

UPPING THE ANTE

The onus on business to report on nature is accelerating, with multiple frameworks and standards taking shape. **Catherine Early** explains

Businesses' awareness of their impacts and dependencies on nature is rising fast. UN negotiations for a new global deal for nature at COP15 in December were attended by an estimated 2,000 business representatives, compared with previous nature summits, which had seen barely any.

This has followed increasing evidence of the dependency of business on nature. More than half of global GDP is moderately or highly dependent on nature, according to new analysis by PwC. All 163 economic sectors analysed by the consultancy have a portion of their supply chain that is highly dependent on nature. For agriculture, fisheries and aquaculture, forestry, food and drink, and construction, all the economic value of direct operations is highly dependent on nature.

PwC argues that businesses should place nature loss on the same level as climate change in strategy and risk assessments. It is anticipating a rise in work in this area and is upskilling its entire global workforce on the issue, doubling the number of nature specialists it employs to 1,000, and launching a global Centre for Nature Positive Business.

Mandatory disclosures

In fact, one of three key business asks at COP15 was for disclosures on nature to be made mandatory by 2030, with more than 330 business and finance institutions writing to governments urging them to enshrine this in a target.

A survey by consultants at KPMG last October found that only around 40% of 5,200 top global corporations report on biodiversity. And those that do report are

not necessarily doing so at a mature level, according to analysis by the World Business Council for Sustainable Development (WBCSD) of 55 of its members already active on the issue.

This found a lack of standardisation and timebound, measurable targets. Businesses tended to focus on actions to reduce nature loss, with fewer first considering how to avoid it.

But businesses are going to have to get up to speed on the issue, and fast. The final deal agreed at COP15 – named the Kunming-Montreal Global Biodiversity Framework (GBF) – includes a

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commitment by governments to require large companies and financial institutions to regularly monitor, assess and disclose risks, dependencies and impacts on nature, covering their operations, supply chains and portfolios.

Governments will bring forward proposals to meet this and other targets in the GBF in national biodiversity strategies and action plans in time for COP16 in 2024. France made the disclosure of biodiversity risks mandatory in 2021. The UK is actively discussing mandatory nature reporting, whose supporters include international environment minister Lord Goldsmith.



The EU has taken the GBF as a baseline against which to check the requirements in its Corporate Sustainability Reporting Directive, says Martin Lok, executive director of the Capitals Coalition. “If they are not sufficient to meet the GBF targets, the EU will push for further clarification in relation to nature-related elements and make all the guidance in line with the GBF,” he says.

In Brazil, financial institutions sized up to 10% of the country’s GDP must report to the Central Bank of Brazil on social, environmental and climate risks relevant to the country. There are other examples in Indonesia and India that are not specifically about nature, but are clearly related to the issue, he adds.

However, businesses should not wait until governments force them to report, Lok believes. “What we hear from many of the businesses that are leading on this is that they want to stay ahead of the curve, and they can help shape the guidance that is now under way.”

Frameworks to help

Several pieces of work to help businesses assess, monitor, report and act on nature risks and dependencies are now coming to a head. The Taskforce on Nature-related Financial Disclosures (TNFD) – a market-led initiative to standardise companies’ nature-related financial disclosures, based on the principles of that for climate-related disclosures – has developed a risk management and disclosure framework to help companies report and act on nature-related risks. TNFD published V0.3 of its beta framework in November 2022, and its final guidance will be ready in September.



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McCormick adds that membership organisations such as the WBCSD and Capitals Coalition have a role to keep track of changes and distil them to members.

WBCSD is supporting businesses to speed up the process of identifying the risks, opportunities and priority actions that are relevant to their business by providing sector-specific roadmaps. “It’s a one-stop shop, so you don’t have to go to the SBTN there, and the TNFD and the GBF there,” she says.

Despite the complexities of nature reporting, businesses should be reassured that much of the work they need to do can build on related environmental reporting – for example, on climate or freshwater, says McCormick.

Making the most of data

According to Lok, businesses already collect a lot of the data required for nature reporting, but ownership can be fragmented within a company. “Most businesses have much more nature-related data within their own organisation than they are aware of; they’re not always sharing it across different systems.” Other data relevant to the environment in which a company operates can be found in global datasets or via non-government organisations, he says.

“It’s about seeing what they’re doing already to avoid and reduce negative impacts, and about how they’re looking to reverse those and just starting from there,” says McCormick.

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Meanwhile, the Science Based Targets Network (SBTN) is planning to release a beta version of guidance in May. This will enable companies to set science-based targets for nature and will focus on impacts on freshwater quantity, quality (specifically nitrogen and phosphorus), as well as protecting and restoring terrestrial ecosystems. The guidance will be piloted by a group of pre-selected companies ahead of a wider roll-out in early 2024.

In addition, the Global Reporting Initiative has developed and consulted on a Draft Biodiversity Standard to support companies in meeting reporting obligations. The International Sustainability Standards Board – a body created at COP26 to develop a comprehensive global baseline of sustainability disclosures for the capital markets – is considering nature-related standards and disclosures.

Acronym overload

Though the number of new standards and frameworks can seem like an “acronym tsunami”, the organisations behind them and corporate member bodies are working to ensure they align as much as possible, according to Nadine McCormick, senior manager of nature action at WBCSD.

“This is a really fast-moving space, much faster than climate reporting, because we’re following on the path of climate, so the SBTN is following the path of Science Based Targets initiative (SBTi) in developing science-based targets for nature, and the TNFD is following the Task Force on Climate-Related Financial Disclosures,” she says.

“There’s a lot of feedback loops and it’s a very evolving, iterative approach which can feel uncomfortable, so the challenge for a business is how to keep up.”