

UN  WCMC
environment
programme

UN  | 
environment
programme | finance
initiative



UN 
environment
programme

5 
1972-2022

Are You Ready For Nature-related Disclosure?

An assessment of readiness and
expectations from the corporate market

Disclaimer

© 2022 United Nations Environment Programme

This publication may be reproduced in whole or in part and in any form for educational or non-profit services without special permission from the copyright holder, provided acknowledgement of the source is made. The United Nations Environment Programme would appreciate receiving a copy of any publication that uses this publication as a source. No use of this publication may be made for resale or any other commercial purpose whatsoever without prior permission in writing from the United Nations Environment Programme. Applications for such permission, with a statement of the purpose and extent of the reproduction, should be addressed to the Director, UNEP-WCMC, 219 Huntingdon Road, Cambridge, CB3 0DL, UK.

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory or city or area or its authorities, or concerning the delimitation of its frontiers or boundaries. For general guidance on matters relating to the use of maps in publications please go to un.org/Depts/Cartographic/english/htmain.htm

Mention of a commercial company or product in this document does not imply endorsement by the United Nations Environment Programme or the authors. The use of information from this document for publicity or advertising is not permitted. Trademark names and symbols are used in an editorial fashion with no intention on infringement of trademark or copyright laws.

The views expressed in this publication are those of the authors and do not necessarily reflect the views of the United Nations Environment Programme. We regret any errors or omissions that may have been unwittingly made.

Suggested citation: UN Environment Programme (2022). *Are You Ready for Nature-related Disclosure? An assessment of readiness and expectations from the corporate market*. UNEP-WCMC, Cambridge, UK.

ISBN: 978-92-807-3943-5

Job No: DEPI/2440/NA

Acknowledgements

The authors of this report are:



Sylvaine Rols, Hamza Butt, Yi Kui Felix Tin,
Matt Jones, and Corli Pretorius

with input from



Jessica Smith, Romie Goedicke, Dennis
Fritsch, Vanessa Osuna, Alexander Wiese



Midori Paxton, Marco Arlaud, Maxim
Vergeichik, and Malika Bhandarkar

Contents

1.	Executive summary	5
2.	Introduction	10
2.1	Understanding nature-related risks.....	10
2.2	About the Taskforce on Nature-related Financial Disclosures	10
2.3	About this report.....	11
3.	Overview of corporate sector readiness	14
3.1	Most companies are at the start of their journey embedding nature-related considerations in their operations.....	14
3.2	Nature-related risks are widely acknowledged by companies, but not systematically or comprehensively acted upon	18
3.3	Nature-related risk management in companies is far from systematic, with a focus on mitigation of impacts in direct operations or engagement with suppliers.....	20
3.4	Reporting and disclosure of nature-related risks is inconsistent and insufficient, and lacks shared approaches	22
3.5	Front-runner companies are beginning to look at dependencies through the lens of nature-related opportunities	24
3.6	Companies recognise they need help and are looking for opportunities to collaborate with the conservation community	25
4.	Discussion of market readiness to the TNFD	27
4.1	Expectations for the TNFD.....	27
4.2	Barriers for TNFD to tackle	28
5.	Annex A: Interview Framework	32
6.	Annex B: Presentation of case studies	34
6.1	A multinational mining company with operation sites worldwide	34
6.2	A multinational energy company.....	35
6.3	A South American pulp and paper company	36
6.4	European seafood company	37
6.5	A major European food and beverage company	37
6.6	A Europe-based fashion retailer.....	38
6.7	A European groceries and retail company.....	39
6.8	A South American cosmetic company.....	40
6.9	A Europe-based electricity and gas company.....	40
6.10	A South-East Asian conglomerate	41
6.11	A European-based manufacturer and retailer	42
7.	References	44

1. Executive summary

This report presents the results of a corporate sector market readiness assessment commissioned by UN Environment Programme Finance Initiative (UNEP FI) and United Nations Development Programme (UNDP) supporting the mission of the Taskforce on Nature-related Financial Disclosures (TNFD) Alliance. We find that:

Most companies are at the start of their journey embedding nature-related considerations in their operations.

- Progress varies significantly from company to company.
- The drivers of change are common: regulatory, financial, societal and political.
- Companies are beginning to raise their ambition beyond regulatory compliance, but uncertainty is holding them back.

Nature-related risks are widely acknowledged, but not systematically or comprehensively acted upon.

- The view of nature-related risks by companies does not fully align with the view being taken in the early stages of the TNFD.
- There is a mismatch between companies acknowledging dependencies as a source of risk and their actions which focus on mitigating impacts.

Nature-related risk management in companies is far from systematic, with a focus on mitigation of impacts in direct operations or engagement with suppliers.

- High-impacts sectors have integrated the mitigation hierarchy as their risk framework for impacts.
- Retailers and manufacturers are prioritising engagement with their supply chain for impact risk management.
- Risk management processes are not systematic, with companies still looking for additional tools and datasets.

Reporting and disclosure of nature-related risks is inconsistent and insufficient, and lacks shared approaches.

- Companies are using and trialling site-level metrics but requesting corporate-level metrics to monitor and report on impacts.
- External reporting of nature-related risks rarely includes biodiversity considerations.
- Dependencies on nature create the bulk of financial risk, but they are rarely reported on or addressed by companies.

Front runner companies are beginning to look at dependencies through the lens of nature-related opportunities.

Companies recognise they need help and are looking for opportunities to collaborate with the conservation community.

The following expectations and recommendations were highlighted by the companies interviewed:

- Companies want the TNFD to foster collaboration not competition.
- Companies expect the TNFD to strengthen the business case for addressing nature-related risks and opportunities.
- Companies expect the TNFD to catalyse convergence and consistency across nature-related disclosure initiatives.
- Companies expect the TNFD to build on the success of the Taskforce on Climate-Related Financial Disclosures (TCFD).
- TNFD should make use of ongoing research from initiatives such as the Science Based Targets Network (SBTN) and the European Union (EU) Align project to set out standards or requirements from indicators suitable to be included in a disclosure framework.
- TNFD should trigger cross-sectoral engagement with supply chain actors in order to systematically improve transparency.
- TNFD should follow an iterative development process to integrate lessons-learned for the implementation practicalities to be fit-for-purpose.
- TNFD should establish a framework that rewards contribution towards positive outcomes, to help companies receive due credit for their actions.

The Steering Committee of the TNFD Informal Working Group issued this study, based on a series of interviews and desk-based research, to complement existing work within the financial services sector and to better understand potential opportunities and limitations to the uptake of the framework among corporate actors.

The report aims to create a clear understanding of the state of play of companies and their expectations towards the TNFD, using key insights to define recommendations for the TNFD to catalyse support and adoption by the corporate market at large. It focuses on companies in the 'real economy' and does not cover financial institutions which are addressed by a companion report developed by Global Canopy, which can be read together or separately.

This report is intended to be used as supporting technical material by the TNFD Taskforce members in the application and refinement of the beta disclosure framework (Table 1), and for other relevant stakeholders to gauge the interest of corporate market players in incorporating nature-related risk in their operations.

Table 1. Key findings and challenges identified for the TNFD, highlighting their relevance to the four TNFD pillars and themes.

Themes	 Defining Nature Related Risks	 Data	 Standards, Targets and Metrics	 Beta Framework	 Piloting		
	TNFD Pillars				Themes		
Key findings from the interviews and questionnaires	Governance	Strategy	Risk Management	Metrics & Targets			
Most companies are at the start of their journey embedding nature-related considerations in their operations	X	X					
Nature-related risks are widely acknowledged, but not systematically or comprehensively acted upon	X		X				
Nature-related risk management in companies is far from systematic, with a focus on mitigation of impacts in direct operations or engagement with suppliers			X				
Reporting and disclosure of nature-related risks is inconsistent and insufficient, and lacks shared approaches			X	X			
Front runner companies are beginning to look at dependencies through the lens of nature-related opportunities	X	X					
Companies recognise they need help, and are looking for opportunities to collaborate with the conservation community		X		X			



2. Introduction

2.1 Understanding nature-related risks

Nature loss poses risks for business now and in the future but tackling nature loss also presents considerable opportunities. More than half of the world's economic output—US\$44tn of economic value generation—is moderately or highly dependent on nature (World Economic Forum (WEF) 2020a). In 2020, the World Economic Forum Global Risk Report (WEF 2020b), for the first time in the survey's 10-year outlook, considered all of the top five global risks in terms of likelihood to be environmental. The 2022 edition of the same report ranked biodiversity loss as the third most severe global risk over the next 10 years (WEF 2022). The 2019 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services Global Assessment report (The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) 2019) showed that an estimated 1 million species are at risk of extinction, most of them in the near future. This sharp decline of nature is driven mostly by human actions.

Financial institutions and companies are still missing information needed to understand how nature affects immediate financial performance, or the longer-term financial risks that may arise from the organisation's interactions with nature. Better information will play a key role in allowing financial institutions and companies to incorporate nature-related risks and opportunities into their strategic planning, risk management and asset allocation decisions. Availability and suitability of public nature-related data is further discussed in UN Environment Programme (2022a) as well as prioritisation of high-risk sectors in UN Environment Programme (2022b).

2.2 About the Taskforce on Nature-related Financial Disclosures

Awareness of and action related to financial risks from nature loss have been growing in recent years and have led to the development of frameworks or standards that are expected to generate more systematic information on nature-related impacts and dependencies, and at scale. Those initiatives include the Science-based Targets Network (SBTN), the EU Align project, the Partnership for Biodiversity Accounting Financials (PBAF), and most recently, the TNFD.

The TNFD is a market-led initiative launched in 2021 to develop a risk and disclosure framework for organisations to report and act on evolving nature-related risks and opportunities. In this way, it is expected to support a shift in global financial flows away

from nature-negative outcomes and toward nature-positive outcomes. The TNFD will not create a new disclosure standard but will establish and promote the adoption of an integrated risk management and disclosure framework that aggregates the best tools and materials.

While the two frameworks are complementary, there are important differences in the draft guidance as to how organisations assess non-atmospheric nature-related risks. TNFD actively encourages integrated climate- and nature-related risk management and disclosures, rather than the development of dedicated nature-only risk management and reporting.

2.3 About this report

Objectives

The objectives of this report are to:

- Outline the current state of play, and the extent to which nature-related risks are integrated within the corporate market.
- Provide key insights on how well traction might be gained for the TNFD framework with companies that are involved in the current development process and for those new to the topic.
- Provide a basis for the TNFD to improve and strengthen the first version of the beta framework in a manner that considers the level of maturity of various companies in identifying nature-related risks and opportunities.

This report is intended to be used as supporting technical material by the TNFD Taskforce members in their development of a disclosure framework. In addition, it is expected that the report is relevant for financial institutions and companies who are not part of the Taskforce, but who want to learn about the current appetite on nature-related risk among their peers; for government actors, in particular, those who are currently negotiating the post-2020 global biodiversity framework, which is expected to call for the alignment of financial flows with the goals of the agreement and encourage disclosure of nature-related risks (and opportunities) by financial and real economy actors; and for civil-society actors, to gauge the interest of businesses in incorporating nature-related risk in their operations.

Approach

The report presents common and consistent themes and associated recommendations for the TNFD based on:

- Synthesis of semi-structured interviews and questionnaires with representatives of 19 companies, inside and outside of the TNFD Alliance. The questions used as an indicative framework are provided in Annex A.
- Research and synthesis of publicly available guidance and methods used by companies.
- Development of case studies to illustrate typologies of companies and their current position on nature-related risks, available in Annex B.

Limitations

Given the timeline and the number of companies involved, the study outcomes do not lend themselves to quantitative or statistical analysis.

The companies engaged, and individuals contacted, were identified on the basis of membership to the following:

- the TNFD (as Taskforce Member of Forum representative)
- World Business Council for Sustainable Development (WBCSD)
- SBTN Corporate Engagement Programme

A shortlist was established with a view to selecting a reasonably diverse sample of companies, from high-risk sectors (as detailed by previous research: UN Environment Programme (UNEP), UN Environment Programme Finance Initiative (UNEP FI) and Global Canopy 2020; WEF 2020a), geographical presence, size, and perceived engagement with regards to nature-related risks and opportunities within their business. Sixteen companies that participated in the interviews are part of the TNFD Alliance, nine are members of the WBCSD, and seven are members of the SBTN Corporate Engagement Group. Although special attention was given to global spread of companies in the longlist of companies originally contacted, successful engagement and case-studies are primarily from Europe, North and South America.

Interviewees agreed to participate in the study on the basis of their individual goodwill and availability. A majority were directors, or senior members of their company's sustainability teams. Others spoke from the perspective of a business development role. In general, interviewees were invited/nominated for expert level knowledge of sustainability-related aspects, leading to some bias towards awareness of, and buy-in to, sustainability-related corporate action.

The findings presented herein reflect the professional opinion of the authors. This report is not intended to reflect the particular views of the individuals or institutions that participated in the study.

Nature & Biodiversity

Within the context of the technical scope to the TNFD and at the time of the research behind this report, the definition of nature used was "the global natural ecosystem in its entirety. This encompasses both the stock of natural capital assets as well as the way they interact with each other. In this sense, biodiversity is a characteristic of nature, insofar as it refers to the presence of diversity across the natural ecosystem".

It should however be acknowledged that companies may refer to "nature" without accounting for all types of nature's characteristics. Where companies have focused specifically on biodiversity, this is made clear in the case-studies and descriptions of associated ambitions and processes.



3. Overview of corporate sector readiness

3.1 Most companies are at the start of their journey embedding nature-related considerations in their operations

3.1.1 Progress varies significantly from company to company

All companies interviewed have started looking into nature-related risks. However, their progress on their nature-related journeys varies significantly. This diversity in progress can be explained by interlinked factors such as: the sector of activity (related to sector-specific regulations driving historical assessment and management of nature-related risks); when companies first started looking into nature-related risks; and what drivers triggered this focus.

At their most nascent, many companies have initiated an internal process to develop a nature-related strategy, either focusing on biodiversity specifically or capturing multiple environmental topics (e.g. climate, water, deforestation). Climate, water and deforestation have more frequently been included in broader sustainability strategies set out by companies, and many were found to be already monitoring or reporting on their associated impacts and dependencies related to water use, carbon emissions, and land-use. This is reflected in the reporting indicators already used by companies (see Section 3.4). Companies developing new nature-related strategies are primarily in an assessment phase, seeking to understand their impacts and dependencies on nature, and the actions they could take related to such risks.

As they mature in their journeys, companies have been found to incorporate nature-related considerations in their business operations firstly in a targeted fashion. Most companies operate with a department or team dedicated to sustainability, or environmental safeguards, with potential expertise on nature-related topics such as natural resource management and biodiversity conservation. Responsibilities and actions associated with such teams are primarily compliance-based and/or focusing on targeted commitment-based actions such as protection or restoration of non-operated land owned or leased by a company. Anecdotal evidence indicates a growth of such teams in many companies, in particular seeking to recruit or appoint experts in nature-related topics.

Companies with greater nature-related maturity (a minority within companies interviewed) have been embedding nature-related considerations across further departments or teams, such as Research & Development, Operations, Risk Management, etc. This required substantial awareness-raising and capacity building of staff with limited knowledge on nature-related topics, to enable them to integrate such considerations into their day-to-day responsibilities. Going hand in hand with this company-wide embedment, nature-related considerations are also being discussed at higher decision-making levels, as part of board strategy discussions or company budgetary sign-off. As a result, nature-related topics are no longer considered in a targeted fashion but instead becoming strategically mainstreamed across company activities and operations.

The stages of nature-related journeys observed across the companies interviewed can be characterized from *Nascent*, to *Emergent/Issue-based*, *Strategic*, and finally *Embedded* (Table 2). The majority of companies interviewed would be considered *Nascent* or *Emergent/Issue-based*, with a minority of front-runners as *Strategic*. For nature-related considerations to be fully *Embedded*, a company would be expected to have set comprehensive nature-related targets, with key performance indicators to monitor and report on its progress across its activities. No companies interviewed would currently qualify as *Embedded*.

This journey categorisation is qualitative only and based on a non-systematic assessment, to highlight the differences found across companies interviewed. A baseline analysis by World Business Council for Sustainable Development (WBCSD) (2022) provides further insights into business readiness to contribute to a global goal for nature (Locke *et al* 2020), based on corporate public disclosures on nature. Key findings validate that nature is indeed emerging as a key priority for business, although the analysis found an evident lack of standardization in assessing nature-related topics as material. While half of businesses assessed had strategies in place for nature and biodiversity, reporting on nature was in general overly focused on stand-alone projects or actions. Out of the 55 companies included in their analysis, 16% have “started their journey”, 51% are “developing”, 29% are “advanced”, and only 4% are in the “leading” stage.

Table 2: Stages of nature-related journeys observed across companies interviewed.

Nascent	Emergent	Strategic	Embedded
Internal assessment of impacts/dependencies.	Reactive integration of nature-related considerations into specific activities.	Targeted approaches to nature-related considerations across company operations and at highest management levels.	Mainstream action against comprehensive nature-related targets, with monitoring and reporting of progress, and continuous improvement.

It should be noted that all companies interviewed are members of the TNFD Alliance, the SBTN Corporate Engagement Group, and/or WBCSD, which would make them more likely to have initiated and progressed on a nature-related journey. Companies outside of such sustainability platforms would be expected to be overwhelmingly *Nascent*.

Nature & Climate Nexus

With climate-related impact being the most common environmental focus for companies to date, nature-related risks and opportunities are still a relatively new addition to their environmental considerations. Thus, there is a significant imbalance in attention and resources dedicated by companies internally. This is in part explained by the attention brought to the climate agenda over the past decades, and policies and commitments that it has triggered, such as the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement and the TCFD.

Nevertheless, many companies have started their journey of integrating nature-related risks and opportunities into their environmental sustainability agenda. While certain companies have chosen to tackle biodiversity loss as an individual issue, many are aware of the inter-linkages between climate change and nature loss and are therefore looking to tackle their risks in a joined-up fashion.

3.1.2 The drivers of change are common: regulatory, financial, societal and political

The companies interviewed highlighted multiple factors as driving their increased consideration of nature-related risks, which can be summarised as regulatory, financial, societal and political.

- **Regulatory:** Significant regulatory changes on nature-related reporting and disclosure are in development and expected to be developed in more countries and regions, driven by the aforementioned global policy agenda. Of note are the Non-Financial Reporting Directive (NFRD) and its amendment known as the Corporate Sustainability Reporting Directive (CSRD) as part of the EU Sustainable Taxonomy (European Commission (EC) 2014; European Commission (EC) 2021). Under these directives, companies are required to follow the sustainability reporting standards, which include the disclosure of biodiversity and ecosystems information and the reporting on both impacts and dependencies.
- **Financial:** Investors have shown increased attention to nature-related risks in their investment analysis and decisions. Research has shown that an increasing number of investors have the intention to include biodiversity loss as an Environmental, Social, and Governance (ESG) criteria and understand how their investments will affect biodiversity (Credit Suisse and Responsible Investor 2021). This awareness and scrutiny could lead to sector-wide shifts as companies seek to remain attractive to investors.
- **Societal:** Increasing media attention and awareness of the biodiversity crisis has led to both consumers and staff pressuring companies to improve their consideration of nature-related risks. The ways in which nature-related risks disproportionately affect women and girls will add pressure on companies to develop more sophisticated risk-based approaches over time.

- **Political:** Halting and reversing biodiversity loss has gained momentum in the global environmental policy agenda, with high expectations associated with the post-2020 global biodiversity framework to be agreed upon at the 15th Conference of Parties of the Convention on Biological Diversity (CBD COP15) in 2022.

3.1.3 Companies are beginning to raise their ambition beyond regulatory compliance, but uncertainty is holding them back

Triggered by the drivers detailed above, companies have shown varying levels of ambition in their integration of nature-related risks into their activities and decision-making processes.

As a default, all companies interviewed highlighted the need to ensure compliance with national or regional regulatory requirements. For companies that conduct site-based activities in particular, requirements are commonly found in Environmental Impact Assessment (EIA) regulations. EIA regulations may differ from country to country and their application has been found to be inconsistent (UN Environment Programme (UNEP) 2018). Nevertheless, they broadly share a framework of:

1. **Screening** the necessity to conduct the assessment
2. **Scoping and Impact Analysis** of the environmental impacts of the planned project and its alternatives, to identify mitigation measures
3. **Review/Consultation** lead by the relevant competent authorities
4. **Decision-making** for licensing and permitting as appropriate
5. **Follow-up and Adaptive Management** based on monitoring of the project and its mitigation measures.

However, a number of companies have expressed an intent to go above and beyond compliance and raise their sustainability ambition. Commitments to having a Net-Positive Impact or setting science-based targets for a nature-positive future have been established or are under discussions for companies with the greatest level of maturity on their nature-related journeys. Those commitments highlight a desire from companies to actively contribute to the reversal of nature loss and enhancement of planetary and societal resilience. Nevertheless, with methodologies to set out science-based targets still under development by the SBTN and others, uncertainties remain on how a company can measure and report on its success at achieving such commitments.

Reference was overwhelmingly made to commitments associated with impacts from a company, either (mitigating) negative or (generating) positive impacts. The only commitments focused on a company's dependencies on nature and its ecosystem services which were raised during the research stemmed from companies in the agriculture, forestry and fishery sectors, in a context of maximising sustained production (e.g. minimising dependence on freshwater availability).

3.2 Nature-related risks are widely acknowledged by companies, but not systematically or comprehensively acted upon

3.2.1 The view of nature-related risks by companies does not fully align with the view being taken in the early stages of the TNFD

All companies interviewed acknowledged that their business activities are facing nature-related risks either due to their impacts and/or dependencies on nature. The types of nature-related risks referred to by each company varied and can be summarised in four broad categories: physical, regulatory, reputational, and transitional risks. Many recent publications have looked to define those different risks (De Nederlandsche Bank (DNB) 2020; Principles for Responsible Investment (PRI) 2021; Cambridge Institute for Sustainability Leadership (CISL) 2021). For the purpose of this report, we have outlined in Table 3 how those risks were described by companies interviewed, to highlight their key concerns.

Table 3: Type and example of nature-related risks highlighted by companies interviewed.

Type of Risk	Example
Physical	Disruption of ecosystem services potentially leading to... <ul style="list-style-type: none"> ▪ Decreased availability of natural resources (e.g. timber, crops, freshwater) ▪ Increased exposure of activities to natural disasters (e.g. flooding, wildfires)
Regulatory	New and more stringent regulatory requirements potentially leading to... <ul style="list-style-type: none"> ▪ Increased costs to ensure compliance ▪ Liability for disruption of ecosystem services at a local level
Reputational	Increased expectation and scrutiny from civil society and other stakeholders potentially leading to... <ul style="list-style-type: none"> ▪ Loss of social license to operate in an area ▪ Loss of consumer-base
Transitional	Market-wide shifts in practices potentially leading to... <ul style="list-style-type: none"> ▪ Loss of investments

The nature-related risks highlighted by the companies interviewed are reminiscent of the risks outlined in the original TNFD Proposed Technical Scope (Taskforce on Nature-related Financial Disclosures (TNFD) 2021), which included physical, transition and systemic risks. In the context of the TNFD Proposed Technical Scope regulatory and reputational risks described by the companies interviewed are considered transition risks. However, companies, especially at a nascent stage on their journey, make a distinction between risks associated with current regulation and existing expectations and those associated with potential or future shifts. The risks of failing to meet existing

regulation and expectations are important levers to trigger company action and should remain in focus within the consideration of risks by the TNFD. In addition, systemic risks were not actively mentioned by the companies interviewed, which could be explained by a lower level of awareness of the broader risks for financial institutions associated with portfolio-level disruption and financial system instability.

3.2.2 There is a mismatch between companies acknowledging dependencies as a source of risks and their actions which focus on mitigating impacts

A key driver for the inception of the TNFD is that nature-loss presents a risk to business because of the way their activities depend on nature. While most companies interviewed acknowledged their dependencies on nature (with emphasis on the ecosystem services delivered by natural capital), their risk management strategies have focused overwhelmingly on nature-related impacts. Only companies in the agriculture, forestry, and fishery sectors highlighted mitigation actions associated with their dependencies on nature.

Nature-related dependencies remain insufficiently understood, and their materiality potentially under-estimated, by most companies. Few companies have carried out detailed and quantitative analyses of their dependencies, and none had felt able to act on the basis of these analyses to comprehensively mitigate risks associated with dependencies. This has created a mismatch within companies' action and investment towards nature-related risks, with much greater emphasis put on mitigation of impacts (see also Section 3.1.3 on ambition).

Much greater emphasis needs to be placed on capturing dependencies on nature to ensure sufficient action from companies, alongside their action on addressing impacts. The TCFD has already framed the key accounting concept of *double materiality*, moving from the perception that only climate-related impacts on a company can be material to the fact that impacts of a company on climate is also material. Companies interviewed showed a good awareness of the concept, which will be beneficial to the TNFD in its development of a disclosure framework.

3.3 Nature-related risk management in companies is far from systematic, with a focus on mitigation of impacts in direct operations or engagement with suppliers

3.3.1 High-impact sectors have integrated the mitigation hierarchy as their risk management framework for impacts

Nature-related risks for high-impact sectors (e.g. represented in the Cross-Sectoral Biodiversity Initiative¹) are overwhelmingly addressed through mitigating a company's direct impacts on biodiversity, which incur as a result of their site-based activities.

A key framework used by a majority of companies interviewed, particularly from high-impact sectors, is the mitigation hierarchy (Cross-Sector Biodiversity Initiative (CSBI) 2015). The mitigation hierarchy helps companies act, by providing the following stepwise framework of actions: avoidance, minimisation, restoration, and compensation of impacts. The framework has become embedded into key financial standards, such as the International Finance Corporation Performance Standard 6 (IFC PS6) (International Finance Corporation (IFC) 2012), which has helped its widespread uptake by companies. The mitigation hierarchy is commonly associated with No Net Loss or Biodiversity Net Gain (e.g. in natural and critical habitats, as defined by IFC PS6). Those aims, which will have originally been used for risk management practices at individual sites, have become company-wide commitments for certain companies. It should be noted that the mitigation hierarchy is best applied to new projects or activities, where avoidance of impact can be prioritised over minimisation, restoration and compensation. It can fail to account for historical impacts associated with existing projects, which companies therefore need to address differently. Leading conservation academics and Non-Governmental Organisations (NGOs) have developed the Mitigation & Conservation Hierarchy² to address past, indirect and diffuse negative impacts on biodiversity, but this framework has yet to be broadly taken up by the private sector.

For companies that do not have site-based impacts, the mitigation hierarchy is still used as a framework for the management of their impacts, looking to avoid, minimise, restore, or compensate them. However, the scope of impacts being considered varies significantly, with inconsistent approaches across companies regarding direct and indirect impacts, as well as impacts associated with direct operations or within the company's supply chain. Finally, the mitigation hierarchy is focused on impacts associated with a company's activities, and does not address its dependencies and the associated risks.

1 Further information available at: csbi.org.uk/

2 Further information available at: conservationhierarchy.org/

3.3.2 Retailers and manufacturers are prioritising engagement with their supply chain for impact risk management

Companies in sectors such as retail and manufacturing, have identified their supply chains as their greatest source of impacts on nature. This finding has come from company-level assessments of impacts across the value chain, carried out to prioritise efforts and resources towards minimizing their impact on nature. A majority of relevant companies interviewed identified sourcing of agricultural commodities as highly impactful and therefore risk associated. As a result, those companies apply a significant focus on engagement and dialogue with the different actors and stakeholders, across their supply chains.

However, both large multinational and smaller companies highlighted that they feel they have limited influence on actors within their supply chain, with their purchasing representing a small proportion of the total volume of commodities being traded. Companies interviewed are therefore relying on certification schemes to mitigate their nature-related risks through responsible sourcing practices. Certification schemes used by the interviewees included the Forest Stewardship Council (FSC) certification, for deforestation-free sourcing of forest-based raw materials³. Many other commodity-specific certification schemes exist, including (but not limited to): the Round Table on Responsible Soy (RTRS) certification which promotes transparency and legal compliance in soy production through responsible community relations, good agricultural practises and zero deforestation,⁴ and the Roundtable on Sustainable Palm Oil (RSPO) certification which advocates for the production, procurement, finance, and use of sustainable palm oil products.⁵ These various certification schemes have been widely used across sectors for companies to meet commitments such as zero-deforestation sourcing. However, companies interviewed acknowledged that certification by itself was insufficient to mitigate the full breadth of impacts, and should only be seen as a minimum standard within wider efforts to address nature-related risks.

3.3.3 Risk management processes are not systematic, with companies still looking for additional tools and datasets

Few companies interviewed have established company-wide risk management processes addressing their nature-related risks. The majority were still in the process of developing a risk management framework, either from a top-down (commitments being translated into site-level actions) or bottom-up (site-level actions driving company-wide practices) approaches. The need for an integrated approach to nature-related risk management and disclosure, with social and gender dimensions also captured, was expressed.

All companies interviewed highlighted their ongoing search for relevant tools, data and other publicly available resources to incorporate into their risk management frameworks. Among tools referred to by companies is the Integrated Biodiversity Assessment Tool

3 Further information available at: fsc.org/en

4 Further information available at: responsiblesoy.org/certificacion?lang=en

5 Further information available at: rspo.org/about

(IBAT),⁶ a web-based map and reporting tool providing access to three key global biodiversity datasets: the IUCN Red List of Threatened Species (IUCN Red List), the World Database on Protected Areas (WDPA), and the World Database on Key Biodiversity Areas (KBA). Global Forest Watch,⁷ an online platform providing real-time information on forest cover, was also mentioned in relation to deforestation monitoring. Some companies have developed, or are developing, internal tools that integrate such external resources into their decision-making processes.

3.4 Reporting and disclosure of nature-related risks is inconsistent and insufficient, and lacks shared approaches

3.4.1 Companies are using and trialling site-level metrics but requesting corporate-level metrics to monitor and report on impacts

Companies interviewed expressed a strong demand for suitable metrics and indicators to measure and report on their impacts, both negative and positive, on nature. This demand is in part driven by widespread awareness of potential changes in regulations and financial requirements associated with reporting of nature-related risks, such as stemming from the TNFD.

Metrics that are currently being used to measure nature-related impacts are overwhelmingly focused on site-level measurement, reflecting local specificities such as key biodiversity features present at a site. Although such metrics are useful for monitoring the progress of mitigation measures at site-level, they cannot be easily aggregated back to a portfolio- or corporate-level, which would be necessary to have a company-wide assessment of impact on nature.

Companies interviewed showed a good understanding in the difficulties in establishing a single overarching reporting metric for nature-related impacts, unlike the greenhouse gas emissions equivalent for climate-related impacts. As such, a few of them have been actively trialling different metrics to identify ones most suitable to their contexts and demands, including the Biodiversity Indicators for Site-based Impacts (BISI) (UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) 2020), as well as the Species Threat Abatement and Recovery (STAR) (The International Union for Conservation of Nature (IUCN) 2021) metric and the Global Biodiversity Score (GBS).⁸

6 Further information available at: ibat-alliance.org/

7 Further information available at: globalforestwatch.org/

8 Further information available at: mission-economie-biodiversite.com/english

3.4.2 External reporting of nature-related risks rarely includes biodiversity considerations

All companies interviewed have existing reporting practices related to their environmental impact, but with various areas of focus and levels of detail. Impacts on biodiversity are less reported on, with few details and no quantitative analysis provided; in comparison for example to reporting on impacts on water. Environmental reporting is primarily carried out on an annual basis as part of sustainability and/or Corporate Social Responsibility reports.

Most companies interviewed referred to a similar suite of environmental performance reporting framework, including (but not limited to):

- **Dow Jones Sustainability Indices⁹ (DJSI):** Which measures the sustainability performance of companies based on both their economic and ESG performance, including forward-looking indicators, monitoring issues such as corporate governance, risk management, climate change mitigation, supply chain standards, product marketing and labour practices. The biodiversity component of the DJSI requires companies to report on their biodiversity commitments, on exposure and on deforestation.
- **Global Reporting Initiative (GRI) Standards:** The Standards are divided into Universal Standards, Sector Standards and Topic Standards to integrate indicators related to ESG impacts of a company.¹⁰ Relating to biodiversity, companies are required to report on the operational sites in or near protected areas and areas of high biodiversity value outside protected areas, with a particular focus on the impacts on the IUCN Red List species and their habitats in these site areas; significant impacts of the company's activities, products; and services on biodiversity and the habitats protected or restored.
- **Carbon Disclosure Project¹¹ (CDP):** Topic-specific indicators include Water, with companies reporting on their freshwater and seawater usage, withdrawal, discharge, and impact of water pollutants on water ecosystems; Forest indicators focus on commodity-driven deforestation from value chain and biodiversity restoration practices carried out.

Overall, there was no standardised approach outlined by companies to report on their impacts on nature, and no reference was made to reporting on dependencies on nature.

3.4.3 Dependencies on nature create the bulk of financial risk, but they are rarely reported on or addressed by companies

Companies are overwhelmingly focusing on managing their impacts and use reporting indicators associated with that focus. As outlined in previous sections, most companies interviewed acknowledged their dependencies on nature but did not yet integrate them into their risk management strategies. As a result, reporting and disclosure of dependencies on nature by companies is particularly sparse.

9 Further information available at: spglobal.com/spdji/en/indices/esg/dow-jones-sustainability-world-index/#overview

10 Further information available at: globalreporting.org/standards/

11 Further information available at: cdp.net/en

Companies in the agriculture, forestry and fishery sectors do integrate performance indicators associated with their dependencies on nature, geared towards maximising production of goods (e.g. ensuring high yield from agricultural soils, minimising exposure of forest plantations to wild fires). Reporting is however company-specific and not systematic or consistent within each sector.

The majority of companies will therefore be unfamiliar with how to report on dependencies on nature. Nevertheless, dependencies on nature underpin the bulk of financial risk, and capturing double materiality has been highlighted as key for the TNFD to succeed in channelling global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

3.5 Front-runner companies are beginning to look at dependencies through the lens of nature-related opportunities

A few companies interviewed indicated that they were already looking at nature as a source of opportunity rather than just a source of risk. This however required an internal shift in mindset to understand how nature can create added value to a company's business model. The default consideration of positive impact on nature remains embedded into a philanthropic vision of a company setting aside land for species protection or ecosystem restoration, with no direct cost benefit to the company's operations.

The interviews showed that while most companies recognise their nature-related risks, they have much lesser awareness of the benefits they can gain from working with nature. Although their assessment of dependencies on nature remains high-level and non-quantitative, companies in agriculture, forestry and fishery sectors have shown a clearer recognition of the opportunity to align conservation and restoration of ecosystems with improving the resilience of their production activities. Among potential opportunities, the concept of nature-based solutions has received significant attention, in particular with an aim of improving resilience to natural disasters such as droughts, wildfires, and disruptions in weather patterns.

It should be noted that opportunities arising from addressing gender inequity and the solutions to address environmental decline also need to be identified and highlighted. Investments with an ESG lens were estimated at USD 40 trillion in 2020, but only USD 17–20 billion of investments had a gender lens (International Institute for Sustainable Development (IISD) 2021). As companies increasingly look for nature-related opportunities, co-benefits for women and girls can and should be maximised to improve societal and economic resilience.

3.6 Companies recognise they need help and are looking for opportunities to collaborate with the conservation community

Many companies interviewed highlighted the research work they have carried out in collaboration with various stakeholders to assess and understand their nature-related risks. Stakeholders mentioned included research institutes or large international NGOs focused on biodiversity conservation. The collaborations were both described as fact-finding and capacity building, in particular for companies looking to incorporate consideration of nature-related risks across their activities.

In addition to bilateral collaboration, all companies were part of ongoing initiatives and platforms related to sustainability (which was one of the criteria used to identify potential interviewees). However, all companies also flagged the resources and time-commitments associated, with a high risk for confusion and engagement-fatigue as more and more initiatives are established (see Section 4.1.3). Smaller-scale companies in particular indicated that lack of internal resources could be a deciding factor regarding (not) joining initiatives, including the TNFD.

The potential for nature-related disclosure to integrate social dimensions was also acknowledged. Upcoming research from the World Wildlife Fund (WWF), UNEP and UNDP¹² will focus on generating an improved understanding of the connection of environmental crises and gender equity for financial institutions, through the institutionalisation of gender equity as a core principle of ESG and enhanced disclosure. Nature-related disclosure could therefore capture how companies contribute towards gender equality, in line with global goals such as Sustainable Development Goal (SDG) 5: *Achieve gender equality and empower all women and girls*.

12 WWF GEF project “Establishing the Taskforce on Nature-related Financial Disclosures”—More information available at: wwfgef.org/gef/portfolios/establishing-the-taskforce-on-nature-related-financial-disclosures-tnfd/



4. Discussion of market readiness to the TNFD

Detailed below are overarching expectations from the companies interviewed regarding the TNFD, as well as the barriers and challenges they hope the disclosure framework will address.

4.1 Expectations for the TNFD

4.1.1 Companies want the TNFD to foster collaboration not competition

Companies believe there is a distinct opportunity for the TNFD, as a market-led initiative, to set out a disclosure framework that is pre-competitive and independent, which will foster communication, increase awareness and knowledge, and enhance collaboration across companies and sectors. The companies perceive the TNFD is well-positioned to secure consensus across the financial and corporate markets, along with the conservation community, which will ultimately secure buy-in for its disclosure framework.

4.1.2 Companies expect the TNFD to strengthen the business case for addressing nature-related risks and opportunities

The companies are looking to the TNFD to help them build a stronger business case for addressing nature-related risks and opportunities within their decision-making processes. Staff within sustainability-related teams are looking to secure internal buy-in and investment of efforts and resources, so as to build their companies' capacity to address nature-related risks and opportunities. Building capacity would in particular help mainstream those considerations across company activities (see Section 3.1.1). A key feature of this business case was expressed to be case-studies highlighting the opportunities to reduce costs by integrating nature-related considerations into operations.

4.1.3 Companies expect the TNFD to catalyse convergence and consistency across nature-related disclosure initiatives

The companies interviewed perceive the TNFD as the potential harmonizer of the many existing nature-related reporting and disclosure initiatives. This is particularly important as the companies with limited resources and time to allocate to this agenda are

struggling to engage with all different initiatives, with engagement-fatigue and discouragement settling. Moreover, there are also concerns around initiatives potentially advocating different approaches or being non-compatible, with the responsibility being on companies to determine which approach would be best to tackle their nature-related risks. Companies are concerned nature-related reporting requirements could become impossible to comply with in a systematic fashion. The TNFD is therefore seen as an opportunity to harmonize the different nature-related reporting frameworks so as to streamline the reporting process for companies.

4.1.4 Companies expect the TNFD to build on the success of the TCFD

There is general consensus across the companies interviewed that the TCFD has played a positive role in paving the way for the TNFD. TCFD has created broad awareness and a baseline understanding of sustainability issues, particularly in companies' senior management. Interconnectivity of the nature and climate agendas is increasingly acknowledged within financial spheres, with for example President of the European Central Bank Christine Lagarde's statement that "Climate and biodiversity are two sides of the same coin—it is vital that we look at them together."¹³ Companies are therefore intending to leverage their understanding and lessons learned from the TCFD to incorporate any future nature-related disclosure framework.

4.2 Barriers for TNFD to tackle

4.2.1 How to capture the complexity of biodiversity in reporting and disclosure?

Unlike greenhouse gas emissions, impacts and dependencies on nature are locally-specific and must therefore be assessed at a granular geospatial scale. There is a good level of awareness across companies interviewed that impacts related to biodiversity are significantly more complex to measure and monitor than climate-related impacts. Companies are therefore looking to TNFD for guidance on how to capture the complexity of biodiversity.

There is currently no single indicator of corporate impact on biodiversity that is widely accepted and adopted. The many indicators currently employed capture different elements of biodiversity (e.g. focus on species threat, or diversity, or abundance) and can be specific to certain geographies or sectors), as detailed in Section 3.4. They are used at site-level for companies to understand and monitor its impact on the local environment, with varying timescales (from years to decades) but are difficult to aggregate across a portfolio of sites to assess a company's overall impact.

13 From her opening speech at the 2021 IUCN World Conservation Congress, in Marseille.

Although the TNFD will not develop a set indicator to measure and report on impacts on biodiversity, it could make use of ongoing research from initiatives such as the SBTN and the EU Align project to set out standards or requirements from indicators suitable to be included in a disclosure framework and aligned with the future indicators of the post-2020 global biodiversity framework. This will enable companies to identify indicators fitting to their specific context (e.g. in terms of type of impacts or geography) but also meeting the requirements of the TNFD framework.

4.2.2 How to improve the transparency of supply chains?

Nature-related risks throughout industry supply chains are still insufficiently understood. Companies interviewed highlighted that the current global commodities market makes it particularly difficult to ensure transparency and traceability of goods, with many of them unable to identify the original location and/or provider of goods. Companies consider that this prevents them from assessing and reporting on impacts and dependencies associated with their supply chains.

Although an increasing number of companies are looking to engage with their suppliers on improving transparency, they hold insufficient power individually to trigger significant change. Companies are therefore looking to the TNFD to trigger cross-sectoral engagement with supply chain actors in order to systematically improve transparency. The collaborative power of TNFD (see Section 4.1.1) will be particularly relevant in this effort, while building on ongoing efforts from sector-specific initiatives (e.g. certification schemes outlined in previous sections, and engagement platform such as WBCSD's Soft Commodities Forum).¹⁴

4.2.3 How to ensure uptake by companies that are only starting their journey?

Companies interviewed are among the front-runners of their sectors in terms of integrating nature-related risks in their operations, through their active engagement in initiatives such as the SBTN, WBCSD and TNFD. However, the TNFD should be cognizant of the realities of companies beyond its Alliance, which have not historically engaged on such questions and have much of their nature journey still to travel.

The final TNFD disclosure framework should be fit-for-purpose across sectors and companies. In particular, research and discussions in the coming two-year development period should be balanced across “*what to report?*” and “*how to report?*”, so that the practicalities of implementation remain central to the process. An iterative process will be essential, to incorporate lessons-learned from piloting efforts into the final disclosure framework to be released. In addition, sector-specific guidance would facilitate uptake by the wide variety of companies involved and interested.

14 Further information available at: wbcscd.org/Programs/Food-and-Nature/Food-Land-Use/Soft-Commodities-Forum

4.2.4 How to foster the right kind of actions for mitigating impacts on nature?

Capturing the many different ways a company can impact nature will be challenging, in particular positive actions.

Companies interviewed highlighted the need to establish a framework that accounts for both positive and negative impacts on nature and can go beyond successes at the level of company-specific metrics. For example, positive influence on a company's value chain may not translate into positive improvement of a company's direct metrics, or its calculations towards its ambitions and commitments, but remains essential in order to drive cross-sectoral action. Similarly, the co-benefits associated with nature-based solutions should be integrated, as well as other associated social impacts from actions for nature (e.g. job creation, community involvement).

Gender-Environment Nexus

Research from UNEP has demonstrated that, although environmental decline affects everyone, its "burden weighs most heavily on the poor and vulnerable, where women are often overrepresented" (UN Environment Programme (UNEP) 2021). Gender has been recognised as a key consideration in achieving global environmental goals, with a rights-based approach and gender equality necessary to secure progress towards environmental sustainability (WEF 2020a).

In addition to being disproportionately affected by environmental decline, women are also poorly represented within corporate decision-making processes, making up only 29% of senior positions across the corporate sector (Grant Thornton 2019). The gender gap in participation and leadership in those processes must be addressed to make institutions and policies more representative.

With its focus on governance, strategy, risk management, and metrics and targets, the TNFD disclosure framework lends itself particularly well to the integration of gender equity considerations across corporate practices and decision-making processes.



5. Annex A: Interview Framework

The list of questions below was used as guidance during the semi-structured interviews, with questions adapted to the specific context of the company or the answers being provided. The questions were also made available through an online questionnaire, for companies which preferred engaging through written answers over an interview format.

Section A: Generic Questions

i. Addressing nature-related risks and opportunities

1. To what extent does your company perceive nature as a source of risk for the company as a whole and/or for some activities in particular?
2. Does your company consider opportunities for making (any of) its value chain nature-positive, and why?

Please feel free to share an example of any instances where nature-related risks, impacts or opportunities influenced operations or activities.

ii. Regulatory environment

3. Is the regulatory environment in your sector incentivizing companies to assess, measure, and report upon exposure to nature-related risks and impacts?

Section B: Tools to assess biodiversity risks and impacts

4. Does your company have a standard process, and policies or guidelines, to assess its nature-related risks and impacts? If yes, can you i) describe it, including at what scale (site, company-wide) it is done? and ii) what tools and methodologies are used? (e.g. ENCORE, IBAT, IUCN resources, etc).

Please feel free to comment on the effectiveness of this approach and tools.

Section C: Metrics, Targets and Reporting

iii. Metrics

5. Is your company using any defined system or metrics to assess, measure, track and report upon nature-related risks and opportunities?

iv. Targets

6. Has your company established performance targets relative to nature? If yes, how does it measure/track performance against those targets?

v. Reporting

7. Does your company have a standard process to report on its nature-related risks and impacts? If yes, can you describe it and the indicators used (if any)?

Section D1: Lessons from TCFD/Opinions on TNFD (TNFD Alliance)

8a. Would you have any advice on the challenges and opportunities on a common framework for nature-related financial disclosures?

Please feel free to share your feedback on the effectiveness of the TCFD approach, any lessons learnt and/or recommendations which may help develop a TNFD that fits the purpose of nature-related risk but can be implemented in synergy with the work already done, and processes already adopted surrounding TCFD.

Section D2: Opinions on TNFD (Non TNFD Alliance)

8b. Is your company aware of the TNFD development process, and planning to participate in the initiative?

6. Annex B: Presentation of case studies

In the course of this study, a variety of companies, representing different sectors, of size, geographical presence, and level of exposure towards nature-related risks were engaged with. The Annex presents summary case studies of the various companies that participated in the survey. Not all interviews have led to the development of a case study.

6.1 A multinational mining company with operation sites worldwide

This Europe-based mining company is a major producer of minerals such as diamonds, copper, platinum group metals and copper, with operations worldwide, and is part of the TNFD Alliance.

6.1.1 Current practices regarding nature-related risks and opportunities

The company has recognized nature as a source of opportunity, not just a source of risk. Since 2009, it has been addressing nature-related risks by implementing policies and a biodiversity performance standard linked to a No Net Loss / Net Gain commitment. Today, seeing biodiversity considerations as an increasing priority, it has adopted a more holistic approach in setting a Net Positive Impact commitment.

The mitigation hierarchy is the fundamental framework for this company to integrate biodiversity risks into its development and operation of projects. The company has developed an internal tool relying on data from the IBAT, complemented with national, regional, or country-level datasets such as national IUCN Red List, to measure the risks and opportunities for different site level operations. The company has also been emphasising the use of new learnings and tools in bridging the knowledge gap at older/historical sites, especially where there is no historical baseline available. Biodiversity is not only considered throughout development and operations of projects but is also being discussed as part of the company's high-level decision-making processes in the context of its commitments.

Metrics for the company to establish a Net Positive Impact are currently site-specific and based on the key biodiversity features identified at each site. The focus has been on internal reporting, but the company is looking for ways to aggregate corporate level metrics and work towards external reporting. Different corporate-level metrics are being explored, such as the ratio of sustainability investment (across climate, water, biodiversity).

6.1.2 Perspectives on the TNFD

The company is looking to the TNFD to foster collaboration, to help companies consider what is best for nature instead of what is best for their individual performance. It hopes TNFD can guide companies in channelling flows and resources towards the most important impact areas for nature, through a disclosure framework that would give them credit for such investments and actions.

6.2 A multinational energy company

This Europe-based energy company has been involved in the production and marketing of oil, biofuels, natural and green gases, renewables, and electricity, and is present in more than a hundred countries worldwide. The company is part of the TNFD Alliance.

6.2.1 Current practices regarding nature-related risks and opportunities

The company recognizes nature as a source of risk and has been working for almost five years on assessing the impacts and dependencies of different phases of its value chain on nature. While it is still work in progress, the company is looking to integrate nature-related risks in both its global and local decision-making. The key drivers for this effort have been the increased market competition around adopting sustainability measures, as well as anticipated pressure from investors.

The company's biodiversity ambition is largely focused on a holistic culture shift in how it addresses its impacts on biodiversity. The company is implementing biodiversity management at the project level based on the mitigation hierarchy framework, with No Net Loss or Net Gain outcomes sought out. The company is also considering its indirect impact on biodiversity through greenhouse gas emissions, and has a dedicated unit working on natural climate sinks and their biodiversity co-benefits.

The company is actively involved in different nature-related initiatives and research, including on data sharing and landscape restoration; and it is seeking the support of external partners to develop targets and measures for measuring its overall footprint on biodiversity and having a uniform methodology for measurement across all sites. Presently, it is trialling several metrics such as the STAR, the GBS, and the BISI. The company is also in the process of developing its performance targets and may choose to align with the targets for nature to be set out by the SBTN. The company produces non-financial reports but has found that the methodologies to apply did not always capture nature-related risks and opportunities associated with its operations accurately.

6.2.2 Perspectives on the TNFD

The company is looking to the TNFD to harmonize different biodiversity-related reporting mechanisms, metrics, and indicators, as it feels there are too many discrepancies across companies. It sees the TNFD as credible and with sufficient leverage to develop a disclosure framework that is realistic and consensus-based. It also hopes the TNFD will include impacts on biodiversity at both local and global-scale biodiversity, associated with sector specificities.

6.3 A South American pulp and paper company

This South America-based pulp and paper company is one of the largest producers in the world, with products sold worldwide. It is not part of the TNFD Alliance.

6.3.1 Current practices regarding nature-related risks and opportunities

The company has considered itself highly exposed to nature-related risks due to its ownership, and associated management responsibility, of 1.3 million hectares of forest. The company is particularly concerned by the shift in land use patterns due to climate change impacts. The company's 10-year sustainability goals are building the foundation to look into nature-related opportunities as well, following a sectoral-shift from complying with regulatory requirements to understanding how conservation could create added value to the company's business model. In 2020, the company started to develop its conservation strategy, with a focus on promoting connectivity of priority biodiversity areas and reducing anthropogenic pressures.

Since 2019, the company has been looking at sustainability issues related to water, waste, and expansion and management of 100,000 hectares of forest and land for conservation. While the current metrics the company is using to assess nature-related risks remain specific and localized (e.g. occurrence of forest fires in Chile), it is aiming to include a set of Key Performance Indicators (KPI) focusing on biodiversity issues in its upcoming conservation strategy. The company is finalising FSC certification for its production in Argentina, and 99% of owned forests in their countries of operation will soon be under sustainable management schemes. The company has already adopted multiple reporting standards such as GRI Indicators and We Value Nature's Integrated Reporting framework and are also looking at sector-specific indicators from the Sustainability Accounting Standards Board (SASB).

6.3.2 Perspectives on the TNFD

The company believes that TNFD has the opportunity to make a strong business case for biodiversity by demonstrating that addressing nature-related risks and opportunities will reduce costs rather than increasing them. However, the complexity of the issue is a concern, with the TCFD considerations requiring 3-years to be embedded into the company's operations. The company also voiced concerns on the number of nature-related initiatives, and the resources and time required from companies to engage.

6.4 European seafood company

A major European seafood producer, this company is part of the TNFD Alliance.

6.4.1 Current practices regarding nature-related risks and opportunities

Recognizing that its fishing and seafood farming activities are wholly dependent on nature, the company considers nature as a potential source of risk and has conducted a study with an NGO to identify its risks associated with dependencies and impacts on nature. The company also considers the reduction of nature-related risks as an opportunity to reduce costs and increase company profitability.

As part of its existing business strategy, the company has been working to reduce dependencies on nature and their associated risk. One of the key focus has been on salmon farming, with a reduction of farming time in the sea, development of condition monitoring tools, and improvement of fish welfare.

Performance indicators are based on survival and quality of farmed fish. However, the company also has environmental targets related to the sustainable sourcing of feed, including deforestation-free soy from Brazil. The company has adopted existing reporting standards such as GRI Indicators and sector-specific indicators from the Global Salmon Initiative. It is also in the process of developing a reporting framework with an environmental NGO, based on research published by UNEP⁵ and on Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE).

6.4.2 Perspectives on the TNFD

The company is looking to TNFD to improve the understanding of value chains, in particular related to the sourcing of raw commodities, and addressing the lack of transparency in the global commodities market. The company is also looking to TNFD to unify the different metrics, targets and reporting standards under development. Lastly, the company would like a sector-specific translation of nature-positive ambitions.

6.5 A major European food and beverage company

This company is a major European food and beverage processing company, part of the TNFD Alliance.

6.5.1 Current practices regarding nature-related risks and opportunities

The company acknowledges its significant dependency on healthy forests, soils and ocean for the supply of food, and therefore considers biodiversity loss as a risk to its business as well as to the farmers and communities associated with the company's operations. Environmental expectations from consumers have also triggered the company to look at a nature-positive ambition as a potential opportunity to retain buy-in.

A key focus of the company's nature-related risk mitigation has been through sustainable sourcing of commodities. The company has been working towards zero deforestation in its forest-commodities supply chains, and rewarding suppliers for their environmental efforts through bigger, longer-term, and/or premium-priced contracts. The company is committed to net zero emissions by 2050 and is promoting regenerative agriculture among its suppliers with an aim to create sustainable landscapes and livelihoods. The company has an enterprise risk management framework, which includes external and internal assessments of business, regulatory, and reputational drivers of nature-related risk. Examples include assessing deforestation risk by combining raw materials supply chain information with satellite monitoring and on-the-ground, as well as assessing water-related risks at operation sites by combining the 4 publicly available tools of WRI Aqueduct, WWF Water Risk Filter, Pfister Water Stress Index and the Water Depletion dataset by EarthStat to produce a water-stress assessment score for each site. The company's main sustainability reporting framework relies on GRI indicators related to water and forests.

6.5.2 Perspectives on the TNFD

The company is looking to the TNFD to standardise metrics to enable comparability across companies, while accounting for sector specificities. It is also hoping it will address the mismatch in time horizons between nature's processes and business operations, to ensure a sufficient business case for private sector actions.

6.6 A Europe-based fashion retailer

This Europe-based clothing company is specialised in fashion retail, with operations in over 60 countries worldwide. The company is part of the TNFD Alliance.

6.6.1 Current practices regarding nature-related risks and opportunities

The company acknowledges the dependency of its value chain on nature and has carried out research into the impacts associated with raw materials production. It has several sustainability-focused strategies, which include the promotion of regenerative agricultural practices and biodiversity conservation, the replacement of virgin materials for recycled materials; and sourcing of only FSC materials by 2025.

The company is still in the process of developing methodologies to implement its biodiversity-focused goals and hopes to capture associated variables, including social ones. At present, the company views certification as an effective first step towards ensuring sustainability by ensuring traceability, hence its commitment towards sourcing FSC materials.

The company's reporting is embedded within the goals of the Fashion Pact and the Textile Exchange Corporate Fibre and Materials Benchmark (CFMB).

6.6.2 Perspectives on the TNFD

The company is looking to TNFD to develop a uniform reporting framework which would allow for a level playing field, and to provide guidance on improving decision-making for biodiversity in a cost-efficient way, so that resources are allocated towards positive impact.

6.7 A European groceries and retail company

This major Europe-based groceries and retail company is present across Europe and is part of the TNFD Alliance.

6.7.1 Current practices regarding nature-related risks and opportunities

The company acknowledges that biodiversity loss is a significant business risk, although it believes the understanding of this risk is far less advanced among the retailing sector than it is within the manufacturing sector (among others).

The company's core sustainability strategy is focused on agriculture, and engagement with its supply chain on issues such as water use, biodiversity, soil health and emissions. It requires regulatory compliance from its suppliers, along with having biodiversity, water and soil health plans in place. The company already has a zero net deforestation commitment for its soy supply, which it is looking to expand to other commodities. Other key raw commodities have specific commitments, such as palm oil, timber, paper, beef, and fisheries.

The company is looking to develop a more comprehensive nature strategy, that goes beyond only agricultural practices, and which would fill gaps in assessment and auditing across its value chain.

The company reports against CDP indicators for water, climate and forests, and the Consumer Goods Forum (CGF) commodity-specific sustainability measures.

6.7.2 Perspectives on the TNFD

The company is looking to TNFD to adopt a practical approach, that will account for the discrepancies between companies actively engaged in the TNFD and nature-related initiatives with companies that are not. It foresees a need for significant capacity building for sectors to understand their impacts and the business case for addressing those and other nature-related risks.

6.8 A South American cosmetic company

This South American cosmetic company is present in over 70 countries worldwide and is part of the TNFD Alliance.

6.8.1 Current practices regarding nature-related risks and opportunities

The company acknowledges nature-related risks for its business operations. Its nature-related ambitions focus on three key areas: 1) maintaining integrity of habitats (e.g. sustainable forestry), 2) minimising nature-related risks of communities local to its operations, and 3) payment of access and benefit sharing (ABS).

The company is developing internal processes to improve integrated management of biodiversity, taking into account relevant national legislation. It uses multiple methodologies to measure its nature-related impacts, including related to water consumption, water pollution, emission of greenhouse gases, waste generation, and land-use. The company is engaging with the SBTN to determine how science-based targets for nature could be set out. The company reports on its environmental performance in its annual report, and indicators from CDP and DJSI.

6.8.2 Perspectives on the TNFD

The company is looking to TNFD to integrate social considerations into its disclosure framework, recognising the role of local communities and indigenous peoples for biodiversity conservation. It is also looking to TNFD to capture the positive impact from actions such as nature-based solutions into corporate disclosure.

6.9 A Europe-based electricity and gas company

A Europe-based electricity and gas manufacturer and distributor, this company operates in over 30 countries and is part of the TNFD Alliance.

6.9.1 Current practices regarding nature-related risks and opportunities

The company acknowledges nature-related risks associated with its operations, in particular due to their impacts on local communities. However, it also identifies nature-related opportunities in reducing regulatory and supply risks to improve its business in the long-term. The company published a biodiversity manifesto in 2015, adopting the mitigation hierarchy framework and a No Net Loss of biodiversity commitment.

Management of nature-related risks is heavily influenced by regulations from countries of operations, including relating to EIA and mitigation regulations. The company also takes into account proximity to protected areas or range of threatened species into consideration, using the IBAT. Since 2019, the company has implemented internal guide-

lines to consider biodiversity throughout the life cycle of its operations. As advised by the SBTN, the company has also carried out a preliminary materiality analysis of its impacts. The company reports on its nature-related risks using indicators from GRI, CDP, SASB and SDG Compass. It has yet to adopt indicators to measure its performance against its No Net Loss commitment.

6.9.2 Perspectives on the TNFD

The company is looking to TNFD to develop sector-specific metrics for nature-related impacts, to help companies benchmark their performance against peers.

6.10 A South-East Asian conglomerate

A South-East Asian conglomerate, this company has activities in the infrastructure and utility sectors (among others).

6.10.1 Current practices regarding nature-related risks and opportunities

The company acknowledges nature-related risks associated with some of its key businesses. This includes, but is not limited to, its reliance on supply of natural resources (from agro-commodities, to water and minerals) and resilience of local communities near its sites of operation.

The company has developed a biodiversity policy, with certain subsidiaries implementing specific approaches for nature-related risk assessment and management, such as the mitigation hierarchy. Some subsidiaries make use of the IBAT tool and other IUCN Red List resources to ensure compliance with safeguards outlined by the Asian Development Bank and the International Finance Corporation. If projects are financed by either of the development banks, this also triggers monitoring requirements for the projects' impact on biodiversity. However, there is no systematic approach or target at conglomerate-level. The company publishes annual integrated reports, with biodiversity included within broader ESG themes, but with no specific indicator associated.

6.10.2 Perspectives on the TNFD

The company is aware of the TNFD process and interested in its future outcomes. Although it is not yet part of the TNFD Alliance, the company is keen to feed into consultation opportunities over the course of the next two years.

6.11 A European-based manufacturer and retailer

A Europe-based manufacturer and retailer, this company operates in over 50 countries.

6.11.1 Current practices regarding nature-related risks and opportunities

The company acknowledges nature-related risks associated with its operations, in particular for its sourcing of raw materials such as wood and agricultural fibres. It is aware that degradation of ecosystem services would lead to supply chain disruption and create negative impacts for both its customers and the company. However, the company also perceives nature as a source of opportunity, including to mitigate climate-change impacts.

Management of nature-related risks is primarily focused on responsible sourcing practices for the company's forest and agricultural products, with a range of certification schemes adopted. Due to its broad diversity of activities, the company does not have a single approach to assessing nature-related risks and uses a variety of tools and data sources such as WRI Aqueduct, Global Forest Watch, and IBAT as well as information provided by private consultancies. It does not currently have systematic metrics to assess, measure, track and report on nature-related risks and opportunities.

The company has established nature-related performance targets relative in part of its operations, focusing on waste production, pollution, and water and energy use. They report against those targets on a yearly basis.

6.11.2 Perspectives on the TNFD

The company is aware of the TNFD development but has not yet made a decision regarding its possible engagement with the TNFD Alliance.



7. References

Cambridge Institute for Sustainability Leadership (2021) *Handbook for Nature-related Financial Risks: Key concepts and a framework for identification*. Available at: cisl.cam.ac.uk/resources/sustainable-finance-publications/handbook-nature-related-financial-risks_report_fa_20_April_.pdf?1524215262

Credit Suisse & Responsible Investor (2021) *Unearthing Investor Action on Biodiversity*. Available at: responsible-investor.com/reports/responsible-investor-and-credit-suisse-or-unearthing-investor-action-on-biodiversity

Cross-Sector Biodiversity Initiative (2015) *A cross-sector guide for implementing the mitigation hierarchy*. Available at: csbi.org.uk/wp-content/uploads/2017/10/CSBI-Mitigation-Hierarchy-Guide.pdf

De Nederlandsche Bank (2020) *Indebted to Nature Exploring biodiversity risks for the Dutch financial sector*. Available at: dnb.nl/media/4c3fqawd/indebted-to-nature.pdf

European Commission (2014) *Non-Financial Reporting Directive (Directive 2014/95/EU)*. Available at: eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095

European Commission (2021) *Proposal for Corporate Sustainability Reporting Directive*. Available at: eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0189

Grant Thornton (2019) *Women in business: building a blueprint for action*. Available at: grantthornton.global/globalassets/global-insights---do-not-edit/2019/women-in-business/gtil-wib-report_grant-thornton-spreads-low-res.pdf

Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (2019) *Global Assessment Report*. Available at: ipbes.net/global-assessment#:~:text=The%20IPBES%20Global%20Assessment%20on,accepted%20by%20the%20IPBES%20Plenary.

International Finance Corporation (2012) *Performance Standard 6*. Available at: ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps6

International Institute for Sustainable Development (2021) *Why a Gender Lens is Key to Sustainable Investing*. Available at: iisd.org/articles/why-gender-lens-key-sustainable-investing

International Union for Conservation of Nature (2021) *Species Threat Abatement and Recovery (STAR) Metric*. Available at: iucn.org/regions/washington-dc-office/our-work/species-threat-abatement-and-recovery-star-metric

Locke, H., et al (2020) *A Nature-Positive World: The Global Goal for Nature*. Available at: library.wcs.org/doi/ctl/view/mid/33065/pubid/DMX3974900000.aspx

Principles of Responsible Investment (2021) *Investor Action on Biodiversity: Discussion Paper*. Available at: unpri.org/download?ac=11357

Taskforce on Nature-related Financial Disclosures (2021) *Proposed Technical Scope*. Available at: tnfd.global/wp-content/uploads/2021/07/TNFD-%E2%80%93-Technical-Scope-3.pdf

UN Environment Programme (2018) *Assessing Environmental Impacts—A Global Review of Legislation*. Available at: unep-wcmc.org/system/dataset_file_fields/files/000/000/494/original/Assessing_Environmental_Impacts_A_Global_Overview_of_Legislation_

UN Environment Programme (2021) *Making Peace with Nature: a scientific blueprint to tackle the climate, biodiversity and pollution emergencies*. Available at: unep.org/resources/making-peace-nature

UN Environment Programme (2022a) *Nature in a haystack: Leveraging public nature-related data in disclosure frameworks*. Recommendations based on an assessment of data availability for Costa Rica, India, Indonesia, Mexico and South Africa. Available at: unepfi.org/publications/nature-in-a-haystack/

UN Environment Programme (2022b) *Prioritising nature-related disclosures. Considerations for high-risk sectors*. Available at: unepfi.org/publications/prioritising-nature-related-disclosures

UN Environment Programme, UN Environment Programme Finance Initiative and Global Canopy (2020) *Beyond 'Business as Usual': Biodiversity targets and finance. Managing biodiversity risks across business sectors*. Available at: unepfi.org/wordpress/wp-content/uploads/2020/06/Beyond-Business-As-Usual-Full-Report.pdf

UN Environment Programme World Conservation Monitoring Centre (2020) *Biodiversity Indicators for Site-based Impacts (BISI)*. Available at: unep-wcmc.org/featured-projects/biodiversity-indicators-for-site-based-impacts

World Business Council For Sustainable Development (2022) *Business readiness to step up action on nature—trends & insights on corporate reporting*. Available at: wbcsd.org/Programs/Food-and-Nature/Nature/Nature-Action/Resources/Business-readiness-to-step-up-action-on-nature-trends-insights-on-corporate-reporting

World Economic Forum (2020a) *Nature Risk Rising*. Available at: www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf

World Economic Forum (2020b) *The Global Risks Report 2020*. Available at: weforum.org/reports/the-global-risks-report-2020

World Economic Forum (2022) *The Global Risks Report 2022*. Available at: www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf



United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development. UNEP FI works with more than 450 members—banks, insurers, and investors—and over 100 supporting institutions—to help create a financial sector that serves people and planet while delivering positive impacts. We aim to inspire, inform and enable financial institutions to improve people's quality of life without compromising that of future generations. By leveraging the UN's role, UNEP FI accelerates sustainable finance.

unepfi.org

-  unepfi.org
-  info@unepfi.org
-  [/UNEPFinanceInitiative](https://www.facebook.com/UNEPFinanceInitiative)
-  [United Nations Environment Finance Initiative](https://www.linkedin.com/company/United-Nations-Environment-Finance-Initiative)
-  [@UNEP_FI](https://twitter.com/UNEP_FI)



The UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) is a global Centre of excellence on biodiversity and nature's contribution to society and the economy. The Centre operates as a collaboration between the UN Environment Programme and the UK-registered charity WCMC. We work at the interface of science, policy, and practice to tackle the global crisis facing nature and support the transition to a sustainable future for people and the planet.

unep-wcmc.org

-  unep-wcmc.org
-  info@unep-wcmc.org
-  [/unepwcmc](https://www.facebook.com/unepwcmc)
-  [UNEP-WCMC](https://www.linkedin.com/company/UNEP-WCMC)
-  [@unepwcmc](https://twitter.com/unepwcmc)

ISBN: 978-92-807-3943-5
Job No: DEPI/2440/NA