Make It Mandatory: the case for mandatory corporate assessment and disclosure on nature

October 2022

Business for Nature is a global coalition of 75+ influential organizations and forward-thinking companies, demonstrating a credible business voice calling for policies to reverse nature loss this decade.

More than 1,100 businesses from 70 countries with more than $5 trillion in revenues have signed Business for Nature's call to action 'Nature Is Everyone's Business' urging governments to adopt more ambitious nature policies. Business for Nature takes an integrated systems approach to contribute to a nature positive, net zero and equitable world. Besides global advocacy, the coalition also works to accelerate business action on nature and inform the implementation of the Global Biodiversity Framework on nature.

The Capitals Coalition is a global collaboration redefining value to transform decision making. It sits at the heart of an extensive global network which has united to advance the capitals approach to decision-making.

The ambition of the Coalition is that by 2030 the majority of businesses, financial institutions and governments will include the value of natural capital, social capital and human capital in their decision making and that this will deliver a fairer, just and more sustainable world.

The Coalition has published **two international protocols** - the Natural Capital Protocol and the Social & Human Capital Protocols – that provide a standardized framework for businesses to identify, measure and value direct and indirect impacts and dependencies on stocks of natural, social and human capital.

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than **680 financial institutions with over $130 trillion in assets**, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Nearly 20,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of global market capitalization, and over 1,100 cities, states and regions. Fully Task Force on Climate-related Financial Disclosure (TCFD) aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative.

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Foreword

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Everything we value and depend on in life derives from nature: a stable climate, food, security, health, economy, culture and livelihoods. But we are failing to recognize nature's true value and to protect this most important asset.

The nature crisis not only means we are losing species and ecosystems, but that we are losing the multitude of benefits that they provide to **communities, societies and economies**. Precious and irreplaceable ecosystems like the world's **tropical rainforests** are shifting from carbon sinks to carbon sources, more than **1 million species** face extinction and global wildlife populations **have plummeted by 69%** since 1970. Nature loss at this scale will have systemic and devastating impacts across all aspects of human society, including our financial system and global value chains. We are crossing **irreversible tipping points** with many communities already living in crisis.

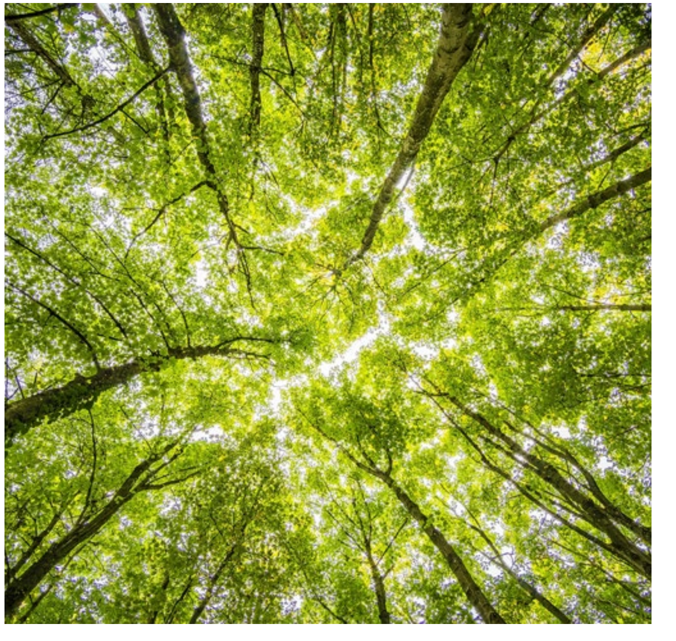
We know that human activity is leading to the destruction of nature: over **50% of the world's habitable land** has been converted to agricultural land, cities and roads - which is contributing to an increasingly unstable and unpredictable climate. These shifts are undermining human wellbeing and progress, but we still have the power to change course. Through bold public policy and a concerted global effort from all corners of human society we must halt and reverse nature loss by the end of the decade. This will take a tremendous effort and a sizable investment, but the cost of inaction will be far greater.

This year, world leaders convene for climate and biodiversity negotiations at UNFCCC COP27 in November and UN CBD COP15 in December 2022. The UN Convention on Biological Diversity COP15 conference is a once-in-a-decade opportunity for the world's governments to agree a global agreement for nature, analogous to the Paris Agreement on climate change. With nature loss being one of the greatest risks to our global economy, COP15 will be a critical test for world leaders: will they step up their ambition and act so we can address the crisis we face?

Against this backdrop, this report shows that corporates and financial institutions are calling on governments to adopt mandatory assessment and disclosure at COP15. Leading businesses are starting to understand their impacts and dependencies on nature, through applying the Natural Capital Protocol and by following the **high level business actions on nature** set out by Business for Nature, Capitals Coalition, the Taskforce on Nature-related Financial Disclosures (TNFD) beta framework, the Science-based Targets Network, the World Business Council for Sustainable Development, the World Economic Forum, WWF and others. But they are not always disclosing them and there remains a **stark difference** between corporate assessments and disclosures on climate compared to nature (including biodiversity, freshwater, land, ocean and atmosphere). This leaves businesses exposed to **huge risks** as nature loss continues to undermine progress on food security, human health, climate change, and value chain resilience.

We are at a critical moment where we need to go further and faster to tackle nature loss. The **IPCC's Sixth Assessment Report** issued a "code red for humanity": a stark warning that disastrous tipping points are nearing, and that urgent system-wide action is needed now to increase resilience and reduce vulnerability to the effects of climate change. As mandated climate disclosure continues to grow, now is the time for policymakers to include comprehensive nature disclosure for large companies and financial institutions into policy and regulation.

Evidence from over twenty years of disclosure through CDP has shown that not only does disclosure drive environmental action, it also has tangible benefits for companies. As we continue to experience the impacts of an already changing environment, disclosure has become even more of a business necessity, a way for companies to prepare themselves and boost their resilience and adaptability. Moving from voluntary to mandatory nature disclosure will not only ensure the markets have the data they need to manage financial risks, but, as **evidence from the Banque de France demonstrates**, it will also accelerate the transition to a nature positive economy by shifting capital towards those firms doing well and away from those performing poorly on environmental issues such as deforestation and water security.



This report makes the case for a strong and ambitious **Global Biodiversity Framework (GBF) Target 15** which would commit governments to mandate assessment and disclosure on impacts and dependencies on biodiversity for businesses and financial institutions above a certain size across the UN CBD's 196 member states. Many leading businesses already recognize the multifaceted benefits and opportunities that come with investing in nature, and the risks that come from inaction, and are working towards assessing and disclosing their impacts. It also shows how they are already accelerating efforts to restore ecosystems, including anticipating and avoiding asset stranding, circumventing value chain disruption and protecting vital habitats through responsible sourcing.

More than 330 companies are calling on their Heads of State and Governments to include in Target 15, mandatory requirements for all large and transnational businesses and financial institutions to assess and disclose their impacts and dependencies on biodiversity, by 2030.

Change only happens when voices unite. By speaking together, these businesses and financial institutions are sending Heads of State a clear message. They know there can be no business on a dead planet. They stand ready to transform their businesses and are calling on governments to set the rules of the game through legislation that will create fair competition for business. By unearthing the real cost of nature and biodiversity risks for business and investors, they believe we can transform our systems so positive actions on nature are rewarded by the regulatory, financial and economic system.

We cannot afford to squander this crucial moment. As was the case for the Paris Agreement on climate change, an ambitious, clear and enforceable international agreement is critical to achieve a **nature positive, net zero and equitable world**.

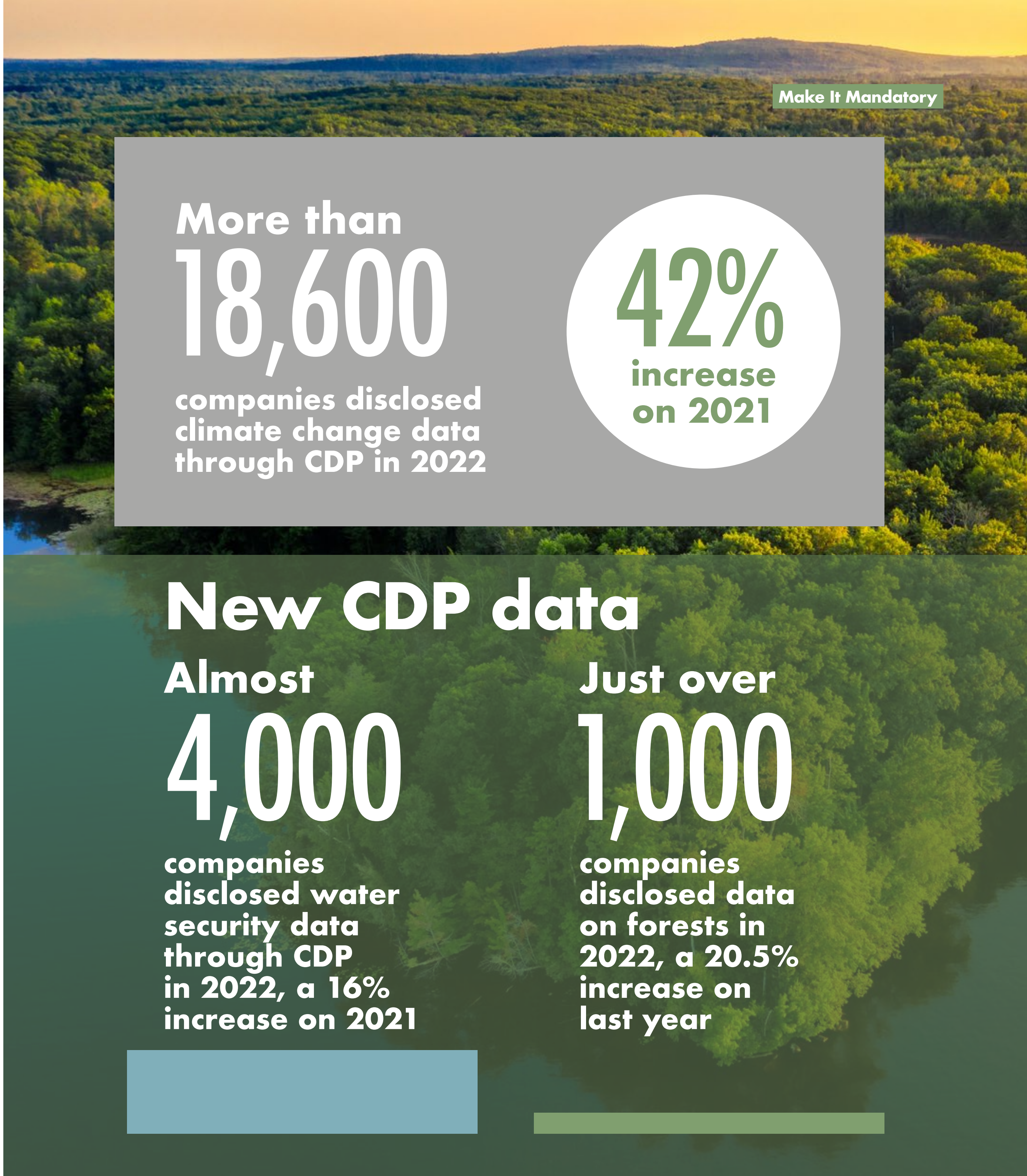
Executive Summary

Climate disclosure has made it to the mainstream. In 2022, climate disclosure through CDP rose by 42% - the highest rate in almost a decade - speaking to growing company awareness, ambition and action on meeting the mid-century goals of the Paris Agreement.

However, new CDP research shows that while climate disclosure has risen up the business agenda at pace, corporate nature-related disclosure is not happening at the speed and scale that's required to halt and reverse nature loss and limit global warming in line with the goals of the Paris Agreement.

New CDP analysis finds overall business disclosure on nature is severely lagging far behind climate and voluntary action is not enough

- While the number of companies disclosing on climate, forests and water security all increased between 2021 and 2022, the widening gap between climate and nature disclosures reveals corporate disclosure on nature to be severely lagging.
- More than **18,600 companies around the world disclosed climate change data** through CDP in 2022 - a 42% increase on 2021.
- In contrast, **just over 1,000 companies disclosed data on forests**, a 20.5% increase on last year.
- **Almost 4,000 companies disclosed water security** data through CDP in 2022, a 16% increase on 2021.



More than **330** businesses and financial institutions

from **52** countries

with total revenues of **$1.5 trillion**

are calling on governments at the UN Biodiversity COP15 to

#MakeItMandatory

for all large businesses and financial institutions to assess and disclose their impacts and dependencies on nature

by 2030

This lack of disclosure poses a fundamental risk to businesses, financial institutions and governments

In 2021, 69% of companies reported climate-related risks through CDP and just 6.5% reported nature-related risks. Not only does this expose businesses to the unquantified risks associated with nature loss, but it also means that they are failing to benefit from the investment opportunities that come with addressing these risks. Businesses should embrace and invest in nature, rather than delay; inaction comes with notably higher costs.

As a result of this lack of disclosure, governments do not have the information needed to enforce changes and track progress. Businesses and financial institutions don't have the political certainty they need to invest and change their business models.

Businesses and financial institutions are calling for regulatory action to make disclosure mandatory

More than 330 businesses and **financial institutions**, from **52 countries** and **representing $1.5 trillion in revenue**, are calling on Heads of State to adopt an ambitious Target 15 at the UN CBD COP15 with mandatory requirements for all large companies and financial institutions to assess and disclose their impacts and dependencies on biodiversity by 2030. More than 100 billion dollar companies have signed the statement, including **BNP Paribas**, **Danone**, **FirstRand**, **GSK**, **H&M Group**, **Holcim**, **IKEA**, **Mahindra**, **McCain Foods**, **Natura &Co**, **Nestlé**, **Rabobank**, **Roche**, **Sintesa Group**, **Sainsbury's**, **Salesforce**, **Sony Group Corporation**, **Tata Steel**, **Unilever**, and **Yara**.

Many companies are already taking steps to address their impacts on nature because they recognize their future success depends on it. Food company **Olam**, cosmetics company **Natura &Co**, chemical company Solvay and many others now regularly use the Natural Capital Protocol to assess their impacts and dependencies and build this into their standard decision-making processes. Fashion giant H&M uses WWF's Water Risk Filter to assess risks in its operations and supply chain. The second largest bank in Europe, BNP Paribas, has committed to mitigating its impact on biodiversity and assessing and disclosing its process through the Act4Nature initiative framework.

However, businesses recognize that voluntary action alone will not deliver the economic transformation that's required to meet climate and nature targets. In May 2022, 91% of respondents to a business consultation agreed that mandatory requirements for businesses to assess and disclose their impacts and dependencies on nature are needed.

Mandatory assessment and disclosure will level the playing field and help corporates realize the investment opportunities that nature brings

Today, environmental issues such as biodiversity loss and climate change are the top global risks to the global economy. This report shows how mandatory assessment and disclosure of impacts and dependencies on nature drives corporate action and brings financial benefits. As well as providing greater market access and better access to capital, mandatory disclosure enables both businesses and governments to track and benchmark progress against peers and uncover risks and opportunities.

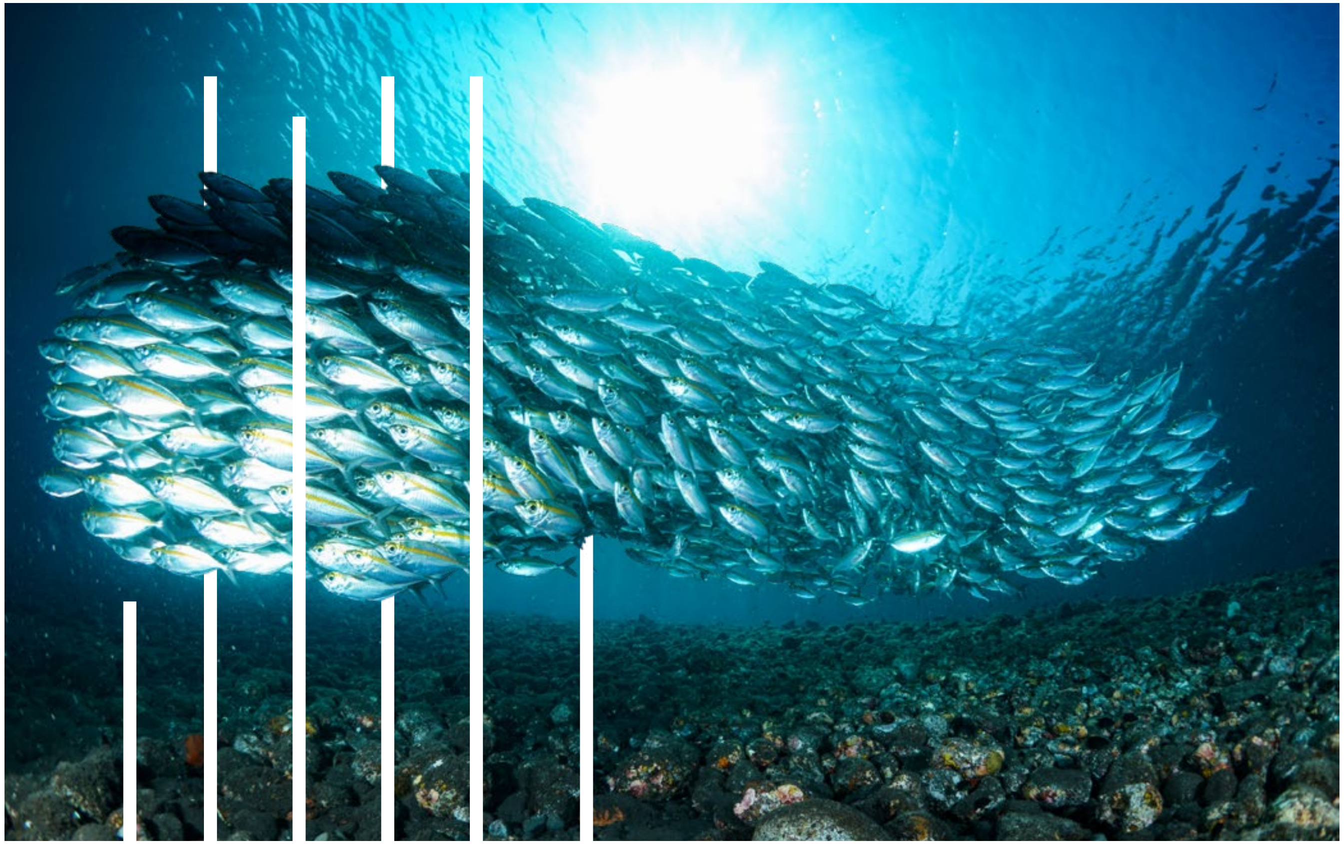
For society, the benefits are clear. Shifting to a nature positive economy will create almost 400 million jobs and an annual business value of over $10 trillion by 2030.

Mandatory nature assessment and disclosure is on the horizon

We already have the tools for companies and financial institutions to advance nature and biodiversity assessment, reporting and disclosure, including the Natural Capital Protocol, the Taskforce on Nature-related Financial Disclosures (TNFD) beta framework, the upcoming IFRS Sustainability Disclosure Standard by the International Sustainability Standards Board (ISSB), guidance from the Science Based Targets Network and annual corporate disclosure on forests and water through CDP.

In the past two years, we've seen legislation introduced in France requiring financial institutions to disclose biodiversity and climate risks. In the European Union, the Sustainable Finance Disclosure Regulation requires companies to disclose activities that negatively affect biodiversity sensitive areas.

The evidence gathered here shows that companies across the world are looking to world leaders to implement policies that require business to assess and disclose their impacts and dependencies on nature. It is both desired and necessary to put us on the path to halt and reverse nature loss by 2030.



Companies urge governments to adopt mandatory requirements on nature

Voluntary assessment and disclosure on nature is not enough: Make it Mandatory at CBD COP15

At the UN CBD COP15 in December, governments will adopt a Global Biodiversity Framework (GBF) which will 'bring about a transformation in society's relationship with biodiversity' in order to achieve the CBD 2050 vision of "Living in Harmony with Nature". This framework will become an international agreement that will strengthen the global response - across governance, finance and the private sector - to the nature crisis.

Businesses and financial institutions have a critical role to play and can take meaningful actions to reduce their negative impacts on, and restore, nature. But voluntary action from leading businesses is not enough and the GBF is the opportunity to require all businesses to act.

More than **330 businesses and financial institutions** with revenues of **more than $1.5 trillion** from **52 countries** have signed the **COP15 Business Statement** calling on Heads of State to **include in Target 15 of the Global Biodiversity Framework mandatory requirements for all large business and financial institutions to assess and disclose impacts and dependencies on biodiversity, by 2030.**

Signatories are also taking actions such as:

1. Assessing their impacts and dependencies on nature
2. Committing publicly to avoid and reduce their negative impacts, prioritizing the most material issues across their operations, value chains and portfolios
3. Transforming their business strategies and models to restore and regenerate nature and collaborate across river basins, land and seascapes
4. Disclosing their material nature-related information.

Read the full statement and list of signatories.

What do we mean by assessing and disclosing?

Assessing - When a business or a financial institution wants to reduce its negative **impacts** on nature, the first step is to understand what those impacts are within its operations, through its value chain, and across its portfolio. This means a company needs to **assess its impacts on nature by measuring and valuing them**, using appropriate methods to **determine the amounts, extent, and condition of nature in physical terms** and the effects that its activities are having, both now and in the future.

As well as assessing impacts, businesses must also review their nature-related **dependencies**, risks and opportunities. This is necessary to build a complete picture, create awareness and a sense of responsibility and accountability within their organization. Dependencies are closely linked to the potential financial risks created by the loss of nature, affecting overall financial and non-financial business performance. Understanding these opportunities can incentivize businesses to act to reduce their negative impacts and increase positive impacts.

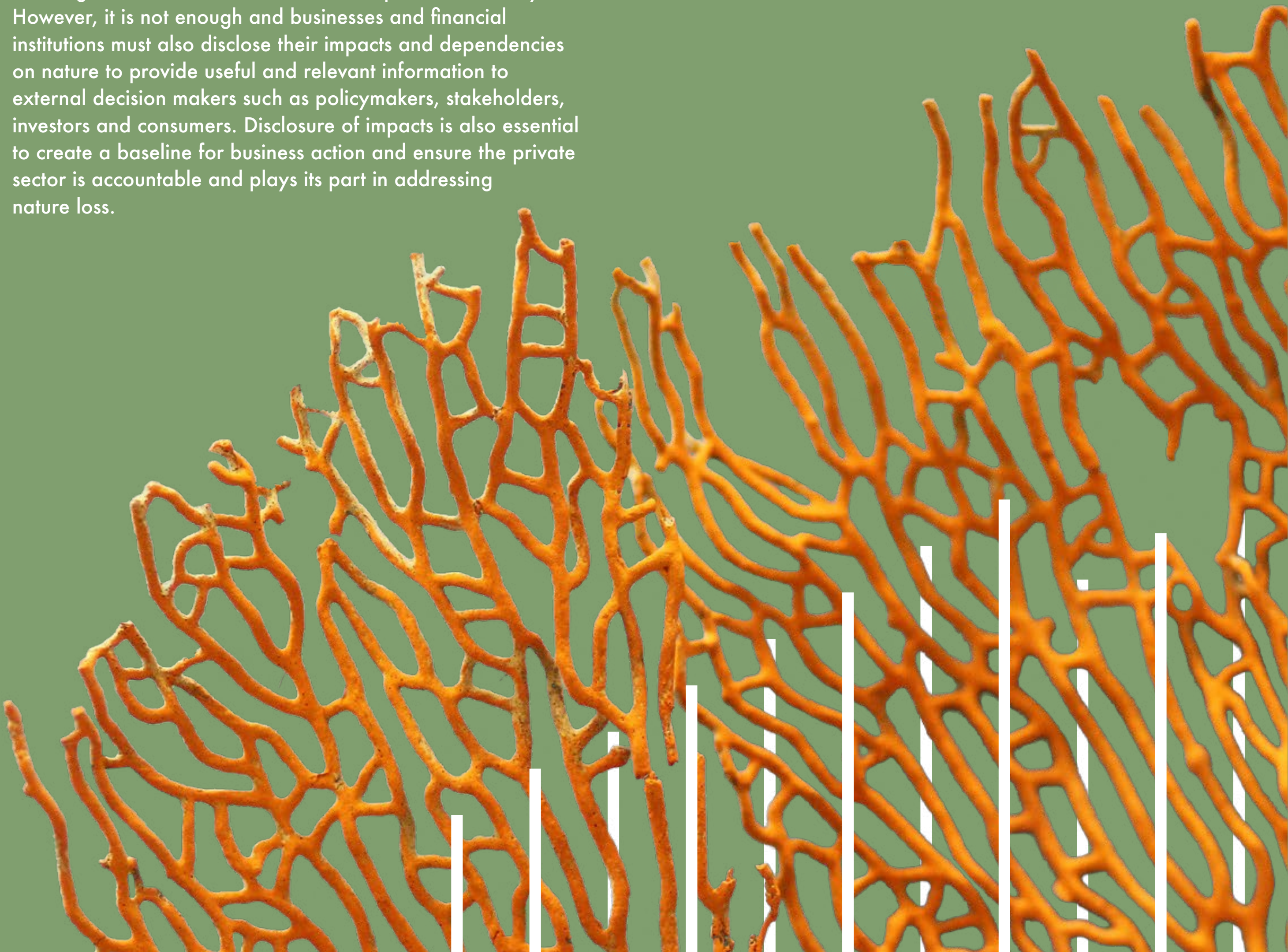
Any comprehensive assessment of nature-related business risks and opportunities must therefore be based on a robust assessment of a company's impacts and dependencies on nature as it is these impacts and dependencies that will create short, medium and long-term risks and opportunities.

Disclosing - Once the impacts and dependencies on nature and the nature-related risks and opportunities have been assessed, businesses must then disclose them. This means **making the results of any assessment external and publicly available**.

Disclosure of impacts and risks are equally important

Disclosing nature-related risks incentivizes action and provides relevant information for investors to estimate enterprise value and align their investments with a nature positive economy. However, it is not enough and businesses and financial institutions must also disclose their impacts and dependencies on nature to provide useful and relevant information to external decision makers such as policymakers, stakeholders, investors and consumers. Disclosure of impacts is also essential to create a baseline for business action and ensure the private sector is accountable and plays its part in addressing nature loss.

See the glossary on page 24 for definitions



The Economic Case

The risks of nature loss for the economy

Natural disasters caused by human ecosystem degradation and climate change are already costing us more than **$300 billion** per year. More than half of the world's GDP - **$44 trillion** - is moderately or highly dependent on nature and its services, with the entire global economy fundamentally dependent on natural resources. Businesses have started to speak up about the need for policy ambition to tackle these risks. In 2021 **more than 1,100 companies with revenues of $5 trillion** urged governments to adopt policies now to reverse nature loss in this decade.

The risks of nature loss for business

In 2020, the **World Economic Forum (WEF)** outlined three ways in which the destruction of nature creates risks for business:

1. **Dependency of business on nature**: when businesses depend directly on nature for operations, value chain performance, real estate asset values, physical security and business continuity.
2. **Fallout of business impacts on nature**: when the direct and indirect impacts of business activities on nature loss trigger negative consequences, such as losing customers or entire markets, costly legal action and adverse regulatory changes.
3. **Impacts of nature loss on society**: when nature loss aggravates the disruption of the society in which businesses operate, which in turn can create physical and market risks.

Assessing and disclosing impacts on nature presents new opportunities for business, finance and governments

Shifting to a nature positive economy will create almost **400 million jobs** and an annual business value of over $10 trillion by 2030.

Understanding nature impacts and dependencies helps decision-making and can create new value, through the enabling of innovation, reduction of costs (and more value at lower cost) and enhancement of business reputation, while enhancing rather than degrading the ecosystems they depend on.

Example: Recognizing the value of nature in business

It is estimated that between **$235 billion and $577 billion of global crop output is at risk** annually from pollinator loss, posing a tangible threat to agricultural firms and their investors and underwriters. Yet, agricultural practices that either negatively impact (e.g. certain pesticides), or positively impact (e.g. creating habitats like hedgerows) pollinators are not systematically accounted for. Without mandatory nature assessment and disclosure, this value often goes unmeasured and key long term sustainability strategy decisions are not made by the business.

One Australian vineyard in Tasmania has reduced the area it needs to spray with pesticides by 80% thanks to the planting of corridors of native vegetation including acacia, banksia, grevillea and eucalyptus trees in rows alongside the vines. The pollen and shelter provided by these plants make these corridors the perfect lair for natural predators such as wasps and ladybirds, which help control pests like moths and aphids respectively.

CDP has identified that beyond risk management, there are huge opportunities for companies when investing in water security. For example, the maximum total value of water-related opportunities is more than [$700 billion](). To bring this to life, multinational consumer goods business, Unilever expects $2.2-3.4 billion by 2025 in sales of its new water-smart personal care products. In 2021, 182 companies reported forest-related opportunities from taking action on deforestation valued at **over $50 billion**.

Addressing impacts on nature means addressing financial risk

Last year through CDP's global forests report, a group of 211 disclosing companies identified **over $79.2 billion** of forest-related risks. In contrast, a similar number of companies reported that the cost of addressing forest risks was just $6.7 billion, a fraction of the total risk cost to companies.

This also rings true for water risks. According to CDP's Global water report 2020, companies reported maximum financial impacts of water risks at $301 billion – five times higher than the cost of addressing them **($55 billion)**.

Given that only 1,042 companies reported on forests and 3,908 on water through CDP in 2022, and as such these figures speak only to companies already disclosing, we can be assured that the actual cost of nature-related risks globally is far higher.

Forests: The cost of action vs inaction

211 disclosing companies identified over **$79.2** billion of forest related risks

In stark contrast, the cost of responding to identified risk was estimated at only **$6.7** billion by **267** companies

Without mandatory assessment and disclosure, businesses, investors and governments are flying blind on nature

New CDP analysis finds climate disclosure has grown exponentially

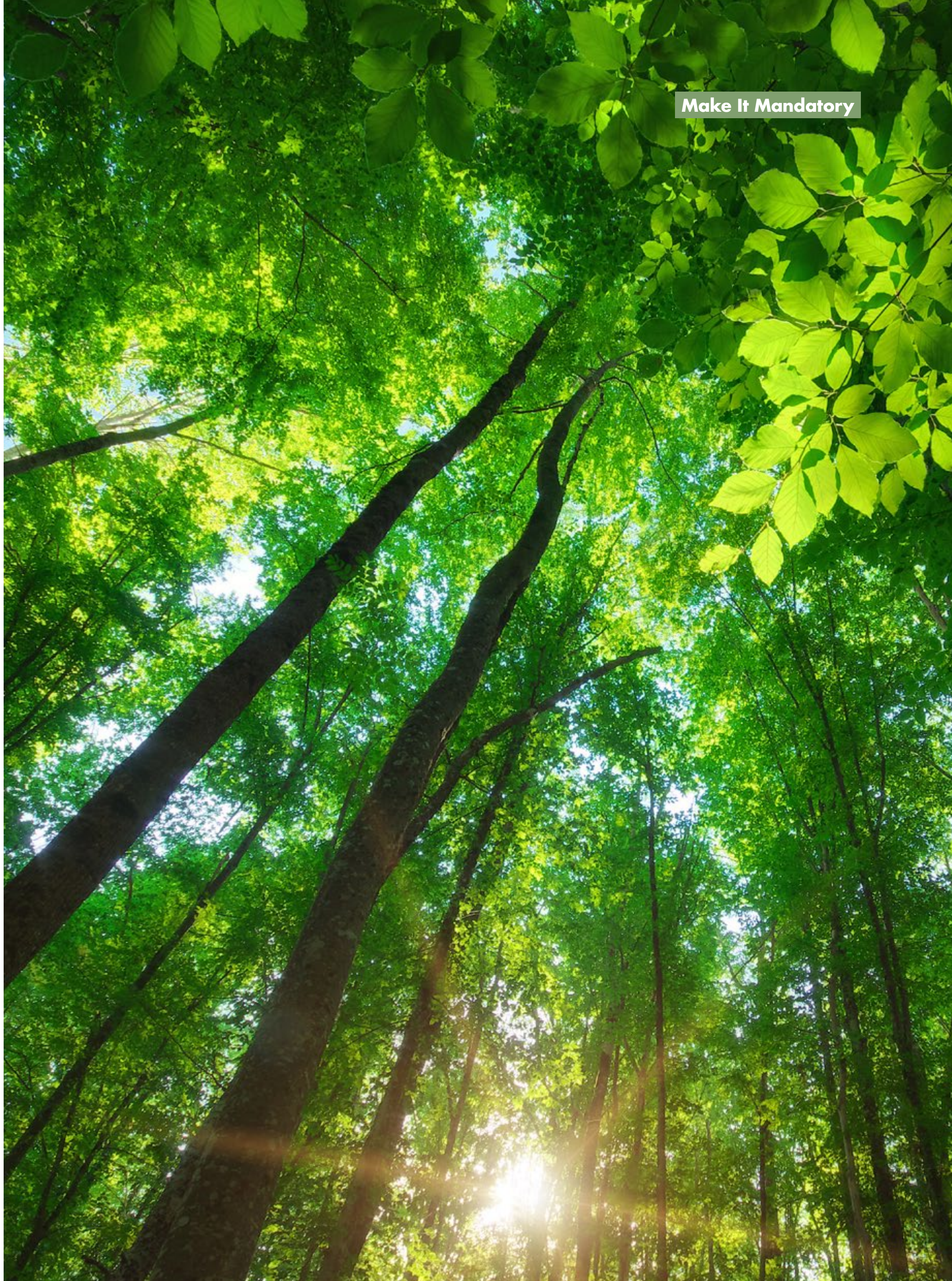
Overall, more than **18,700 companies** from over 120 countries disclosed climate data through CDP in 2022 - a 42% increase from the previous year, the highest rate in almost a decade and over 233% since 2015. This growth speaks to growing company ambition and action on emissions reductions since the Paris Agreement and launch of the Task Force on Climate-related Financial Disclosure recommendations in 2017.

Nature disclosure is lagging far behind climate

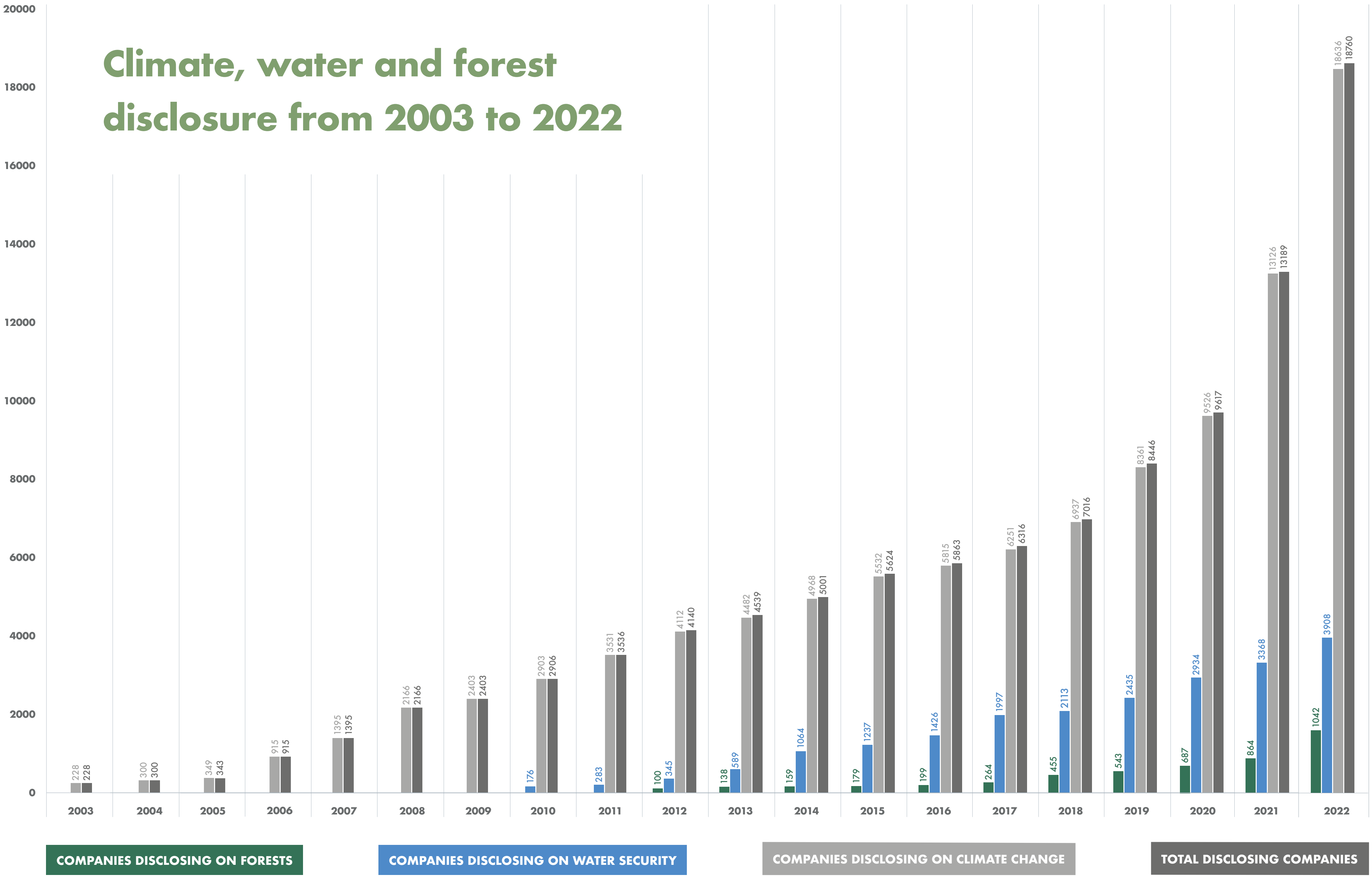
The IPCC has made clear there's no route to 1.5C without nature, yet new IUCN and CDP nature disclosure data shows business disclosure on **forests and water security** is still significantly lagging behind that on climate. Given the scale of the nature-related crises we face, voluntary action is no longer enough.

Of the 18,700 companies disclosing environmental data, just over 1,000 companies disclosed data on forests in 2022. Companies disclosing on forests include the food and drink company, **Danone**, pharmaceutical company **GSK**, technology firm, **HP Inc**, and the world's largest cosmetics company **L'Oreal**.

Almost 4,000 (3,900) companies disclosed water security data through CDP in 2022, a 16% increase on 2021, including Japanese drinks company **Asahi Group**, technology company **Lenovo**, consumer goods company, **Unilever** and automotive manufacturer **Mahindra**.



Climate, water and forest disclosure from 2003 to 2022



This lack of disclosure leads to blind spots, exposing businesses to unforeseen impacts and hindering their ability to capitalize on opportunities. A failure to report on their impacts and dependencies and associated risks is economically short-sighted and will erode the value of business and economies in the long-term.

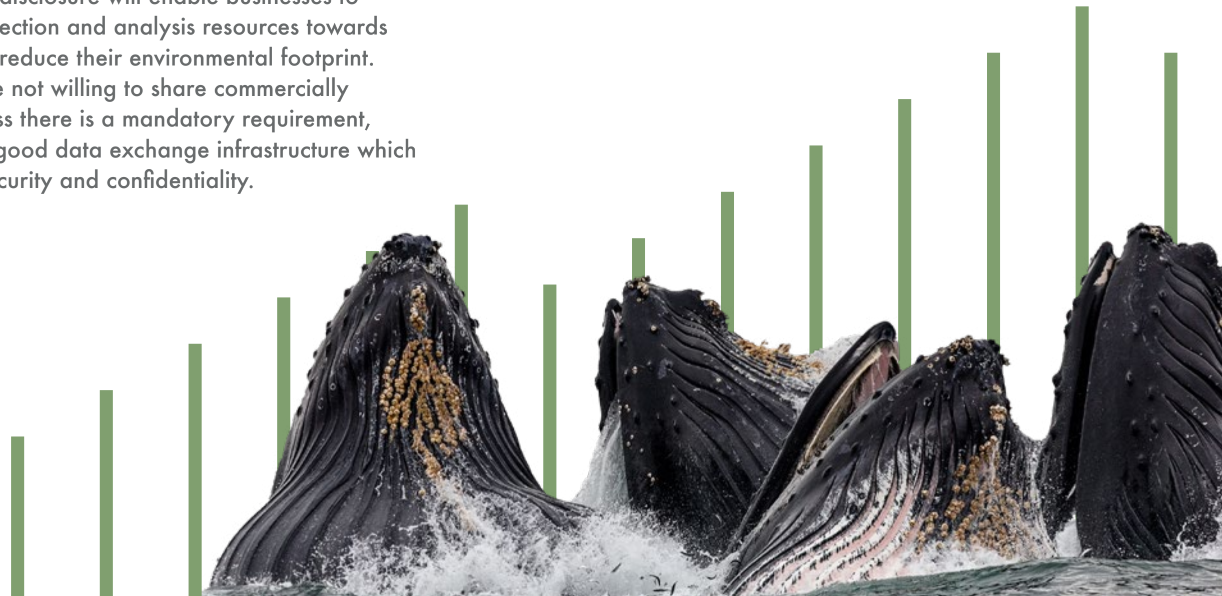
Experience from the climate agenda tells us that voluntary action is not enough. Countries are starting to adopt mandatory requirements for companies to disclose climate-related financial information based on the guidelines from the Task Force on Climate-related Financial Disclosures (TCFD). This includes countries such as the **UK**, **Canada** and **New Zealand** introducing new legislation and setting out a roadmap requiring firms to report climate impacts and investment decisions. This initiative follows the agreements made by G7 finance ministers in June 2021 to make TCFD mandatory and the US Securities and Exchange Commission proposed rules to require public companies to disclose extensive climate-related information.

What are the benefits of mandatory assessment and disclosure for companies?

Adopting mandatory assessment and disclosure requirements are needed to accelerate action and improve international competitiveness.

There are further benefits:

- **Level the global playing field and ensure fair competition:** Mandatory disclosure will create a level playing field by allowing the comparison of companies within sectors. This leads to the redirection of financial flows that rewards strong performers and penalizes poor performers. It will ensure businesses disclosing impacts and dependencies are not put at a competitive disadvantage, help identify companies currently showing leadership and stimulate companies to begin the transition toward nature positive business models.
- **Ensure large-scale action and collaboration:** Reversing nature loss requires joint action from all stakeholders including businesses through collective work based on trust and transparency. Mandatory disclosure will mean the private sector moves forward together, collaborating on findings, implementing solutions, creating synergies to scale-up impacts and providing a true representation of where we are collectively.
- **Demonstrate the urgency:** Most of the CBD Aichi 2020 targets have been missed, creating a greater need for immediate large-scale action. Mandatory disclosure requirements will increase the sense of urgency, accelerating the creation of solutions and pushing businesses to be proactive, not only reactive.
- **Accelerate standardization:** Mandatory disclosure will improve data accuracy and help create uniform terminology and methodology standards. As well as providing baselines to calibrate and measure impacts, it will set a benchmark for companies to compare their performance with competitors and therefore encourage improvements.
- **Facilitate access to data:** By improving data access, mandatory disclosure will enable businesses to reallocate data collection and analysis resources towards concrete actions to reduce their environmental footprint. Most businesses are not willing to share commercially sensitive data, unless there is a mandatory requirement, accompanied with good data exchange infrastructure which guarantees data security and confidentiality.
- **Improve performance:** Best practice in sustainability and reporting benefits companies through improved risk management, better financial performance, and greater engagement with employees and customers. **Data from STOXX** indicates that companies on CDP's A List have outperformed competitors by 5.8% over a ten-year period.
- **Involve and activate SMEs through their value chains:** Mandatory assessment and disclosure for large companies would drive impact-related support and capacity for Small and Medium-sized Enterprises (SMEs) in their value chain. This would enable SMEs to address their nature impacts while playing a pivotal role for larger companies working to achieve their own nature targets.



Why we need mandatory assessment and disclosure of nature:

1. **Create fair competition**
2. **Engage investors**
3. **Empower consumers**
4. **Ensure Indigenous Peoples' Rights**

What are the benefits of mandatory assessment and disclosure for society?

As is the case on climate change, mandatory requirements to assess and disclose impacts and dependencies on nature are needed to:

- **Accelerate action and create a business case to invest in nature:** Businesses require long-term clarity and certainty, including a financial future perspective for the choices they make in their business strategies today. Currently, it is difficult to fully value the positive results of nature recovery (including ecosystems and species) on the market since there is no level playing field with a uniform framework for monitoring impacts. Anchoring this in policy is essential in order to ensure nature, and specifically biodiversity, protection, restoration and sustainable use becomes part of business strategies. Without mandatory requirements on business, a voluntary market simply doesn't give the clarity and certainty needed for business to act.

- **Engage investors:** Mandatory disclosure will increase interest and create greater awareness of nature-based financial risks among investors and financial institutions who would be more active and able to influence and increase pressure on clients. This would create incentives for the financial sector to invest more in nature positive projects and reward high performers, therefore increasing the value of investment in nature.

- **Empower consumers:** Mandatory disclosure will empower civil and public society to make informed decisions. It would set a level playing field for benchmarking and comparing the performance of companies and addressing greenwashing/ marketing techniques as a way to improve public perception and awareness.

- **Ensure the rights of Indigenous People and Local Communities:** Businesses are responsible for securing and respecting the rights of communities in places they operate. This includes implementing effective Free and Prior Informed Consent processes. If business and finance are required to disclose their impacts and dependencies on nature, this transparency of information would empower local communities to require payment for the ecosystem services they protect and compensation for any negative impacts.

Mandatory assessment and disclosure on nature is an essential first step to help companies set science-based targets and protect their business

While momentum is building around net zero, setting targets to halt nature loss is still seen as less of a priority. A recent study found that among companies with environmental targets, most only consider one dimension - most often climate. In 2021, just 5% of companies disclosing to CDP on climate change, forests and water security surveys reported having set robust targets in all three areas. And out of a sample of 83 companies reporting through CDP last year, 71% have a science-based target for climate change, but only 23% have a best practice forest commitment and just 33% have a water withdrawal target.

This risks undermining all progress towards climate, nature and sustainable development goals. The priority must now be to scale this awareness and accelerate action. As climate disclosure continues to grow and policymakers and regulators are increasingly mandating climate disclosure, it is now time for governments to support comprehensive mandatory disclosure on nature.

When implemented, disclosure of impacts leads to action

Evidence over 20 years has shown that disclosure generates action by business to reduce impacts. It is the bedrock of environmental action.

- Over 200 major companies requested 23,487 suppliers to disclose through CDP in 2021, leading to 231 million tons of emissions reduction initiatives by these suppliers.

- 38% of suppliers responding to CDP for the first time have emission reduction targets in place. By their third year of disclosure, 69% have set a target.

- Similarly, 28% of first-time water disclosure assess the business growth implications of water security, rising to 40% by year three of disclosure.

- CDP data demonstrates that disclosure and benchmarking are leading to action on water with a 14% increase in companies setting targets monitored at board level and a 15% increase in companies reducing or maintaining their water consumption.

- Over 80% of companies agree that disclosing through CDP helps them "track and benchmark progress" on their environmental targets and helps them "uncover risks and opportunities".

Mandatory nature assessment and disclosure is on the horizon

It is part of the Global Agreement on Nature to be adopted at COP15:

Target 15 of the Global Biodiversity Framework governs disclosure on nature by the business and finance community. If Target 15 included mandatory assessment and disclosure, these requirements would need to be implemented by 2030 and the target will be translated into policies and regulations at regional and national levels that will have a direct consequence on company operations.

There is already strong demand for nature assessment and disclosure from investors:

With environmental concerns topping the list in the World Economic Forum's annual Global Risks Report, investors are demanding more disclosure of environmental risks to help them understand and manage the environmental impact of their portfolios as well as financed environmental impacts. Indeed, there are already **$13.5 billion worth of water-stranded assets** and over $2 billion at risk on major infrastructure projects. Last year, over **680 investors** with $130 trillion in assets requested more than 10,000 companies disclose data on climate change, deforestation and water security through CDP.

It is already part of legislation:

- The European Union's **Sustainable Finance Disclosure Regulation (SFDR)** that came into effect in March 2021, includes a mandatory Principle Adverse Impact (PAI) indicator on biodiversity requiring companies to disclose activities that negatively affect biodiversity sensitive areas. It also includes standardized sustainability disclosure obligations for asset managers that will apply from January 2023.
- In France, **Article 29 of the law on Energy and Climate** requires all financial institutions to disclose biodiversity-related risks and climate-related risks and sets the pace for biodiversity disclosure requirements. There is already tangible evidence of the impact of this law as the **Banque de France reported** that holdings of fossil fuel stocks plummeted by 40% among French institutional investors compared to those which weren't subject to the new rules. This is positive proof that mandatory disclosure works and can have immediate results.
- Last year, the **Swiss government** set out a timeline for major companies to disclose the risks they face from climate change.

The tools available to assess impacts and dependencies on nature

Supporting tools for business to assess impacts and dependencies

Many leading businesses are already taking action to assess and disclose their impacts and dependencies on nature, using available tools.

To measure and value impacts and dependencies on nature, companies can use a suite of tools that build on and reinforce each other:

- Use **Science Based Targets Network (SBTN)** corporate guidance to contextualize the importance of impacts, relative to one another (e.g. land use change vs. water) and of addressing impacts in different landscapes, relative to different landscapes. Specifically using guidance and tools within SBTN's 5-step target-setting framework:
    - Assess material issues on nature and estimate the company's value chain footprints (Step 1)
    - Interpret data and prioritize efforts (Step 2)
    - Quantify company's baseline impacts (part of Step 3)
- Gather information on impacts and dependencies by conducting a natural capital assessment following the Natural Capital Protocol, and using the Natural Capital Toolkit and supplementary guidance on finance, biodiversity and food systems.
- Assess impacts and dependencies on nature, and evaluate nature-related risks and opportunities based on those impacts and dependencies, using the LEAP (Locate, Evaluate, Assess, Prepare) approach developed by the **Taskforce on Nature-related Financial Disclosures (TNFD)**, including guidance on impact and dependency analysis by corporates developed by TNFD with the Capitals Coalition based on the Natural Capital Protocol.
- Identify priority locations for target setting and action using tools like the Integrated Biodiversity Assessment Tool (IBAT) for Business and or the WWF Water Risk Filter.
- Use WWF's upcoming **Biodiversity Risk Filter** which will provide a practical spatial tool for businesses to assess biodiversity-related risks and opportunities throughout their value chains, based on the location of their impacts and dependencies on nature. The tool will be available from early 2023.
- Expand their assessment to include climate and people, in addition to nature: by measuring and reporting on climate impacts through the GHG Protocol, and performing assessments of impacts and dependencies to capture the implications for all people through the application of the Social and Human Capital Protocol, including protecting the rights of indigenous peoples and local communities.

Supporting tools for business to disclose impacts and dependencies

Businesses must then ensure that the results of the assessment are transparently and publicly published. To do this they can:

- Use the Taskforce on Nature-related Financial Disclosures (TNFD) risk management and disclosure beta framework, and final framework once published in September 2023,
- Use existing reporting standards, such as the Global Reporting Initiative (GRI), SASB and CDSB (consolidated into the ISSB), IFC Sustainability Framework, the EU Corporate Sustainability Reporting,
- Disclose environmental data through CDP's disclosure platform, which is aligned with high-quality frameworks and standards including the CEO Water Mandate, TCFD recommendations, Accountability Framework, GRI and more.

For further information, take a look at these high-level business actions that companies can take to assess, commit, transform and disclose their impacts and dependencies on nature, and in doing so highlight their contribution towards a nature positive future.

Why are businesses and financial institutions already assessing and disclosing their impacts and dependencies on nature?

- **Uncover risks and opportunities –** identify emerging environmental risks and opportunities that would otherwise be overlooked to help inform data-driven business strategies
- **Protect and improve reputation –** by integrating transparency and responding to the growing environmental concerns of their customers and the wider public, business trust and reputation is improved
- **Boost competitive advantage –** businesses gain a competitive edge when it comes to performance on the stock market, accessing capital and winning tenders
- **Track and benchmark progress –** by mapping environmental performance against industry peers with an internationally recognized sustainability score and feedback against climate targets, business progress can be monitored and improved
- **Get ahead of regulation –** in a world in which mandatory disclosure is gaining momentum, disclosing enables companies to meet reporting rules in multiple regions

Case study – BNP PARIBAS

Company overview

BNP Paribas is the second largest banking group in Europe, with a clear strategic direction to have a positive impact on the world by financing and advising clients according to the highest ethical standards. The company's investment arm, BNP Paribas Asset Management (BNPP AM), aims to generate long-term sustainable investment returns based on a sustainability-driven philosophy.

Approach to assessment and disclosure

For several years, the BNP Paribas Group has been **committed to preserving biodiversity** through its finance portfolio. In 2021, the Group reaffirmed its promise to protect biodiversity through public commitments validated in the **Act4Nature initiative's framework**, where companies commit to set goals to integrate biodiversity into their decision making and training, mitigate their impact and assess and disclose their process.

The company's subsidiary, BNPP AM, has taken part in the **CDC Biodiversité** **B4B+ Club** since 2017 and has been exploring biodiversity footprinting, presenting **the preliminary results** at an IPBES side event. The test calculated the dynamic and static biodiversity footprint of Parvest Human Development, a responsible and sustainable fund focused on long-term growth.

To improve its understanding of biodiversity and finance risks and opportunities, the bank has referenced various frameworks, including the **TNFD** (Taskforce on Nature-related Financial Disclosures beta framework currently in development) and **Iceberg Data Lab CBF**. BNPP AM has investigated its dependencies and impacts on nature: in 2020, BNPP AM tested ENCORE to understand its dependency on ecosystem services. Then it released its water and deforestation footprint in 2021 and finally, its first **biodiversity footprint in June 2022**, using the data from Iceberg Data Lab.

The benefits of assessment and disclosure

BNPP AM's calculations have allowed it to quantify its potential impacts on biodiversity and better understand the most impactful sectors and pressures. This has also enabled the company to respond to the requirements of Article 29 of the French law regarding biodiversity measurement and reporting.

The **LEAP** approach which is part of the TNFD framework provides a useful process for BNP Paribas to assess its impacts and dependencies on nature, and the risks associated. However, there is still a lack of usable data for investors that links specific impacts to individual companies. BNPP AM's voluntary assessment and disclosure has contributed critical knowledge and brought innovation and transparency to the scientifically robust and consistent measurement of biodiversity impacts.

Looking ahead

The BNP Paribas Group is part of a pilot with other financial institutions to use the TNFD framework, which is supported by **Iceberg Data Lab** and **I Care**. BNP Paribas' investment arm intends to "walk the talk" of its **sustainable investment approach** and investigate the links between issuer-level biodiversity footprint and the other indicators the company uses to steer its investments, as well as encourage its most biodiversity-impactful investors to disclose usable quantitative data on biodiversity pressures.

"The degradation of biodiversity has multiple environmental, economic and human repercussions.This movement can only succeed if it is collective, international and deeply rooted in our behaviors. Coalitions like Act4Nature and TNFD are key levers for a broader integration of solutions to our biodiversity challenges. At BNP Paribas, we are implementing concrete actions in the field, alongside clients and partners, to contribute to the protection of our ecosystem and biodiversity."

Jean-Laurent Bonnafé, CEO, BNP PARIBAS

Case study – H&M Group

Company overview

H&M Group is the world's second largest producer of fashion products. Headquartered in Sweden, the company manages eight brands across more than 75 markets. Like other fashion brands, it faces significant sustainability challenges, including transparency and traceability of materials in its supply chain, a lack of industry benchmarking and access to granular and reliable data from suppliers, all of which make it harder to address its impact and dependency on nature. By joining industry coalitions and advocating for policy change ahead of UN CBD COP15, H&M has been vocal in its support for ambitious action on nature.

Approach to assessment and disclosure

H&M was one of the first companies to apply the Natural Capital Protocol in 2016 to assess its impacts and dependencies. Since 2019, H&M Group has followed the Task Force on Climate-related Financial Disclosures (TCFD) guidance to analyze and understand its key climate-related risks and opportunities.

H&M Group uses WWF's **Water Risk Filter** to assess water-related risks in its operations and supply chain. The company has set context-specific water targets, which are incorporated in its Water Strategy in the areas of water scarcity, quality, governance, water & sanitation (WASH), and flooding & other climate-induced disasters.

As a **Fashion Pact** signatory, H&M Group joined the Transforming Fashion for Nature project, through which the company will analyze the land, biodiversity and ecosystem impacts of its leather supply chain in Argentina, aligned with the SBTN framework. In **partnership with WWF**, the company is working to address key environmental impacts in its value chain, with a special focus on water, biodiversity and climate.

The benefits of assessment and disclosure

Launching the company's **biodiversity ambition** and footprint assessment were vital first steps in understanding its impacts and dependencies on nature, in order to set targets and start a full assessment of its value chain. This will enable the company to prioritize risks and take sufficient action early to avert or minimize possible harm to nature, including biodiversity. The company will also use its assessment as a basis for future financial decisions.

Looking ahead

As part of the TNFD Forum, H&M Group is in the early stages of understanding how to measure and mitigate its impacts and dependencies on nature, and is committed to taking steps towards greater transparency in its sustainability work. This is an iterative process that will evolve as data collection and understanding impact improves. The company showcases its progress on their website and in their annual **Sustainability Disclosure** report.

As part of the TNFD Forum, H&M Group is part of a community sharing knowledge on nature-related risk management and disclosure. The company aims to set science-based targets for its biodiversity efforts according to the SBTN framework.

"Living on a planet with limited resources and threatened by a climate crisis and biodiversity loss, the way fashion is produced and consumed has to change. As a global fashion retailer, H&M Group has an important role to play and that is why we are transforming our business to become more circular, reduce our emissions and halting biodiversity loss. An important part of our journey is understanding our impact and dependency on nature since fashion impacts biodiversity at every stage of its value chain.

We welcome an ambitious Target 15 at CBD COP15 that makes it mandatory for all companies to assess and disclose their impact and dependency on nature. Biodiversity loss due to fashion industry's impact is not something a brand can solve on its own and we understand H&M Group has the size and scale to influence and inspire other industry peers, policy makers and brands in this critical topic."

Jennie Granström, Biodiversity Lead, H&M Group

How can governments implement mandatory assessment and disclosure?

Supporting tools for governments to put in place

While Target 15 of the Global Biodiversity Framework is a global target, mandatory assessment and disclosure requirements will be implemented nationally. Methodologies must be standardized as much as possible and supported by scientifically based indicators.

As mentioned above, several frameworks are under development or already established to assist businesses to assess and disclose their impacts and dependencies on nature. These frameworks can also help governments:

- **The Natural Capital Protocol** was published in 2016, harmonizing the different approaches to measure and value impacts and dependencies. It sets out four stages and nine logical steps to complete an assessment and has been adopted all over the world. Governments can use this to support businesses in the application of assessment requirements.
- The **Science Based Target Network** (SBTN) proposes a 'five-step process' to enable companies to move from assessing their impacts to setting targets and then tracking their progress. Once science-based targets for nature v1.0 are published in early 2023, it could be referenced by governments to set requirements on mandatory assessment and disclosure of impacts by companies. This guidance could be a basis for building a harmonized approach to these mandatory requirements to avoid fragmentation amongst countries, and confusion and barriers to implementation for companies.
- The **Taskforce on Nature-related Financial Disclosures** (TNFD) is developing a risk management and disclosure framework on nature-related dependencies, impacts, risks and opportunities. Once the final v1 TNFD framework is published in September 2023 it could be used by governments to set mandatory disclosure of nature-related dependencies, impacts, risks and opportunities. Governments can already use the LEAP approach in the TNFD beta framework that outlines an accessible process to assess impacts and dependencies on nature and evaluate risks and opportunities to help companies and financial institutions. Governments can also use the TNFD draft disclosure recommendations in the beta framework and the related supplementary guidance.
- **CDP** runs a voluntary and independent global environmental disclosure system for companies and in 2021, 13,000 companies worth over 64% of global market capitalization used this system to disclose environmental information. The **CDP Biodiversity module**, within its climate change questionnaire, while too high-level for governments to use as part of mandatory assessment and disclosure requirements, can still provide useful information to governments together with data and insights generated from 20 years of disclosure.
- The **International Sustainability Standards Board** (ISSB) is part of the IFRS Foundation - and sets IFRS Sustainability Disclosure Standards. Once the ISSB finalizes its first two proposed standards on general sustainability-related disclosures and climate, it would be helpful if it could broaden its focus to include nature, as an immediate follow-up. Strong guidance is already available to build on from the industry-based Sustainability Accounting Standards Board Standards and the Climate Disclosure Standards Board for **water** and **biodiversity**.
- **Other existing reporting standards** such as the **Global Reporting Initiative (GRI)**, **International Finance Corporation (IFC) Sustainability Framework**.

Recommendations for high-quality mandatory disclosure

To be efficient, limit bureaucracy and create fair competition at a global level, mandatory disclosure regulations should be high-quality and focused on a set of principles that ensure consistency in regulation, together with the quality of the information provided. This would help companies better manage their risks and impacts, financial institutions access better information on their potential investments, and policymakers design better policies. To make this happen, a set of main principles should be applied to mandatory disclosure regimes:

1. Aim at **environmental integrity** by addressing nature-related financial disclosures as well as impact on people and planet
2. Ensure **compatibility** and **standardization**: Align with, or incorporate, existing high-quality disclosure standards. If national standards are developed, they need to be compatible with international standards. Policymakers should have discussions with other jurisdictions to agree on a common baseline and raise ambition
3. Provide an **enforcement mechanism** where implementation can be monitored and measures taken for non-compliance
4. Focus **not only on risks** but also strategy, impacts, dependencies, sector focus, comparability of disclosures, reliability, and accuracy
5. Allow space for **innovation** and more **mature disclosure**. The regulation should not form a ceiling and create a tick box exercise but serve as a floor/minimum requirement that stimulates even more ambitious, broader, and deeper disclosure and action.

The report draws on input from various organizations including the SBTN, TNFD and ISSB. As this is a rapidly evolving landscape the authors have done their best to map out the picture using the best information currently available.

Nature and biodiversity: The Global Biodiversity Framework due to be agreed at the UN Convention of Biological Diversity sets out a vision for worldwide action to protect biodiversity and its essential services. For the #MakeItMandatory campaign, we have used the term 'nature', given biodiversity is a **subset of nature** and is a more accessible term for companies to understand because of its wider definition to mean all the natural capital, processes and natural phenomena that exist, including freshwater, air, the weather, oceans, forests, minerals, organisms and mountains as well as ecosystem services such as water filtration, pollination and many others. Organizations working on assessment and disclosure also used the word nature as an overarching concept that includes biodiversity.

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Glossary

Assessing: The process of measuring and valuing relevant ("material") impacts and/or dependencies, using appropriate methods to determine, e.g. the amounts, extent, and condition of biodiversity, freshwater, oceans and land, in physical terms.

Biodiversity: The variability among living organisms, it is the diversity within species, between species and of ecosystems. In other words, biodiversity is the diversity of all living things. More biodiversity is essential to a healthy, stable and resilient planet.

Disclosing: The act of making information available externally. In this context, it means making publicly available an organization's impacts and dependencies on biodiversity.

Impacts: Changes in the state of nature, which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative. They can be the result of an organization's or another party's actions and can be direct, indirect or cumulative.

Dependencies: Aspects of ecosystem services that an organization or other actor relies on to function. Dependencies include ecosystems' ability to regulate water flow, water quality, and hazards like fires and floods; provide a suitable habitat for pollinators (who in turn provide a service directly to economies), and sequester carbon (in terrestrial, freshwater and marine realms). Dependencies describe the value of the environment to businesses.

Nature: Is the natural world. All the natural capital, processes and natural phenomena that exist, such as freshwater, air, the weather, oceans, forests, minerals, organisms and mountains. It also includes ecosystems services such as water filtration, pollination, climate regulation and many others. In other words, nature is living organisms (i.e., biodiversity, including people) and their interactions among themselves and with their environment, including the geology, climate, and all other non-living components. As **TNFD proposes**, nature can be understood through a construct of four realms upon which all life on earth depends: Atmosphere, Freshwater, Land, and Ocean.

Nature-related risks: Potential threats posed to an organization linked to its and other organizations' dependencies on nature and nature impacts. These can derive from physical, transition and systemic risks. Risks are typically linked to future or anticipated effects to business, due to their relationship with the environment (historically, now, or in the future).

Nature positive: The global goal to halt and reverse nature loss by 2030. A concept which has rapidly gained traction. It is welcome because it captures the level of ambition that is needed and what all stakeholders must contribute for us to tackle today's planetary emergency. Read more about what this term means for **business and finance**.

Large and transnational business and financial institutions: The concept will need to be defined at national level, given the specific national circumstances. National definitions are already broadly available (**find out more**).

Operations: Used to describe a broad range of activities that a company does day-to-day to keep running. For example, the electricity usage of a supermarket would be considered a direct operation.

Value chains: The concept considers the manner in which value is added to the product / service and the actors involved both upstream and downstream from the company. From a sustainability perspective, 'value chain' has more appeal than 'supply chain', since it explicitly references internal and external stakeholders in the value-creation process, from suppliers of raw materials to end consumers of a finished product. It also encourages a full-lifecycle perspective and not just a focus on upstream.

Portfolio: A collection of finance activities or investments.