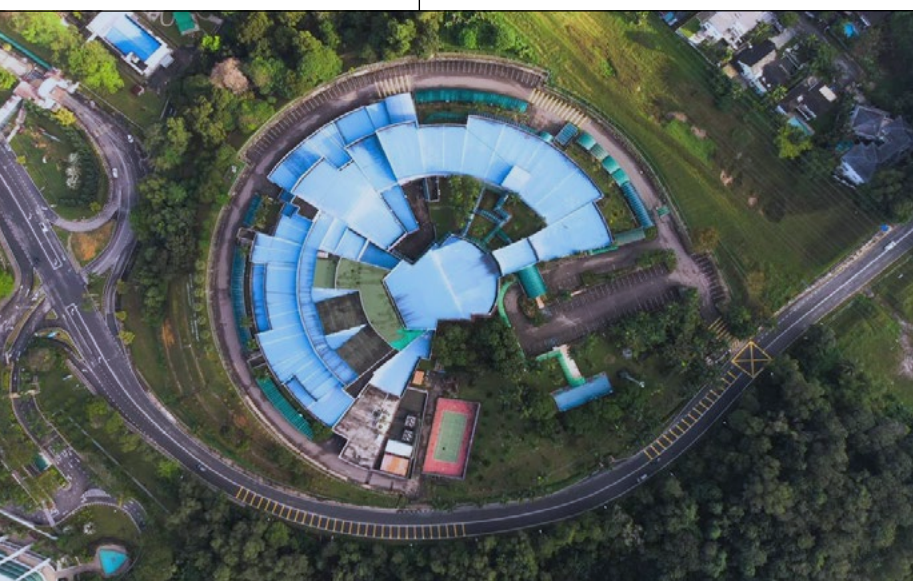




**POST**  
 BIODIVERSITY FRAMEWORK  
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# TRANSFORMATIVE ACTIONS. COMMITMENTS #37

## STOP FLYING BLIND: MANDATE NATURE-RELATED DISCLOSURE FROM BUSINESS AND FINANCE



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**More than 330 business and finance institutions are calling on governments to require them to assess and disclose their impacts and dependencies on nature. This would create fairer competition, increase accountability, engage investors and consumers, support SMEs and help ensure the rights of Indigenous Peoples and local communities. Without that, we are flying blind.**



**“SHIFTING TO MANDATORY NATURE ASSESSMENT AND DISCLOSURE FOR BUSINESSES WILL BE A CRUCIAL STEP IN MANAGING NATURE LOSS AND PROTECTING THE FUTURE OF OUR PLANET. AS WE LOOK AHEAD TO COP15 IN MONTREAL, WORLD LEADERS HAVE A RESPONSIBILITY TO USE THIS ONCE-IN-A GENERATION OPPORTUNITY TO HARNESS THE COLLECTIVE POWER AND RESPONSIBILITY OF BUSINESS AND TAKE ACTION TO PROTECT THE FUTURE OF OUR PLANET.”** Mary Robinson, former President of Ireland and Chair of the Elders

Everything we value in life depends on nature: a stable climate, food, security, health, economy, culture and livelihoods. Ecosystem degradation and climate change are already costing global civilization more than \$300 billion<sup>1</sup> per year and represent an increasing risk for our global economy. As more than half of the world’s Gross Domestic Product (GDP) - \$44 trillion - is moderately or highly dependent on nature and its services, ecosystem degradation and climate change constitute both a business issue and social disaster.

Assessing and disclosing corporate allows businesses to understand their impact and dependencies on nature. It helps decision-making and can create new value through the enabling of innovation, cost reduction and consolidation of business reputation, while enhancing the ecosystems they depend on. It would also engage investors and consumers, inform governments and help ensure the rights of Indigenous Peoples and local communities.<sup>2</sup>

However, new Carbon Disclosure Project (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 required by science. Over 330 businesses are now calling on Governments at CBD COP15 to make nature-related disclosure mandatory.



Cosmos flowers and solar pannels in a pollinator garden. ©

# 1. WHAT DOES ASSESSING AND DISCLOSING ON NATURE REALLY MEAN

Assessing and disclosing, two steps towards protecting and restoring nature. When a business or a financial institution wants to reduce its negative impacts<sup>3</sup> 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. To achieve this, companies must use appropriate methods to determine the amounts, extent, and condition of nature in the physical environment and the effects that their activities are having both now and in the future.

As well as assessing impacts, businesses must also review their nature-related dependencies,<sup>4</sup> risks<sup>5</sup> and opportunities. This is necessary to build a complete picture, create awareness and a sense of responsibility and accountability within their organization. Dependencies, a business reliance on or use of biodiversity or ecosystem services like for instance pollinators in agriculture, are closely linked to the potential financial risks created by the loss of nature or degradation of ecosystem services, 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 and being aware of dependencies would get business to act to protect these ecosystem services they depend on.

Once the impacts and dependencies and the nature-related risks and opportunities have been assessed, businesses can engage in disclosing them by making the results of any assessment external and publicly available.

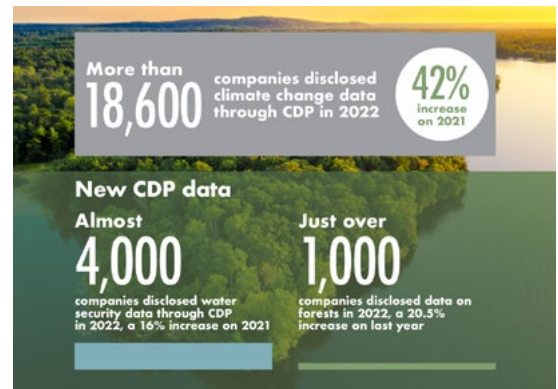
**Disclosure of impacts and risks are equally important**  
 Disclosing nature-related risks incentivizes action and provides relevant information for investors to estimate enterprise value and align their investments with a nature-positive economy. However, this is not enough and businesses and financial institutions must also disclose their impacts and dependencies on nature to provide useful and relevant information to external decision makers such as policy makers, 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.

**“THE CURRENT RATE OF GLOBAL ECONOMIC ACTIVITY IS MORE THAN THE PLANET CAN COPE WITH. IF NATURE WAS A CURRENT ACCOUNT, THEN WE WOULD BE HEAVILY OVERDRAWN.”** Steve Waygood, Chief Responsible Investment Officer, Aviva Investors

# 2. WITHOUT UNDERSTANDING IMPACTS AND DEPENDENCIES, WE ARE FLYING BLIND

Not assessing and disclosing impacts and dependencies would lead 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. It also means that governments are flying blind without understanding the impact they have on nature, making it impossible to adopt informed policy, provide positive incentives and track progress.

**Voluntary disclosure is not enough**



While voluntary disclosure is increasing, experience from the climate agenda tells us that voluntary action is not enough. More than 18,600 companies around the world disclosed climate change data through the CDP in 2022 - a 42% increase on 2021. This increase has been generated by the growing number of countries making climate disclosure mandatory. In contrast, just over 1,000 companies disclosed data on forests. 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).<sup>6</sup> This includes countries such as the UK,<sup>7</sup> Canada<sup>8</sup> and New Zealand<sup>9</sup> who require firms to report on climate impacts and investment decisions. At the G7 in June 2021 finance Ministers agreed to make TCFD mandatory<sup>10</sup> and the US Securities and Exchange Commission proposed rules to require public companies to disclose extensive climate-related information.<sup>11</sup>

**The benefits of mandatory disclosure**

Mandatory disclosure makes business sense. It is needed to:

- **Level the global playing field and ensure fair competition:** It will ensure businesses disclosing impacts and dependencies are not put at a competitive disadvantage, address negative externalities, help identify companies currently showing leadership and stimulate companies to begin the transition toward nature positive business models.

<sup>1</sup> <https://cutt.ly/fMEV99L>

<sup>2</sup> <https://cutt.ly/aME1guu>

<sup>3</sup> Negative or positive effect of business activity on biodiversity

<sup>4</sup> A business reliance on or use of biodiversity or ecosystem services

<sup>5</sup> Potential threats posed to an organisation linked to its and other organisations' dependencies on nature and nature impacts

<sup>6</sup> <https://www.fsb-tcfd.org/>

<sup>7</sup> <https://cutt.ly/CMIJfue>

<sup>8</sup> <https://budget.gc.ca/2022/report-rapport/chap3-en.html>

<sup>9</sup> <https://cutt.ly/UMIjH9e>

<sup>10</sup> <https://cutt.ly/YMIj9wi>

<sup>11</sup> <https://www.sec.gov/news/pressrelease/2022-46>





Fisherman at sea, Nha Mat village, Vietnam. ©

<sup>12</sup> <https://www.cdp.net/en/companies-discloser>

**- 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 provide a true representation of where we are collectively.

**- 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 analytical resources towards reducing their environmental footprint through concrete actions. Most businesses are not willing to share commercially sensitive data, unless there is a mandatory requirement.

**- Involve and activate SMEs through their value chains:** Small and Medium-sized Enterprises (SMEs) represent a large part of the global GDP but have less financial and human capacity for embedding the value of nature into their decision-making. Mandatory assessment and disclosure for large companies would encourage them to provide impact-related support and capacity building for SMEs that constitute their value chain. SMEs should also receive support from governments through clear, consistent and simple guidance and metrics to use to collect data and disclose impact and dependencies, as well as tools and up-to-date and science-based technical and financial support. Financial support could take the form of approved entities to support SMEs disclosure process or providing biodiversity audits for a subsidized fee.

**Mandatory disclosure is good for society as it would**

**- Accelerate action and create a business case to invest in nature:** Businesses require long-term clarity and certainty, including a future financial perspective for the choices they make in their business strategies today. 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 will provide the needed information to investors, would create incentives to invest more in nature-positive projects and reward high performers, therefore increasing the value of investing in nature. It will also ensure investors have the information to avoid investments in activities detrimental to nature and support financing the transition towards a nature-positive economy.

**- Empower consumers:** Mandatory disclosure will empower civil and public society to make informed decisions. It will set a level playing field for benchmarking and comparing the performance of companies and addressing green washing and 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 (FPIC) 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.

**Disclosure of impacts leads to action**

Evidence over 20 years<sup>12</sup> has shown that assessing impacts and dependencies on nature and disclosing these insights generates action by business to reduce impacts. It is the bedrock of environmental action. Some 38% of suppliers disclosing climate data through the 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.

**“A POSITIVE RELATIONSHIP WITH NATURE IS ONE OF THE KEY TENETS OF MAHINDRA GROUP'S SUSTAINABILITY COMMITMENT & ACTION. (...) WE SUPPORT MANDATORY REPORTING AND DISCLOSURE OF BUSINESS IMPACT AND DEPENDENCIES ON NATURE BECAUSE IT DRIVES CORPORATE ACTION AND ENABLES BOTH BUSINESSES AND GOVERNMENTS TO TRACK AND BENCHMARK PROGRESS.”** - Dr. Anish Shah, Managing Director & CEO, Mahindra Group

**Recommendations for high-quality mandatory disclosure**

To be efficient and credible, limit bureaucracy and create fair competition at a global level, mandatory disclosure regulations should be of high-quality and focused on a set of principles that ensure consistency in regulation, together with the quality of the information provided.

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 impacts 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 box-ticking exercise but serve as a floor/minimum requirement that stimulates even more ambitious, broader, and deeper disclosure and action.



Acros Fukuoka eco-building in Japan, ©

### 3. MANDATORY CORPORATE ASSESSMENT AND DISCLOSURE TO MAINSTREAM BIODIVERSITY

#### Voluntary disclosure on nature is not enough - COP15 can make it mandatory

At the UN CBD COP15 in December, governments will adopt the Global Biodiversity Framework (GBF). This international agreement has the potential to strengthen the global response - across governments, finance and the private sector - to the nature crisis. It has the opportunity to send a strong signal to the business and finance community that the status quo is economically short-sighted and that business will be required to act.

This is why more than 330 businesses and financial institutions<sup>13</sup> with revenues of more than \$1.5 trillion from 52 countries have signed the COP15 Business Statement<sup>14</sup> calling on Heads of State to include in Target 15 mandatory requirements for all large business and financial institutions to assess and disclose impacts and dependencies on biodiversity, by 2030.

It is therefore essential that the parties at the Convention adopt a Target 15 that requires business and financial institutions to act. Only a target that includes effective mandatory and regulatory requirements will accelerate business action at the scale that nature requires. To ensure this, Target 15 must apply to all large business and financial institutions to truly create a level playing field global. It should address all impacts and dependencies across operations, value chains and portfolios, as most impacts occur along the value chains of large companies.

Target 15 must include a minimum of two actions that governments will take legal, administration and regulation measures on. First, a clear reference to mandatory requirements to requesting all large business and financial institutions to assess and disclose impacts and dependencies on biodiversity. Second, a clear aim to reduce negative impacts by half and increase positive impacts, supported by incentives to ask companies to commit through transparently set science-based targets and to transform their business models.

### 4. FRAMEWORKS CAN HELP GOVERNMENTS IMPLEMENT MANDATORY ASSESSMENT & DISCLOSURE

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 and transparency. 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**<sup>15</sup> published in 2016, harmonizes 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)**<sup>16</sup> 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)**<sup>17</sup> is developing a risk management and disclosure framework on nature-related dependencies, impacts, risks and opportunities. The final v1 TNFD framework - to be published in Sept 2023 - will help governments to set mandatory disclosure of nature-related dependencies, impacts, risks and opportunities. Governments can already use the LEAP<sup>18</sup> approach in the TNFD beta framework that outlines a process to assess impacts and dependencies on nature.
- **Other existing reporting standards** such as the CDP<sup>19</sup>, which runs a voluntary and independent global environmental disclosure system for companies, can provide useful information to governments. Other initiatives also include the **International Sustainability Standards Board (ISSB)**<sup>20</sup> who sets IFRS Sustainability Disclosure Standards and aim to broaden its focus to include nature, the Global Reporting Initiative (GRI), International Finance Corporation (IFC) Sustainability Framework.<sup>21</sup>

<sup>13</sup> <https://www.businessfornature.org/make-it-mandatory-campaign>

<sup>14</sup> <https://www.businessfornature.org/cop15-business-statement>

<sup>15</sup> <https://capitalscoalition.org/capitalsapproach/natural-capital-protocol>

<sup>16</sup> <https://sciencebasedtargetsnetwork.org/>

<sup>17</sup> <https://tnfd.global/>

<sup>18</sup> <https://framework.tnfd.global/theleap-nature-risk-assessment-process/>

<sup>19</sup> <https://www.cdp.net/en>

<sup>20</sup> <https://cutt.ly/xMRwBzB>

<sup>21</sup> <https://cutt.ly/ZMRrOi>

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