ACCOUNTING FOR SUSTAINABILITY

NATURE GUIDANCE:
THE BUSINESS CASE FOR NATURE

Contents

Important information

Navigating this guide

In this guide we have included a range of examples, tips and links to practical tools to help you develop your business case. Look out for the following symbols:

Tools

We have developed downloadable practical tools, which provide extra examples, guidance and tips for some of the key steps in preparing your business case.

Illustrative example

We have used a fictional company – Makin' Sweets Ltd – as an illustrative example to show how a company might approach each step of identifying their organization-specific drivers of action.

Practical tips

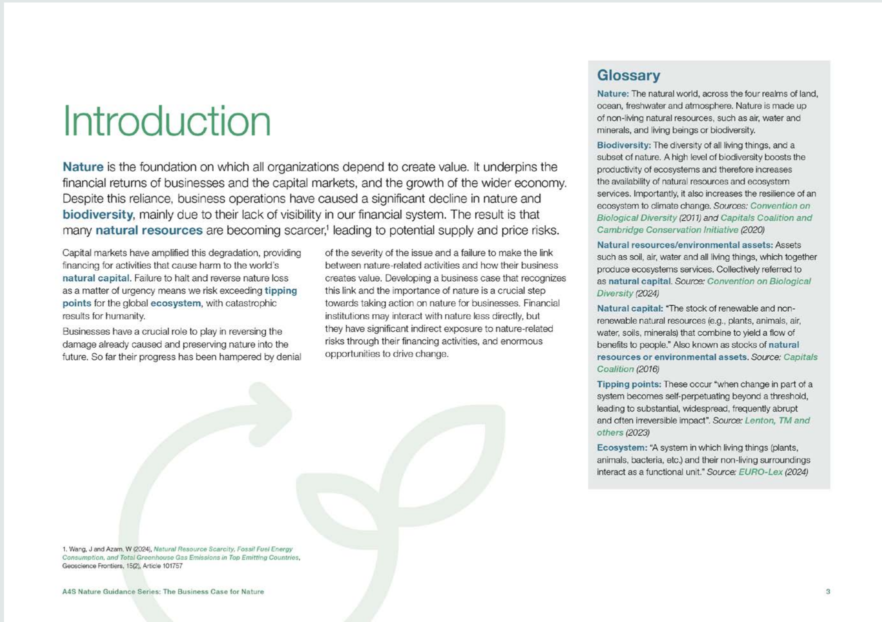
Throughout the guide, you will find practical tips to help you implement the guidance in your own organization.

Case studies

Links to our practical and informative case studies provide insight into what real-world organizations are doing in this area.

Glossary

We have included a glossary of nature-related terms. Terms included in the glossary have specific styling – eg **nature**. The glossary is embedded throughout the guide, with each entry on the same page as the first use of the relevant term.



Introduction

Nature is the foundation on which all organizations depend to create value. It underpins the financial returns of businesses and the capital markets, and the growth of the wider economy. Despite this reliance, business operations have caused a significant decline in nature and **biodiversity**, mainly due to their lack of visibility in our financial system. The result is that many **natural resources** are becoming scarcer,[1] leading to potential supply and price risks.

Capital markets have amplified this degradation, providing financing for activities that cause harm to the world's **natural capital**. Failure to halt and reverse nature loss as a matter of urgency means we risk exceeding **tipping points** for the global **ecosystem**, with catastrophic results for humanity.

Businesses have a crucial role to play in reversing the damage already caused and preserving nature into the future. So far their progress has been hampered by denial of the severity of the issue and a failure to make the link between nature-related activities and how their business creates value. Developing a business case that recognizes this link and the importance of nature is a crucial step towards taking action on nature for businesses. Financial institutions may interact with nature less directly, but they have significant indirect exposure to nature-related risks through their financing activities, and enormous opportunities to drive change.

Glossary

Nature: The natural world, across the four realms of land, ocean, freshwater and atmosphere. Nature is made up of non-living natural resources, such as air, water and minerals, and living beings or biodiversity.

Biodiversity: The diversity of all living things, and a subset of nature. A high level of biodiversity boosts the productivity of ecosystems and therefore increases the availability of natural resources and ecosystem services. Importantly, it also increases the resilience of an ecosystem to climate change. *Sources: Convention on Biological Diversity (2011) and Capitals Coalition and Cambridge Conservation Initiative (2020)*

Natural resources/environmental assets: Assets such as soil, air, water and all living things, which together produce ecosystems services. Collectively referred to as **natural capital**. *Source: Convention on Biological Diversity (2024)*

Natural capital: "The stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people." Also known as stocks of **natural resources or environmental assets**. *Source: Capitals Coalition (2016)*

Tipping points: These occur "when change in part of a system becomes self-perpetuating beyond a threshold, leading to substantial, widespread, frequently abrupt and often irreversible impact". *Source: Lenton, TM and others (2023)*

Ecosystem: "A system in which living things (plants, animals, bacteria, etc.) and their non-living surroundings interact as a functional unit." *Source: EURO-Lex (2024)*

1. Wang, J and Azam, W (2024), *Natural Resource Scarcity, Fossil Fuel Energy Consumption, and Total Greenhouse Gas Emissions in Top Emitting Countries*, Geoscience Frontiers, 15(2), Article 101757

A4S Nature Guidance Series: The Business Case for Nature 3

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1. Wang, J and Azam, W (2024), ***Natural resource scarcity, fossil fuel energy consumption, and total greenhouse gas emissions in top emitting countries***, Geoscience Frontiers, 15(2), Article 101757

Finance teams are well placed to help develop the business case for action for their organization and help draw the connections between nature, financial value and wider business value. Nature-related corporate reporting has brought nature onto the radar of many CFOs and their teams, through frameworks such as the **Taskforce on Nature-related Financial Disclosures (TNFD)** recommendations. However, few understand the implications of the loss of natural capital for their organization.

This guide will help you to develop your business case for taking action on nature through practical advice, and both illustrative and real-world examples.

"We know that a thriving natural world is fundamental to human health and long-term business success."

Practical Example: GSK – Our Natural Capital Partnerships

Glossary

TNFD: The Taskforce on Nature-related Financial Disclosures (TNFD) produces guidance for organizations on how to assess and address their nature-related dependencies, impacts, risks and opportunities, alongside a set of recommended disclosures. *Source: TNFD*

Top five reasons to act

Despite the growing risks associated with accelerating nature and biodiversity loss, most companies and investors have an incomplete picture of their nature-related risks and so are not adequately considering these risks in their strategies and capital allocation decisions. This is a major risk management weakness.[2]

Organizations that do understand the links between nature and business value can increase their resilience. Here are our top five reasons to take action on nature:

1. **Addressing the nature crisis before it damages business resilience** – collectively dealing with the nature crisis is a matter of urgency. Only prompt action will enable us to avoid triggering irreversible tipping points, with severe consequences for ecosystems and biodiversity, business resilience, and our economies – and ultimately our survival as a species.
2. **Maintaining security of supply of key resources** – global supply chains are increasingly facing disruptions from water shortages, degradation of ecosystems is threatening the availability and long-term security of valuable commodities and natural resources, and the loss of pollinators is adversely affecting agricultural production. Engaging with your supply chains on nature can help safeguard the security of critical raw materials – and the **ecosystem services** they rely on – into the future.[3]
3. **Managing policy and regulatory risk as nature moves up the global agenda** – businesses in a range of sectors, from agrochemicals to mining, have faced permit refusals and lawsuits as a direct result of the significant harm they have done to nature. This has in turn negatively affected their credit ratings and market valuations.[4] Effectively managing nature risks and preparing for future regulations, including corporate reporting requirements, will become increasingly important.
4. **Meeting investor expectations as they seek to manage their own risks** – investors are also anticipating regulatory changes and seeking to manage their own risks. Taking action on nature now and reporting in line with the TNFD recommendations will put you in a better position to secure future investment and maintain a positive relationship with existing investors.
5. **Meeting your climate goals as we move towards net zero** – nature plays a crucial role in tackling the climate crisis by absorbing carbon dioxide and enhancing **ecosystem resilience**. Protecting and restoring natural habitats are essential components of effective climate action strategies and can play a key part in meeting your climate goals.

Glossary

Ecosystem services: The flow of benefits to people from natural resources together with associated natural processes that are vital for human existence and business operations. Includes resources and processes such as timber (provisioning services), pollination and water regulation (regulating services), recreation opportunities (cultural services), and soil formation (supporting services). *Source: Millennium Ecosystem Assessment (2005)*

Ecosystem resilience: "Ecosystem resilience is the capacity of an ecosystem to deal with pressures and demands, either by resisting, recovering or adapting to them whilst retaining their ability to deliver ecosystem services and benefits now and into the future." *Source: Natural Resources Wales*

"Nature is everyone's business. Most businesses are impacted by nature and we all have a role to play … As CFOs and finance professionals, the link to costs, investment and the impact that it creates is immense, as we have demonstrated many times over."

Rishi Kalra, Executive Director and Group Chief Financial Officer, ofi

2, 3, 4. TNFD (2024), *Why nature matters*

Developing your business case

There are a number of steps to consider when developing your business case. We have provided a checklist below to help you as you move through the process, and the structure of the guide follows these steps. This practical guide – the first in our series of guidance on nature – is aimed at helping you identify and articulate your drivers of action. Later guidance will set out how finance teams can help to integrate nature into your organization's strategy, operations and reporting.

Business case checklist

Identify your organization-specific drivers of action

Consider your internal and external drivers of action, supported by an understanding of your organization's relationship with nature

1. Understand the wider economic case for action, including sector considerations
2. Identify your dependencies and impacts on nature
3. Identify your key nature-related risks and opportunities
4. Consider the external drivers of action
   - Investors and other stakeholder expectations
   - Policy, regulation and disclosure developments
5. Consider how action on nature links to your climate targets and future resilience

Work with others to collate this information, including your sustainability team. Steps 1 to 5 are discussed in detail on the following pages.

Look at the numbers

Prepare the qualitative, quantitative and financial aspects of your business case

1. Estimate the positive and negative financial and intangible implications of your interactions with nature
2. Evaluate the expectations of current investors and consider whether there are opportunities for innovative future financing, such as **sustainability-linked bonds** or loans
3. Work with your financial planning and analysis team to bring this together for decision makers

For more guidance, see *Developing and Implementing a Sustainable Finance Framework: Top Tips for Treasury Teams* (see p31 onwards for examples of sustainability-linked sustainable finance frameworks with a nature angle – look out for the leaf symbol) and our *Essential Guide to Enhancing Investor Engagement*.

Lay the groundwork for action

Identify what you need to have in place to help support your business case

1. Ensure your CFO is on board – leadership must come from the executive level
2. Consider how to increase internal engagement within the finance team and wider organization
3. Consider how to work with your value chain to highlight their business case and inspire action

For more guidance, see our *Essential Guide to Engaging the Board and Executive Management* and our *Essential Guide to Incentivizing Action Along the Value Chain*.

Download *Tool 1: Nature Business Case Checklist* and use the question prompts as you work through your business case.

Glossary

Sustainability-linked bond: A sustainability-linked bond (SLB) is a borrowing instrument where financial and structural characteristics are based on whether the issuer achieves sustainability or ESG metrics within a given timeframe. If the company doesn't meet those goals, there's a penalty: higher interest paid to investors. This performance-based instrument allows issuers to commit explicitly to future improvements in sustainability outcomes while benefiting from discounted interest rates on the bond. *Source: World Economic Forum (2022)*

More guidance on how to take action on nature will be set out in the upcoming guide on how to embed nature into strategy, decision making and reporting, as part of our series of guidance on nature.

Identify your organization-specific drivers of action

Step 1: Understand the wider economic case for action, including sector considerations

The global economy is dependent on nature. In 2020 the World Economic Forum (WEF) – in collaboration with PwC – estimated that US$44 trillion of economic value generation is highly or moderately dependent on nature.[5] This represents around half of the world's economic output. PwC published a revised estimate in 2023, increasing the value to US$58 trillion (55% of global GDP).[6] This is still likely to be an underestimation.

Meanwhile, research from S&P Global Sustainable1 showed that 85% of companies in the S&P Global 1200 index – 1,200 of the largest companies in North America, Europe, Asia, Australia and Latin America – had a significant dependency on nature in their direct operations. The same study showed that about 46% of the world's largest companies have at least one asset in an area that contains globally significant biodiversity – a figure that could be expected to be far higher if supply chains were considered too.[7]

The extent to which you depend on nature in your direct operations and broader value chain will be affected by the industry you operate in. The chart at the top of Figure 1 shows the five industries most dependent on nature, including agriculture, forestry and the food industry. The chart at the bottom of Figure 1 shows 11 industries that have a moderate to high level of dependence on nature.

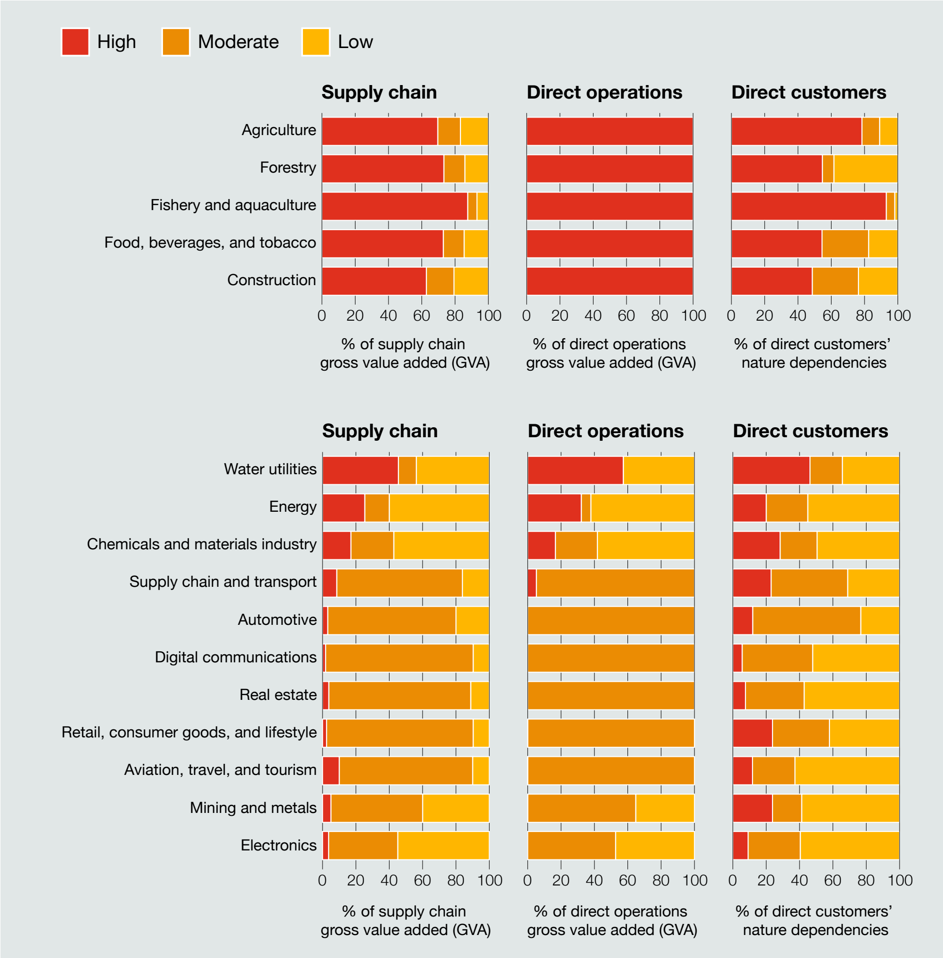


Figure 1: Percentage of direct and supply chain gross value added with high, medium and low nature dependency, by industry (source: PwC, 2023, ***Managing Nature Risks***)

5. World Economic Forum (2020), ***Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy***
6. PwC (2023), ***Managing Nature Risks: From Understanding to Action***
7. S&P Global Sustainable1 (2023), ***How the world's largest companies depend on nature and biodiversity***, 10 May. This used the International Union for Conservation of Nature's definition of Key Biodiversity Areas, which are sites contributing significantly to the global persistence of biodiversity.

Despite this global economic dependence, nature is being lost at an alarming pace, creating significant risks to the global economy. According to the WEF Global Risks Report 2024 (see Figure 2), four of the top five global risks over the next ten years relate to nature: extreme weather events (first), critical change to Earth systems (second), biodiversity loss and ecosystem collapse (third), and natural resource shortages (fourth).[8] However, these are the risks for which we are least prepared.[9] Estimates show that a continued decline in ecosystem services could result in losses of nearly US$10 trillion of global GDP by 2050.[10]

As value chains become ever more global, your organization is likely to be increasingly vulnerable to the wider economic dependency on nature and the resulting systemic risks.

Risk categories
- Economic
- Environmental
- Geopolitical
- Societal
- Technological

	2 years	10 years
1st	Misinformation and disinformation	Extreme weather events
2nd	Extreme weather events	Critical change to Earth systems
3rd	Societal polarization	Biodiversity loss and ecosystem collapse
4th	Cyber insecurity	Natural resource shortages
5th	Interstate armed conflict	Misinformation and disinformation
6th	Lack of economic opportunity	Adverse outcomes of AI technologies
7th	Inflation	Involuntary migration
8th	Involuntary migration	Cyber insecurity
9th	Economic downturn	Societal polarization
10th	Pollution	Pollution

Figure 2: Global risks ranked by severity over the short and long term (source: WEF, ***Global Risks Report 2024***)

Illustrative example

A confectionery manufacturer, Makin' Sweets Ltd, is in the food industry and therefore likely to have a high dependency on nature in its supply chain, direct operations and direct customers. With a global supply chain, it is likely to be vulnerable to future biodiversity loss, changes to Earth systems and natural resource shortages.

Practical tips for developing your business case

- **Think about your sector** – identify whether you are in a sector with a high or moderate dependency on nature.
- **Explore the potential impact of global risks on your business** – assess how the risks identified in the WEF report will affect your ability to do business in ten years' time and the long-term strategic planning required to mitigate these.
- **Work collaboratively as part of a multiskilled/multifunctional group** – many finance teams are starting to work within cross-functional teams that bring together a diverse set of skills, instead of only providing input on an ad hoc basis. Look to include representatives from finance, sustainability, risk, investor relations, supply chain and IT teams, to share knowledge and collaboratively drive engagement.

8. The report states that a critical change to Earth systems means "long-term, potentially irreversible and self-perpetuating changes to critical planetary systems", with examples including "sea level rise from collapsing ice sheets; carbon release from thawing permafrost; and disruption of ocean or atmospheric currents". For more information, see WEF (2024), ***Global Risks Report 2024***
9. TNFD (2024), ***Why nature matters***
10. Johnson, JA and others (2020), ***Global Futures: Modelling the Global Economic Impacts of Environmental Change to Support Policy-making***

Step 2: Identify your dependencies and impacts on nature

To recognize the importance of nature to your organization, you need to understand how your organization both depends on nature and has impacts on it, both in your own operations and across your value chain (see Figure 3).

- Your **dependencies** will reflect the ways in which your organization relies upon environmental assets – resources such as water and land – and the ecosystem services these provide, such as pollination of crops, provision of timber and clean air. These dependencies can lead to financial and operational risks if the supply of these resources is threatened.
- Your **impacts** will highlight how your organization affects the natural world, in both positive and negative ways. Many organizations already have a basic understanding of these impacts through their sustainability reporting.

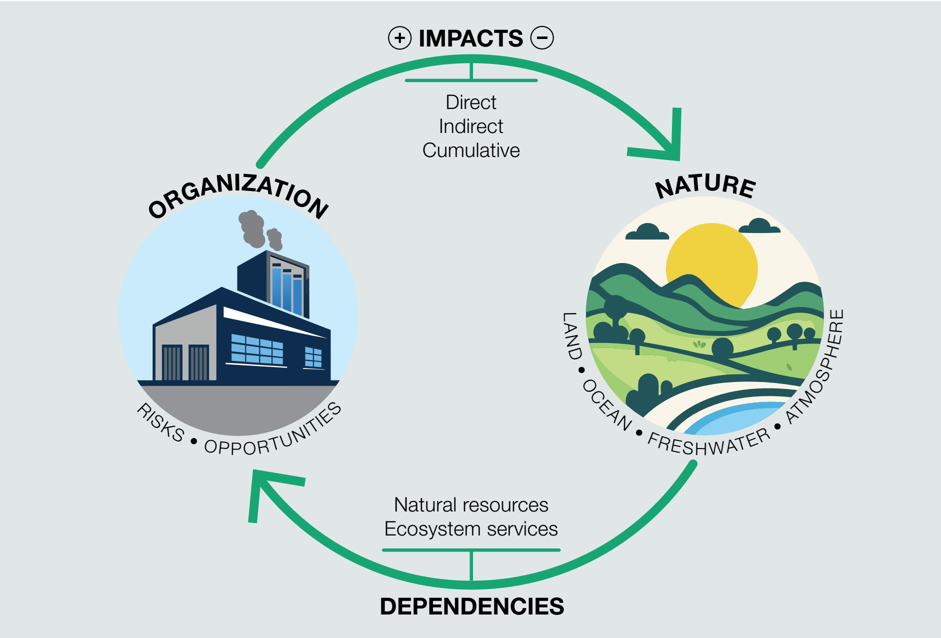


Figure 3: Businesses depend on nature and have impacts on it, which creates organizational risks and opportunities

Nature-related dependencies

Organizations' business activities depend on reliable and cost-effective access to natural capital and ecosystem services. This dependence in turn affects how investors perceive the value of the business.[11]

You may find it helpful to develop a general understanding of the nature-related dependencies for your sector, as this can help guide you to where the most relevant dependencies are for your organization. To identify your organization's dependencies (see Figure 4), consider how a particular business activity depends upon ecosystem services and specific features of natural capital.

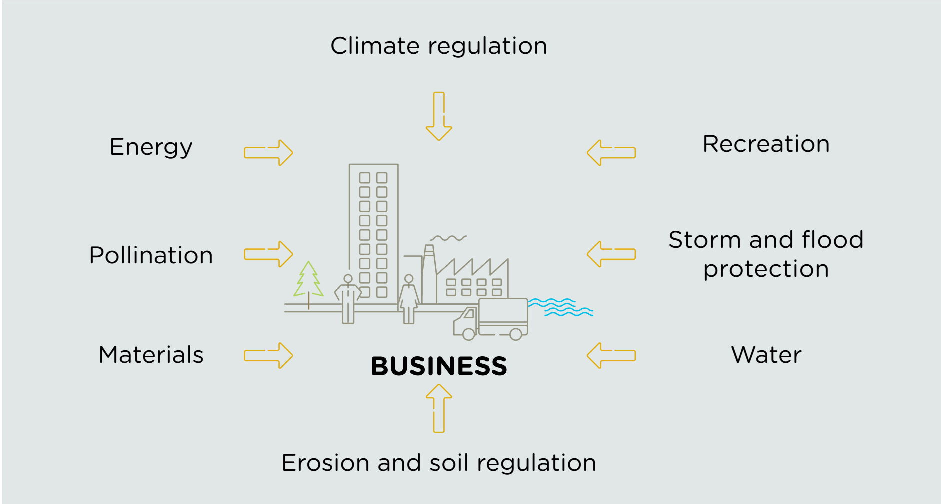


Figure 4: Examples of business dependencies on natural capital (source: Natural Capital Coalition, 2016, *Natural Capital Protocol*)

11. TNFD (2023), *Recommendations of the Taskforce for Nature-related Financial Disclosures*

You can also use the four realms of nature – land, ocean, freshwater and atmosphere – to help you identify your key organizational dependencies. For each realm, consider the natural resources you rely on and any associated ecosystem services. These services can take three main forms:

- **Provisioning** services relate to the availability of natural resources, such as water and crops.
- **Regulating** services are natural systems that work to preserve natural balance and assets, such as natural carbon sinks or the flood protection provided by coral reefs.
- **Cultural** services relate to ways in which nature offers social and cultural benefits, such as recreation and tourism opportunities.

Illustrative example

Makin' Sweets Ltd sources raw materials from several countries around the world. It has a number of manufacturing bases near its end markets, some in coastal areas. The company has identified its material nature-related dependencies as a reliable supply of **clean water**, **pollination services** and red food colouring provided by insects, and good **soil health and fertility**. All of these are necessary for producing raw materials throughout the supply chain, with clean water also needed in the company's manufacturing processes.

Business impacts on nature

As well as their dependencies, businesses also have an impact on nature (see Figure 5). When a business affects the quality or quantity of nature in a particular area, this can result in changes to the volume and quality of the ecosystem services that the area can provide. This will in turn affect the stakeholders who rely on these services.

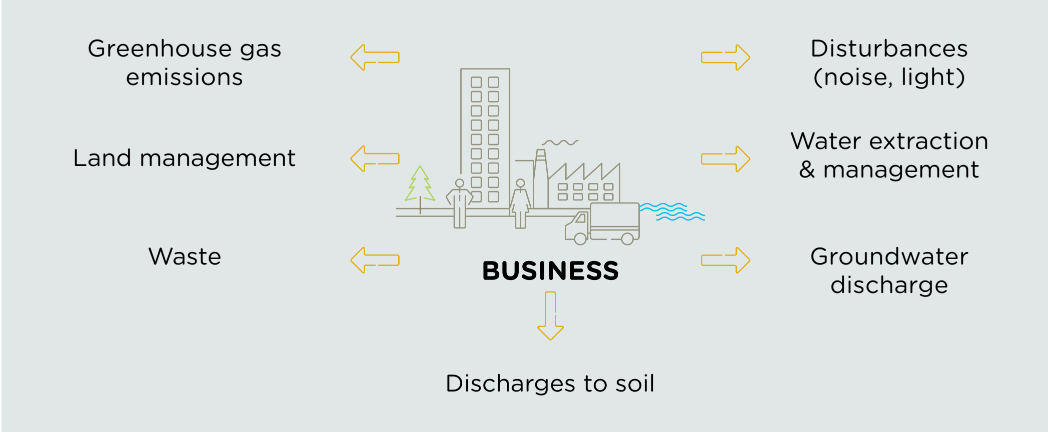


Figure 5: Examples of business impacts on nature (source: Natural Capital Coalition, 2016, ***Natural Capital Protocol***)

The state of nature

The scale of nature loss is already significant, and this destruction is accelerating at an alarming pace. We have lost 85% of the world's wetlands, around half of live coral reef cover and one-third of the world's forests, with much of this loss taking place in the last 50 years.[12,13] Loss of habitat is the main driver of biodiversity loss, along with climate change and pollution. The world saw an average decline of 73% in monitored wildlife populations between 1970 and 2020, with this significant drop in populations being a key early indicator of the health of ecosystems more broadly.[14] Nature loss of this extent presents a major risk to the global economy – with much of the damage linked to actions taken by businesses.

12. IPBES (2019), ***The Global Assessment Report on Biodiversity and Ecosystem Services***
13. Ritchie, H (2021), ***The world has lost one-third of its forest, but an end of deforestation is possible***, Our World in Data, 9 February
14. WWF (2022), ***Living Planet Report 2024***

Business impacts on nature can be direct, indirect or cumulative:

- **Direct impacts** – actions your organization takes that have a clear and direct impact on nature (eg pollution caused by releasing chemicals into a river)
- **Indirect impacts** – business activities that cause a change that in turn affects nature, often in a different part of the value chain (eg procuring raw materials from suppliers who contribute to **deforestation**, or relying on single-use plastic in product packaging, which leads to the loss of marine life from microplastics in the ocean)
- **Cumulative impacts** – when individual impacts amplify over time or when combined with the activities of other organizations, causing benefit or harm to natural resources (eg where multiple organizations rely on a single water source, which is being degraded)

Any of these impacts can be positive or negative. To get a complete and balanced picture of your organizational impacts on nature for your business case, it can be helpful to consider both negative and positive impacts, whether actual or potential.

Negative impacts

These are caused by factors such as pollution, changes in the use of land, extraction of resources and contribution to climate change. Such damage affects the ability of environmental assets to provide social and economic functions in the form of ecosystem services. Damaging environmental assets that are critical to your business – whether in your direct operations or your value chain – can lead to significant nature-related risks.

Positive impacts

These result mainly from resource efficiencies, engaging in **conservation** and **restoration** activities, and investing in **nature-based solutions**.

Examples include investing in soil quality, forests or wildflower meadows, reducing harmful waste through improved production processes, and reducing water use in water-stressed areas through water-saving techniques. Increasingly, technology can help support positive impacts, such as through smart irrigation systems.[15]

An understanding of your dependencies (see above) can help you to focus on pursuing positive impacts that preserve your continued access to critical environmental assets.

Minimizing negative impacts is crucial, but is not enough to reverse nature loss – and neither is conservation on its own. A move towards sustainable consumption and production models across the economy is required.

Illustrative example

Makin' Sweets Ltd is a heavy user of **groundwater**, which affects the local water supply. Over time, and when combined with other local uses of groundwater, this has an impact on the availability of water resources for manufacturing facilities and the local area, which in turn has an impact on the productivity of local agriculture. In its production processes, Makin' Sweets Ltd releases **greenhouse gases (GHGs)** and other atmospheric pollutants, contributing to climate change and affecting the health of people and nature in the area of the company's manufacturing facilities. Run-off from **fertilizers and chemicals** used in the company's supply chain affects local rivers – and ultimately the nearby ocean – and contributes to soil erosion and biodiversity loss. To counter some of these impacts, Makin' Sweets Ltd invests in local tree planting initiatives to help retain groundwater, reduce soil erosion, absorb GHGs and increase biodiversity.

Glossary

Deforestation: The clearing of trees in a forested area – by cutting them down or burning them – and may involve the conversion of the land for other purposes.

Conservation: "An action taken to promote the persistence of ecosystems and biodiversity." *Source: **TNFD** (2024)*

Restoration: This is "a process to support the recovery of degraded, damaged or destroyed ecosystems and bring more nature and biodiversity back everywhere, from agricultural and forest land to marine environment and urban spaces". *Source: **European Commission** (2022)*

Nature-based solutions: These are actions that protect, manage or restore natural ecosystems to address challenges such as climate change, food and water security, and disaster risk reduction. Nature-based solutions can also benefit biodiversity and human health. *Source: **World Bank** (2022)*

15. Gimpel, H and others (2021), ***Designing Smart and Sustainable Irrigation: A Case Study***, Journal of Cleaner Production, 315, Article 128048

A summary of nature-related dependencies and impacts

Developing a good understanding of your nature-related dependencies and impacts will help you to prioritize as you consider your nature-related risks and opportunities in Step 3. Table 1 provides a high-level summary of possible dependencies and impacts for businesses across the four realms of nature, and their related ecosystem services. You can use the table to consider each realm in turn, along with examples of the associated ecosystem services, and start to list out any associated dependencies and impacts (positive or negative) for your own organization. Examples of common dependencies and impacts are listed in the table to help you.

Glossary

Biomes: "Global-scale zones, generally defined by the type of plant life that they support in response to average rainfall and temperature patterns e.g. tundra, coral reefs or savannas." *Source: TNFD (2024)*

Table 1: A summary of nature-related dependencies and impacts

Realm of nature	Land	Ocean	Freshwater	Atmosphere
Example biomes	• Forests • Grassland	• Open ocean • Ocean shelf • Coastal lagoons	• Rivers and streams • Lakes • Wetlands • Groundwater	
Ecosystem services (P) = **Provisioning** – the availability of natural resources (R) = **Regulating** – natural systems that work to preserve natural balance and assets (C) = **Cultural** – ways in which nature offers social and cultural benefits	• Provision of timber and other natural resources (P) • Waste breakdown and nutrient cycling (R) • Genetic resources (P) • Habitats for pollinating insects (P) • Regulation of wildfires and floods (R) • Soil formation (P) • Natural landscapes used for recreation/ tourism (C)	• Provision of fish and seafood (P) • Carbon absorption to reduce climate change (R) • Natural flood defences eg mangrove swamps (R) (P) • Coral reefs (C) (R) • Marine power (P) • Recreation/tourism (C)	• Provision of clean drinking water (P) • Availability of water (P) • Recreation/tourism (C)	• Provision of clean air (P) • Wind power (P)
Business dependency	• Natural resources in supply chains • Pollination of crops • Genetic resources for new pharmaceutical drugs • Recreation opportunities	• Marine resources in supply chains • Tourist attractions • Recreation opportunities • Climate regulation eg Gulf Stream* • Transportation	• Clean water for employees and customers, and for manufacturing food and beverages • Water for cooling power and manufacturing plants • Recreation opportunities	• Clean air for employees and customers • Temperature regulation
Negative business impacts	• Overexploitation of natural resources • Destruction of natural habitat and the resulting impact on biodiversity • Chemical pollution of soils	• Overfishing • Destruction of mangrove swamps (flood defences) • Plastic pollution • Carbon emissions from industry leading to acidification of oceans killing marine life	• Overextraction of freshwater leading to shortages • Pollution from pesticide or fertilizer run-off from agriculture • Chemical pollution from industry	• Carbon dioxide and other greenhouse gas emissions from industry contributing to climate change • Particulate matter pollution from vehicles and manufacturing facilities causing harm to human health and biodiversity
Positive business impacts	• Restoration of habitats such as forests or wildflower meadows	• Reduction of plastic waste (which often makes its way to the ocean) • Investment in nature-based solutions such as mangrove or wetland ecosystems for flood defences	• Reduction in water use by switching to more water efficient technologies • Reduction in use of agricultural chemicals and fertilizers thereby reducing run-off	• Reduction in air pollution by switching to renewable energy • Reduction in emissions by improving energy efficiency of manufacturing operations

* Carrington, D (2023), *Gulf Stream could collapse as early as 2025, study suggests*, The Guardian, 25 July

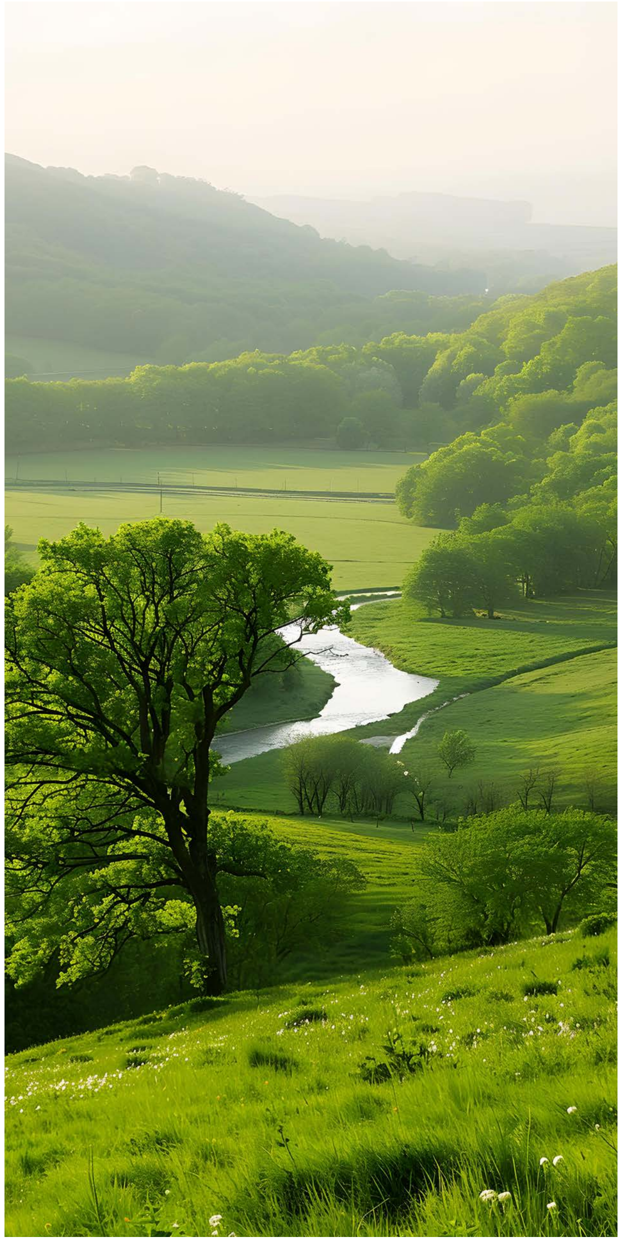
Case study – United Utilities

Focusing solely on measuring financial and manufactured capital leads to an incomplete picture of the value we are creating or eroding. We are entirely reliant on natural ecosystems to provide a resilient service to our customers. It is therefore crucial that we have a good understanding of our natural capital – the natural resources we rely on and that generate a flow of benefits to our organization – and work to maintain and enhance it. For this to happen, natural capital needs to be embedded in our strategy and decision making. Reporting on our work using the TNFD recommendations also helps us to drive change within our sector and beyond and to communicate effectively with our stakeholders, including investors.

For more details, see the full *case study*.

Practical tips for developing your business case

- **Narrow your focus** – start with a few key areas, focusing initially on one or two of the most material dependencies and impacts, or on assets located in biodiversity-sensitive areas.
- **Start to consider how dependencies create financial risks** – when assessing dependencies, focus on those dependencies likely to lead to the most significant financial risks. For example, a dependency on water will be more material in water-stressed areas than water-abundant areas, not necessarily where the largest water use occurs.
- **Be pragmatic about data** – for impacts, you may be able to use data you already have (for example, from applying TCFD or the Global Reporting Initiative standards), or operational or value chain data (such as water consumption or raw material input volumes).
- **Focus on key geographies** – impacts in high biodiversity areas or those facing a rapid decline in ecosystem integrity are more likely to result in elevated reputational or liability risks and elevated systemic risks respectively.



Step 3: Identify your key nature-related risks and opportunities

The ways in which your organization both depends on and has impacts on nature will result in associated nature-related risks and opportunities. Integrating nature considerations into your risk management processes and governance will help ensure you can manage your risks and take advantage of the wealth of business opportunities available.

Nature-related risks

The loss of nature at an increasingly rapid pace means that businesses face escalating nature-related risks. Heightened competition for resources and a breakdown of vital ecosystem services can lead to increased operational costs, inability to source key resources, and physical risks from exposure to weather events such as wildfires and flooding. All of these can present a threat to continued business operations.

Nature-related risks to organizations fall into three main categories: physical, transition and systemic (see ***Table 2***). As you prepare your business case, you should consider which physical and transition risks and opportunities are likely to be most material for your organization. One challenge as you explore your physical nature-related risks is that they are often highly location-specific, as the impact of your business activities will be more significant in ecologically sensitive areas. So as part of your process of identifying key risks, you may find it helpful to revisit the work you did in Step 2 to look at the areas or biomes in which your operations are based.

Market-related transition risks are particularly relevant for finance teams. These encompass a wide range of risks arising from changes in market preference, including investor and consumer preferences. As assessments of the risks associated with biodiversity and nature loss gain traction, this can lead to financing risks, including credit risks and liquidity risks and increasing cost of capital.[16,17]

More guidance on conducting your risk and opportunity analysis will be included in the upcoming guide on how to embed nature into strategy, decision making and reporting, as part of our series of guidance on nature.

16. European Commission (2024), *Study for a Methodological Framework and Assessment of Potential Financial Risks Associated With Biodiversity Loss and Ecosystem Degradation: Final Report*
17. MSCI (2024), *MSCI ESG Ratings and Cost of Capital*

Table 2: Categories of nature-related risk (adapted from *TNFD*)

Physical risks Result from the degradation of nature and the related loss of ecosystem services. Usually location-specific.		**Transition risks** Result from regulators, standard-setters, investors and other stakeholders pressuring businesses to account for their impacts on nature and to adopt nature-friendly practices.					**Systemic risks** Result from the breakdown of the entire system, rather than the failure of individual parts.	
Acute	**Chronic**	**Legal**	**Policy**	**Market**	**Technology**	**Reputational**	**Ecosystem stability**	**Financial stability**
Occurrence of short term, specific events that change the state of nature and negatively affect the operating environment of your organization. For example, floods, landslides from deforestation, subsidence from mining or pest infestations affecting agriculture.	Gradual changes to the state of nature that affect your ability to operate. For example, pollution stemming from pesticide use, soil degradation, deterioration of ecosystem resilience, loss of natural pollinators or climate change.	Liability risks arising from changes to regulations and to statutory and case law. As laws, regulations and case law related to an organization's preparedness for nature action evolve, the incidence or probability of contingent liabilities may increase.	Changes in the policy context due to new (or enforcement of existing) policies to create positive impacts on nature or mitigate negative impacts on nature.	Changing dynamics in overall markets, including changes in consumer and investor preferences or movement in market prices.	New products or services in the market that can reduce organizational impact or dependence on nature, such as the replacement of plastics with biodegradable packaging.	Changes in perception of the organization because of how it (or its industry) interacts with nature (directly or through the value chain).	Collapse of a critical natural ecosystem.	Collapse of an entire financial system.

Use our *Tool 2: Potential Financial Impacts Associated With Nature-related Risks and Opportunities* to explore the financial impact of nature-related risks for your organization.

The potential for significant financial losses that can come from mismanaging your nature-related risks are huge. For example, in 2024 it was estimated that the liability for addressing water contamination from 'forever chemicals' at district level in the US will be between US$120 billion and US$175 billion.[18] Table 3 highlights examples of financial implications suffered by organizations, including legal liabilities, share price impacts, manufacturing delays and lay-offs.

Table 3: Examples of financial implications from poorly managed nature-related risks (adapted from *BloombergNEF*)

Activity	Financial implication
A US specialty chemicals company released toxic substances – often called 'forever chemicals', because they don't easily break down – into watercourses from its US facilities.	A US$10.5 billion tentative settlement for legal liabilities, with potential for other liabilities to reach US$25 billion
A grain and oilseed milling company was reported by a newspaper to have sourced palm fruit from protected plantations in Indonesia, contrary to its sustainability claims.	5.5% fall in share price in the 24 hours after the newspaper investigation was published
A packaged food company was found by a government department to have inadequate biosecurity measures, which enabled the avian influenza virus to enter its UK facilities.	Estimated £20 million loss of brand value and 165 employees laid off within four weeks of the outbreak
A US electric transmission and distribution company had poorly maintained trees next to its transmission lines. Sparks from the lines ignited the branches, leading to a series of deadly wildfires.	91% fall in share price within 15 months of the fire, US$5.36 billion paid in settlements
An automotive company's plans to build a large factory (a 'gigafactory') in Europe led to a court complaint over the pressure it would place on declining groundwater in the area.	3.1% fall in share price in the 24 hours after the court complaint, delays to constructing the US$5.7 billion gigafactory

Illustrative example

Makin' Sweets Ltd is at risk of manufacturing delays due to increasing, **chronic challenges in accessing clean water**. These delays can cause **significant increases in operating costs** and **reputational damage** and potentially lead to **legal challenges** in local markets, while addressing the risk by sourcing water from elsewhere would result in higher production costs.

Chronic loss of pollination services would affect **market conditions** by constraining supply, raising commodity prices and negatively affecting soil health. Declining soil health would in turn reduce the quality of crops and the reliability of the company's supply chain. Finding new suppliers in an increasingly competitive environment would be challenging.

One of the locations of its manufacturing facilities means that the company faces an **acute risk of flooding**, exacerbated by the increasing frequency of extreme weather events. Flooding could cause damage to Makin' Sweets Ltd's manufacturing facilities, leading to an increase in insurance premiums and costs associated with extra unplanned downtime.

The increased pace of change towards a nature positive economy – in terms of both **regulatory and technological change** – risks creating difficulties for the company in attracting finance, unless it keeps up.

18. Milliman (2024), *Milliman estimates PFAS liability for water district remediation at $120–175 billion* [press release], 29 July

Nature-related opportunities

You can create value and potentially gain a competitive advantage by considering and acting on nature-related opportunities. This could be through generating positive impacts or by mitigating negative ones. Part of the rationale behind the EU's Nature Restoration Law – which came into force in August 2024 – is that every €1 invested into nature restoration can generate an estimated €4 to €38 in benefits.[19] At the systemic level, an analysis by WEF identified 15 key actions across the global economy that could create an estimated US$10 trillion of nature-related business opportunities and 395 million jobs by 2030.[20] No organization can afford to ignore the potential in this space.

Within your organization, nature-related opportunities can relate to both business performance and sustainability performance. These categories aren't mutually exclusive, as sustainability initiatives themselves often lead to financial gains. As you develop your business case, you are likely to find that nature-related opportunities to boost your business performance can also enhance your sustainability performance – and the other way round. Exploring these interdependencies can help to strengthen your business case.

The nature-related opportunities in your business case could come from:

- **Addressing risks** – taking steps to avoid, reduce, mitigate or manage your nature-related risks can highlight opportunities for creating improvements to your business performance.
- **Taking positive action** – transforming your business models, products, services and investments to halt or reverse the loss of nature (eg conservation, restoration, nature-based solutions) can generate business benefits. Embracing the principles of the circular economy in your strategy may help you to do this.[21]

19. European Commission, *Nature Restoration Law* [webpage]. Accessed: 4 September 2024
20. WEF (2020), *New Nature Economy Report II: The Future of Nature and Business*
21. Atasu, A and others (2021), *The circular business model*, Harvard Business Review, 99(4), 72–81

Business opportunities can be split into those related to business performance and those related to sustainability performance. These two categories are not mutually exclusive.

Business performance

Market factors – changing dynamics in overall markets, such as access to new markets or locations, can offer new business opportunities. These dynamics can arise from changes to consumer preference, consumer and investor sentiment, and stakeholder dynamics.

Resource efficiency – efficiencies can come from moving towards **circular economy** principles, using fewer natural resources while improving operational efficiency, or reducing costs. An example is micro-irrigation, which maximizes plant health, reduces water use and reduces costs.

Products and services – you can create value by developing or delivering products and services that protect, manage or restore nature, including technological innovations.

Capital flows and financing – generating positive impacts on nature or mitigating your negative impacts can enable you to gain access to capital markets and improved financing terms or financial products.

Reputational capital – taking action on nature can change perceptions of your organization's positive nature-related impacts, which can raise your reputation and credibility for a range of stakeholders including consumers, investors and the wider public.

Sustainability performance

Sustainable use of natural resources – you can identify opportunities in your value chain to use recycled, regenerative, renewable or responsibly sourced inputs rather than extracting new natural resources. This puts less pressure on natural resources.

Ecosystem protection, restoration and regeneration – you can engage in activities that support the protection, restoration or regeneration of habitats and ecosystems, including areas both within and beyond your organization's direct control. For example, Scottish Power has invested in peatlands restoration as a nature-based solution for carbon storage, supporting the organization to meet its climate goals.[22]

Glossary

Circular economy: A circular business model seeks to design out waste and pollution, keeping products and materials in use for as long as possible. This can create business value as supply chains are increasingly under pressure and resource scarcity increases. By considering the provenance and mix of resources and increasing recycling and reusing, business can reduce the demand for virgin materials and reduce volatilities in supply chains while minimizing negative impacts throughout the value chain. *Source:* ***European Parliament*** *(2023)*

Use ***Tool 2: Potential Financial Impacts Associated With Nature-related Risks and Opportunities*** to explore the financial impact of nature-related opportunities for your organization.

"Protecting nature makes our business more resilient … That's why we're proud to be a member of the Taskforce on Nature-related Financial Disclosures. We have started to implement the TNFD methodology to better understand our nature-related risks and opportunities and are committed to publish our first TNFD disclosures from 2026, based on 2025 data."

Julie Brown, CFO, GSK and A4S CFO Leadership Network (Europe) Co-Chair

22. Scottish Power, ***Onshore ecology and peatland restoration*** [webpage]. Accessed: 30 September 2024

Illustrative example

Makin' Sweets Ltd realizes that improving how efficiently it uses water, combined with collaborating with other nearby manufacturing facilities, will enable it to **increase its security of supply, reduce costs** and **reduce its risk of litigation**. The company can finance the work required with a sustainability-linked bond, with preferential rates for meeting its water reduction targets.

The company starts working with its supply chain to reduce negative impacts on nature and restore soil quality. To do so, Makin' Sweets Ltd makes use of nature-based solutions, such as natural flood management and fostering natural insect habitats. These changes provide protection from future extreme weather events and contribute to the security of the company's supply chain.

How considering nature-related risks and opportunities can improve decision making

Incorporating nature into your processes for assessing and managing risks and opportunities across your organization has the potential to add significant financial and environmental value (see Table 4). In practice, decisions are not made in isolation. Different organizations will have different approaches to balancing financial risk, cost, climate adaptation and mitigation, nature and social needs.

Table 4: Examples of how decision making can be improved by taking nature into account

Business area	Types of decision
Strategic	• Refining your **business model** (eg by drawing on circular economy principles) to minimize reliance on scarce natural resources and protect revenue streams against future price shocks • Preparing for future market shifts and stakeholder expectations by including nature-related issues in your **strategic planning** to reduce risks of obsolescence and market decline • Helping to future-proof your **capex investment** decisions by building current and future nature-related risks into your appraisal process and reducing nature-related operational risks • Accessing new sources of **financing** or more favourable terms by taking meaningful action on nature and demonstrating good risk management to the capital markets • Promoting innovative **product development** by considering life cycle impacts on nature and ecosystems in product design, increasing your appeal to consumers and potentially reducing manufacturing costs
Governance and compliance	• Including nature in your **stakeholder engagement**, increasing buy-in by communicating with key stakeholders about your nature-related risks and opportunities and incorporating their input into decision-making processes • Improving your **reporting and disclosure** by incorporating nature-related financial information in corporate reports and disclosures to stakeholders
Operational	• Enhancing your **supply chain management** by understanding nature-related risks in your supply chain and incorporating nature-related considerations into your supplier due diligence • Integrating nature into your approach to **pricing and valuation** to give you better information for decision making

More guidance on how to incorporate nature into different business areas will be provided in the upcoming guide on how to embed nature into strategy, decision making and reporting, as part of our series of guidance on nature.

Case study – GSK

Water is essential for producing our vaccines and medicines. Understanding our impacts and dependencies on water enables us to manage our risks more effectively, prioritize where to act and show our overall progress. Assessing nature-related risks and opportunities is fundamental to ensure business resilience.

For more details, see the full *case study*.

Practical tips for developing your business case

- **Identify material areas to get the attention of decision makers** – consider the risks and opportunities likely to have the most material future financial impact on the organization and where immediate action can drive change. For example, you can choose to focus initially on risks and opportunities relating to key supply chains or resources.
- **Leverage your climate work** – use the work you've likely already done on climate-related risks and opportunities to help highlight those for nature. Their interconnectedness often means that there are likely to be similarities and overlaps.
- **Look to your own and your peers' experience** – reflect on whether any nature-related risks or opportunities have crystallized in the past for your organization or your peers, as this can be a good indication of potential future risks or opportunities. Also consider how previous issues, such as supply chain disruption, may have been exacerbated by nature-related issues, or how similar issues may have more significance in the future due to heightened nature-related risks.

Spotlight on deforestation

Deforestation risk is a growing issue for many businesses and investors. Forests are critical to the global economy and our net zero goals, representing an estimated value of at least US$150 trillion[23] – more than the value of global stock markets. Some industries, such as forestry, agriculture and food, depend directly on forests, while others have indirect dependencies through their supply chains.

Forests provide food, medicines, wood, fibre and employment. They moderate freshwater flows, clean the air, influence regional precipitation, provide flood protection and remove carbon dioxide from the atmosphere. They provide a home to 70 million Indigenous people and 80% of land-based biodiversity.[24]

Yet the expansion of agriculture, mining and timber extraction is destroying and degrading forests around the world, in part driven by the demand for commodities like palm oil, soy and cattle products. This creates risks for organizations, supply chains and investors around the world. As a result, the regulatory landscape is rapidly evolving, with penalties for organizations who fall foul of the rules becoming more common. For example, under the EU Deforestation Regulation, organizations face significant fines and temporary exclusion from commercial activities within the EU for non-compliance. Being found to contribute to deforestation can also affect a company's brand value, particularly if it involves violations of human rights.

23. Kappen, G and others (2020), *The staggering value of forests and how to save them*, Boston Consulting Group, 9 June
24. WRI, *Sustaining forests for people and planet*. Accessed: 7 October 2024

Step 4: Consider the external drivers of action

So far this guide has talked about the importance of understanding your nature-related dependencies, impacts, risks and opportunities as you build your business case. You should also consider external drivers of action in your business case, emphasizing the importance of staying ahead of nature-related regulatory developments and stakeholder expectations.

Policy, regulation and disclosure developments

There is a growing range of environmental legislation that aims to protect nature, at a global, regional and national level. You should work with your sustainability and compliance teams to build up a picture of potential financial risk arising from your regulatory framework to feed into your business case. Key areas to be aware of are summarized in this section.

Global

At COP15, the 2022 UN Biodiversity Conference, 188 governments signed up to the ***Global Biodiversity Framework***, which included a series of goals and targets on nature.[25] Under Target 15 of the framework, governments need to put measures in place by 2030 to require large and transnational companies and financial institutions to "regularly monitor, assess and transparently disclose their risks, dependencies and impacts on biodiversity … along their operations, supply and value chains, and portfolios".[26] In line with the commitments made in the Global Biodiversity Framework, a number of regulations, voluntary disclosure standards and framework methodologies have been developed to mandate or encourage corporate action on nature.

COP16 in 2024 had a strong focus on Indigenous groups and local communities as custodians of biodiversity, including the introduction of a levy on products made using genetic data from nature. These shifts emphasized the increasing understanding within the global community that nature underpins both climate and social goals.

Governments seeking to implement Target 15 of the Global Biodiversity Framework are most likely to adopt disclosure standards that align with TNFD (see ***Table 5***).

Regional

Markets such as the EU are increasingly focusing on nature preservation. The ***Nature Restoration Law*** contains specific targets for the restoration of nature, and the regulation is likely to result in EU member states seeking to catalyse the private sector to help meet those targets.

National

Many jurisdictions are implementing their own nature preservation laws and are likely to look to the private sector to help implement these. For example, a number of countries have **no net loss** biodiversity laws that aim to balance the negative effects of development projects on the environment. In your business case – if nature-related reporting isn't already mandatory for your business – it is worth considering the advantages of getting prepared now.

See our ***case study on Yorkshire Water*** to see how it adapted its capital investment processes to respond to a changing legislative environment on biodiversity net gain.

Reporting

Of particular interest to finance teams given the link to capital raising are the TNFD recommendations and other disclosure regimes. Table 5 summarizes some of the most relevant international nature-related disclosure frameworks for finance teams to consider (***see table 5***). As financial disclosures on nature become more common, the capital markets should be able to price in nature-related risks and opportunities more effectively, making it easier for capital to be directed towards **nature positive** outcomes.

Glossary

No net loss: "'No Net Loss' is a goal for a development project, policy, plan or activity in which the impacts on biodiversity it causes are balanced or outweighed by measures taken to avoid and minimise the impacts, to restore affected areas and finally to offset the residual impacts, so that no loss remains." *Source:* ***Forest Trends*** *(accessed: 18 November 2024)*

Nature positive: "An evolving term typically used to refer to the global aim to halt and reverse nature loss by 2030 (with a 2020 baseline) with a view to full recovery by 2050. Achieving a nature positive target for an individual organization is highly complex and would require a whole value chain approach. Organizations are therefore encouraged to work towards a nature positive economy." *Source:* ***A4S*** *(2024)*

25. 196 countries have ratified the Convention on Biological Diversity, while representatives of 188 countries attending COP15 agreed to the Global Biodiversity Framework. See Convention on Biological Diversity (2022), ***Nations adopt four goals, 23 targets for 2030 in landmark UN biodiversity agreement*** [press release], 19 December
26. Convention on Biological Diversity, ***2030 targets (with guidance notes)***. Accessed: 4 July 2024

Table 5: Key disclosure frameworks on nature relevant for finance teams

Framework	Summary	Voluntary/mandatory	Status
Taskforce on Nature-related Financial Disclosures (TNFD) framework	The TNFD recommendations and additional guidance offer a comprehensive set of materials to support corporate disclosures on nature. TNFD builds on, and uses a similar structure to, the Task Force on Climate-related Financial Disclosures (TCFD) framework, which has already seen high levels of adoption. TNFD's risk management and reporting framework enables companies and financial institutions to assess and disclose their dependencies and impacts on nature. The framework aims to enhance transparency and enable investors, lenders, insurers and other stakeholders to make informed decisions about organizations' nature-related risks and opportunities. The TNFD recommendations are influencing the work of other sustainability-related standard-setting bodies, such as the International Sustainability Standards Board (ISSB) and Global Reporting Initiative (GRI) (see below).	**Voluntary** – but widely expected to follow the path of TCFD, which is now mandatory in several jurisdictions	TNFD Framework v1.0 was released in September 2023.
International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards	In 2023, the International Sustainability Standards Board (ISSB) – part of the IFRS Foundation – issued two IFRS Sustainability Disclosures Standards. IFRS S1 covers disclosures of all sustainability-related risks and opportunities, while IFRS S2 focuses on climate-related disclosures. In April 2024, the ISSB announced that it would start a project to look at disclosure of risks and opportunities relating to biodiversity, ecosystems and ecosystem services.*	**Mainly voluntary** – but gradually becoming mandatory for some organizations in certain jurisdictions, eg Turkey (2024), Australia (2025), Hong Kong (2025) and Brazil (2026)**	ISSB Standards (IFRS S1 and IFRS S2) were issued in June 2023.
European Sustainability Reporting Standards (ESRS)	The ESRS is a reporting framework for companies to meet their obligations under the EU Corporate Sustainability Reporting Directive (CSRD). Reporting organizations following the ESRS framework must disclose material impacts, risks and opportunities arising from nature-related issues.	**Mandatory** – currently being phased in for companies within scope	ESRS was formally adopted by the European Commission in July 2023. Mandatory reporting under the framework will be phased in, beginning in financial year 2024 for all large and listed companies in scope.
Global Reporting Initiative (GRI) Standard 101: Biodiversity	The GRI Standards provide guidelines on impact-related disclosures for a wide range of sustainability areas and across different sectors. Reporting under these standards is voluntary, but GRI is a widely used reporting framework around the world. The biodiversity standard is not specifically focused on finance-related disclosures, and reporting is likely to be led by sustainability teams. If your organization applies this standard, finance and sustainability teams can collaborate to put in place strong and coordinated processes for collecting and reporting on biodiversity impact data.	**Voluntary**	The previous version of the GRI Biodiversity Standard was published in 2016. This latest revision was launched in January 2024 and is aligned with the Global Biodiversity Framework.

* IFRS (2024), ***ISSB to commence research projects about risks and opportunities related to nature and human capital***, 23 April
** Laidlaw, J (2024), ***Where does the world stand on ISSB adoption?***, S&P Global, 9 April. Accessed: 4 September 2024

Investor and other stakeholder expectations

Business dependence on nature, combined with developments in regulation and disclosure frameworks, creates strong incentives for investors to take action on nature. Investors are increasingly expecting companies to identify, disclose and address their nature-related risks and opportunities, and are encouraging organizations to follow the TNFD recommendations and additional guidance. There is currently investor, and wider, pressure for organizations to produce net zero transition plans that set out how they will achieve their climate ambition and goals. As these mature, there will likely be increasing expectations that transition plans also reflect how organizations are addressing their nature-related risks to support a just pathway to a net zero, nature positive economy.

Some investors will carry out their own detailed sustainability assessments to understand the potential risk to their investment returns, while others rely on ESG ratings from external providers. These ESG ratings typically include nature and biodiversity metrics and assessments. These ratings are routinely applied to companies and potentially affect share price and sentiment, as well as which funds the stock is included in. Organizations with low ratings may find it more difficult to gain access to finance or have a higher cost of capital.[27]

One key example of how increased investor awareness and action is emerging is Nature Action 100. This is an investor-led initiative that helps investors engage with their investee companies on nature, with the aim of increasing corporate action. More than 220 financial institutions had signed up to the initiative as of January 2024.[28] Participants in the initiative have six core nature-related expectations of the companies they invest in, focusing on companies' ambition, assessment, targets, implementation, governance and engagement. Other investor initiatives include the Finance for Biodiversity Foundation. Members of the foundation can join its working groups, one of which is focused on engagement with companies and another on public policy advocacy.[29]

This trend is set to continue. Embedding nature-related considerations into your governance, strategy, risk management, decision making and disclosures now will help you to secure and retain investment in the future.

Wider stakeholders, such as customers, employees and local communities, are also looking to see organizations manage their relationship with nature more effectively, and these stakeholders should be considered as you develop your business case.

Investor perspective – Norges Bank Investment Management

Some financial institutions are developing their own expectations for companies on nature. For example, Norges Bank Investment Management – which manages the Norwegian Government Pension Fund Global – has developed a series of ten expectations documents for companies, including documents focused on companies' relationship with nature and natural resources. The asset manager expects companies to:

- Integrate material dependencies and impacts on biodiversity and ecosystems into strategy
- Integrate material biodiversity and ecosystem risks into risk management
- Disclose material nature-related dependencies, and report associated metrics and targets
- Engage responsibly with policymakers and other stakeholders

Practical tips for developing your business case

- **Pay attention to trends** – consider the regulatory trends in your key markets and how you can prepare for these. Markets such as the EU are increasingly focusing on nature, with regulations on conservation and new reporting requirements.
- **Consider your investor profile** – understand the assessment methodology of your key investors and think about what this means for your business. Are they carrying out their own nature-related assessments or relying on external ESG rating providers? What nature-related issues do they include in their assessment?

27. MSCI (2024), ***MSCI ESG Ratings and Cost of Capital***
28. Nature Action 100, ***Investors***. Accessed: 8 July 2024.
29. Finance for Biodiversity Foundation, ***About the foundation***. Accessed: 8 July 2024.

Step 5: Consider how action on nature links to your climate targets and future resilience

Nature's power to capture and store carbon emissions will be crucial for global efforts to achieve net zero. Meanwhile, a stable climate can help reverse the loss of nature.

An integrated approach offers the best chance of meeting your organizational sustainability goals and maximizing your impact. By considering both nature and climate, you can consider any potential trade-offs or synergies and make sure that your decisions are transparent, robust and effective. Nature-based solutions such as deforestation can also offer ways both to meet your nature and climate targets and to increase your business resilience.

See our upcoming climate change and nature guide – part of our series of guidance on nature – for more guidance on the link between these two areas.

A4S resources on climate

A4S has published a number of resources that can help you to take action on climate in your own organizations, including:

Accelerating the transition

Accelerating the Transition: Assessing Progress and Driving Action

Net zero and transition planning

Net zero webpage

Transition planning webpage

Greenwashing series of blogs

What dirty laundry? The problem with greenwashing

How do we stop the spin cycle? The role of regulation in tackling greenwashing

Ironing out the details: What finance teams can do to address greenwashing

Essential guides

A4S Essential Guide to Incentivizing Action Along the Value Chain

A4S Essential Guide to Valuations and Climate Change

Practical tips for developing your business case

- **Identify key crossovers** – look at the most significant potential interactions between nature and climate in your business strategy and activities. For example, the climate-related risks resulting from deforestation.
- **Keep your targets in mind** – consider how nature-based solutions can support your ability to achieve your climate targets and which solutions would be most effective for your business.

"In 2022, Brunel updated its stewardship priorities, producing a separate plan on nature we communicated to our asset managers … Our engagement and voting provider wrote to each identified company outlining the risks of not addressing nature loss. They then held individual and collaborative engagement meetings to highlight their expectations and discuss how each company could contribute to halting and reversing nature loss. As part of this, we will be encouraging the use of the TNFD framework and want to see more companies disclose information on their nature-related risks and opportunities in a standardized and decision-useful manner."

Faith Ward, Chief Responsible Investment Officer,
Brunel Pension Partnership

Look at the numbers

Once you have a high-level understanding of your nature-related dependencies and impacts, and associated risks and opportunities, you can consider how to prepare the quantitative and financial aspects of your business case. You should follow your standard approach to business case development and can use our checklist as a guide (see the ***Developing your business case*** section and ***Tool 1: Nature Business Case Checklist***). In deciding how to approach this, consider what analysis will most efficiently support your case for action on nature within your own organization.

1. Estimate the positive and negative financial and intangible implications of your interactions with nature

You should make informed estimates of the likely value of any potential financial exposures and missed opportunities in your:

- Own operations
- Supply chain
- Wider value chain

Use the template in ***Tool 2: Potential Financial Impacts Associated With Nature-related Risks and Opportunities*** to help you consider the potential financial impacts for your organization.

The ease with which potential costs or savings can be estimated will vary greatly. You should focus on the information that is likely to be most valued by decision makers but that can also be estimated reliably with the data available. You may find that much of your analysis is therefore likely to be qualitative.

You can start by trying to estimate the potential financial impacts of your nature-related risks and opportunities on your costs, revenue or asset values.

Costs: Additional costs could include potential fines or litigation costs from negative impacts on nature (eg pollution), increased supply chain costs as resource scarcity increases, and increased insurance costs for assets that become vulnerable (eg to flooding, landslides or drought-induced subsidence). Sourcing an alternative supply of a diminishing natural resource or ecosystem service would also add costs – for example, to bring in pollinators or to relocate facilities in water-scarce areas.

You could also achieve cost savings by taking action on nature, including cost savings from introducing resource efficiencies (eg using less water in production), time savings from improved stakeholder relationships (eg reducing delays in planning permissions/ permits) and reduced insurance premiums from effectively addressing your nature-related risks.

Revenue: Negative impacts on nature that reduce consumer confidence could result in loss of revenue. You could also estimate the impact of losing market share to competitors that are managing their nature-related risks more effectively.

By taking advantage of your nature-related opportunities, though, you could project potential revenue growth from developing new nature-friendly products or being able to access new markets.

Asset values: You could estimate the replacement costs for replacing capital assets that are facing acute physical risks (eg damage by floods, forest fires or landslides) or the need for write-downs for potential stranded assets (eg assets in water-scarce areas that can no longer operate) or those affected by chronic risks (eg agricultural assets affected by soil degradation or reduced fish stocks, assets in areas affected by reduced ecotourism due to nature loss and/or coral bleaching etc).

However, by using nature-based solutions to address physical risks to assets you could increase their longevity, offering you a financial benefit.

More examples of financial implications can be found in *Tool 2: Potential Financial Impacts Associated With Nature-related Risks and Opportunities*.

As your approach matures and you become more familiar with accounting for nature, there are a number of other areas you could explore further to add weight to your business case. You may consider looking at the compounding effects of the interplay between climate change and biodiversity loss, as each can amplify the other's impacts, increasing financial risks. Some organizations have begun to use benchmark scenarios of potential nature-related outcomes, similar to those used in climate risk assessments. (Although, unlike carbon emissions, biodiversity is not a fungible concept, so gains in one place can't offset losses in another.)

Further details to help you estimate the financial implications will be included in later guides in this series.

2. Evaluate the expectations of current investors and consider whether there are opportunities for innovative future financing, such as sustainability-linked bonds or loans

Investors will be seeking to manage their own nature-related risks and are likely to be anticipating regulatory changes around reporting, as well as looking for new investment opportunities. Open a dialogue with existing investors around their expectations. This can help you identify your investors' key focus areas, adding support for the importance of taking action in these areas.

Nature-related projects may offer access to new financing through instruments such as a sustainability-linked bonds or loans – look to your peers and wider industry for examples of other organizations benefiting from innovative nature-linked finance, and any preferential terms, as this can add weight to your business case.

Conversely, those organizations with poor management of their nature-related risks and opportunities may face increased costs of capital due to a higher perception of risk by the capital markets.

3. Work with your financial planning and analysis team to bring this together for decision makers

Once you have gathered your qualitative and quantitative information, look at engaging ways to present the information. Work with your sustainability and financial planning and analysis team to bring this together. You could consider:

- Heatmaps
- Impact/likelihood matrices
- Overarching quantitative analysis, eg a cost–benefit analysis

More guidance on how to quantify and assess your risks will be set out in the upcoming guide on how to embed nature into strategy, decision making and reporting, as part of our series of guidance on nature.

Lay the groundwork for action

In order to gain wider support for your business case, identify what pieces you need to have in place. This could include:

- Ensuring your CFO is supportive – you will need leadership from the executive level
- Considering how to increase internal engagement within the finance team and wider organization
- Considering how to work with your value chain to highlight their business case and inspire action

One key area to consider at this stage is whether you have any skills and capacity gaps, particularly in the finance team and at the executive level (see Figure 6).

For more guidance, see our ***Essential Guide to Engaging the Board and Executive Management*** and our ***Essential Guide to Incentivizing Action Along the Value Chain***.

More guidance on how to take action on nature will be set out in the upcoming guide on how to embed nature into strategy, decision making and reporting, as part of our series of guidance on nature.

"Within their finance function, the CFO oversees the organization's people who are the most data driven and can bring dispassionate rigour to the data they collect. I think this creates the opportunity to embed that level of rigour right into sustainability."

Jeff Davies, Chief Financial Officer, Legal and General plc

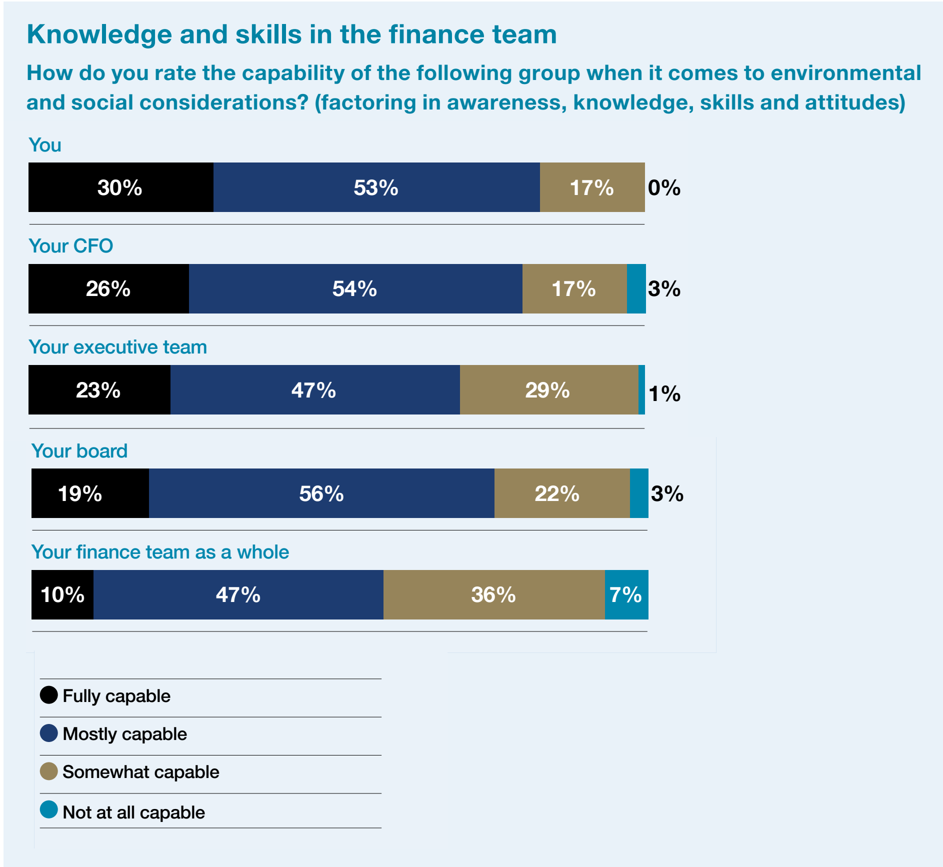


Figure 6: Knowledge and skills in the finance team and organization (source: *A4S, 2024, A4S Finance Leaders' Sustainability Barometer*)

The role of finance teams

The finance team has vital skills to help organizations prepare their business case for nature – and then act on it. Finance teams can play a key role in advocating for the need to integrate nature-related considerations into business strategy and decision-making processes. They can identify the financial implications of nature-related risks and opportunities, and help the organization focus on the most material issues.

Finance teams' role in building the business case will draw upon their skills, such as data analysis, management reporting, presentation of complex information, and the ability to interpret and follow reporting standards. Finance is also well placed within an organization to work with other key teams, helping to identify and gather key inputs, put in place control frameworks and build capacity. This kind of cross-organizational collaboration will be crucial in your own organization for taking meaningful action on nature, with its complex set of dependencies, impacts, risks and opportunities.

How finance can get involved

Despite how vital it is for finance to be a part of such efforts, many finance professionals struggle to understand why and how they should be involved. Here we have addressed the question of 'why'. The rest of our series of guidance on nature will help you to see how you can be involved in integrating nature into areas such as governance, risk management, decision making and reporting.

With the support of the finance function, your organization will be better equipped to address its nature-related risks and opportunities, helping you to enhance your organizational sustainability and resilience – and contributing ultimately to a nature positive economy.

"Driven by integrated thinking, MPIC's Finance team conducts financial risk analysis and aims to ascribe values to non-financial inputs, particularly natural and social capital."

Chaye Cabal-Revilla, Chief Finance, Risk, and Sustainability Officer, MPIC (source: ***Finance for the Future***)

Upcoming guides in our series of guidance on nature

- The link between nature and climate change
- How to embed nature into strategy, decision making and reporting
- Looking ahead and top tips
- Nature and TNFD maturity maps

Acknowledgements

We would like to thank all external parties who reviewed the guide, contributed background information, provided examples, and participated or promoted it.

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