions that center on justice and equity

Just Transition & Just Resilience

Shift

A report on how businesses can apply the UN Guiding Principles on Business and Human Rights to ensure fair and rights-respecting climate action

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Executive Action Briefs on Just Transition, Human Rights and Living Wages

Business Commission to Tackle Inequality (BCTI)

Acknowledgements

We express our heartfelt gratitude to everyone who has contributed directly or indirectly to this project, especially our BCTI working group members. We also extend special thanks to BCTI and WBCSD members EDP, Mastercard and Nespresso, and BCTI partner BSR for their invaluable input and review.

References

[1] International Labour Organization (2024). *Heat at work: Implications for safety and health*. Retrieved from: https://www.ilo.org/publications/heat-work-implications-safety-and-health.

[2] Mundy, S. (2025). When will companies start spending on climate adaptation? *Financial Times*. Retrieved from: https://www.ft.com/content/b0c2d8c0-d1d2-4bbd-99d6-a305b38220e5.

[3] Critical Ecosystems Partnership Fund (2021). In Brazil, Climate Change Is Causing a Coffee Crisis. Retrieved from: https://www.cepf.net/stories/brazil-climate-change-causing-coffee-crisis.

The Business Commission to Tackle Inequality (BCTI) is a cross-sector, multi-stakeholder coalition of organizations and their leaders with the mission of mobilizing the private sector to tackle inequality and generate shared prosperity for all.

For more information and for details on other key business action areas to tackle inequality see the BCTI's flagship report – **Tackling Inequality: An agenda for business action**

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