

In collaboration
with Oliver Wyman



Nature Positive: Corporate Assessment Guide for Financial Institutions

INSIGHT REPORT
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Foreword



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Despite the urgency of the nature and climate crisis, investments in nature are still deeply underfunded.¹ While the private sector puts \$35 billion into nature-positive investments annually, it pours at least \$5 trillion into nature-negative investments each year.² It is clear that a realignment of financing flows is needed to accelerate impactful steps to contribute to halting and reversing nature loss.

Also, nature-positive transitions of the real economy could unlock trillions in economic opportunities. In its *New Nature Economy* report, the World Economic Forum identified \$10 trillion worth of annual business opportunities and 395 million potential jobs that can be created by 2030, requiring up to \$2.7 trillion in annual investment.

To date, nature funding is skewed towards nature conservation financing. While supporting these activities remains critical, allocating and scaling capital towards the systemic transformation of real economy operations and value chains is pivotal to maximizing nature-related financing opportunities and meeting the goals of the Global Biodiversity Framework (GBF). This system-level strategic thinking is at the core of “financing the nature-positive transition” and can open significant lending and investment opportunities for financial institutions.

Financial institutions’ progress on nature directly depends on the companies they engage with.

Understanding the nature impacts, transition plans and actions of their clients and portfolio companies is key to a financial institution’s nature approach. To date, challenges with data and metrics have been cited by financial institutions as barriers to getting started – but now is the moment to take action.

The past decade’s work on climate has given financial institutions a head start, allowing them to build on their efforts towards both a net-zero and nature-positive transition.

Many financial institutions are already actively expanding their climate transition plan assessment frameworks to include nature, with the goal of demonstrating a forward-thinking and impactful approach to assessing and engaging with companies on nature.

ING is working towards sharpening its approach on nature, including assessing its lending portfolio, identifying key sectors and clients to support in nature transition, and integrating nature assessments into its climate transition plan framework.

To steer their portfolios towards the goals of the GBF and maximize nature-related business opportunities, financial institutions should collaborate closely with their clients and portfolio companies. By working together, a systemic transformation of real economy operations and value chains can be achieved.

Foreword



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The Kunming-Montreal Global Biodiversity Framework (GBF) called on nations and industries to take decisive steps by 2030 to halt and reverse nature loss, aiming for full recovery by 2050. Yet achieving these ambitious targets demands investments that far exceed current financial commitments, as well as more extensive public-private collaboration and private-sector engagement. While \$1.2 trillion of annual investment in direct and nature-adjacent projects by the private sector is required to reverse the decline in natural ecosystems, less than 3% has been committed at this point.

Financial institutions find themselves at the heart of this transformative journey, holding immense influence over driving investments towards nature and the ultimate success of the effort to protect it. By embedding nature metrics into company assessment frameworks for decision-making, as well as using them to engage corporate clients and stakeholders, financial institutions can help industrial and other non-financial enterprises on their transformational journey towards a global nature-positive transition.

For the past several years, the World Economic Forum and Oliver Wyman have stressed the need

for financial institutions to develop a practical approach to evaluating company performance on nature priorities. This is a crucial step towards fast-tracking investments in nature. For instance, in our 2024 chief executive officer briefing paper, *Financing the Nature-Positive Transition: Understanding the Role of Banks, Investors and Insurers*, we made the case for why immediate action from financial institutions was imperative and identified two priority areas for financial institutions: the development of nature assessment frameworks and the collaboration between private finance using public finance and industry.

In this report, *Nature Positive: Corporate Assessment Guide for Financial Institutions*, we provide particulars on how financial institutions can develop a viable course of action. We also offer actionable insights to support financial institutions as they systematically assess their clients' transition towards nature positive.

The World Economic Forum and Oliver Wyman are continuing to collaborate with financial institutions to shape this agenda and meet this challenge head-on. The time for action on nature loss is not in the future, but now.

Executive summary

Financial institutions can act now to assess companies on nature and integrate nature-related data into business-as-usual activities.

The state of nature has been declining rapidly, with wildlife populations having decreased by an average of 73% over the past 50 years.³ Human activity has already severely altered three-quarters of Earth's land surface. This represents not only an environmental crisis but also a significant risk to economic stability,⁴ as over half of the world's gross domestic product (GDP) is highly or moderately dependent on nature.^{5,6}

Acknowledging this challenge, 196 countries adopted the Kunming-Montreal Global Biodiversity Framework (GBF) in 2022. The GBF charted a path for biodiversity that resembles the trajectory established for climate change by the 2015 Paris Agreement and proposed that nature would follow a similar developmental course. Financial institutions proactively acting on nature are more likely to be better positioned to assess nature-related risks comprehensively and capitalize on emerging opportunities.

The time to act is now. There is a pressing need to increase investment in business activities that reduce and prevent negative impacts on nature along the entire value chain. Financial institutions – banks, investors and insurers – have a critical role to play as providers of finance and de-riskers of investment.

Firstly they need to develop practical approaches on how to evaluate corporates on their nature impacts. Guidelines are being developed to direct companies and financial institutions in the creation of their own nature transition plans. Leading frameworks include those from the Taskforce on Nature-related Financial Disclosure (TNFD), the Glasgow Financial Alliance for Net Zero (GFANZ) and the World Wide Fund for Nature (WWF). However, less attention has been given to how financial institutions can start assessing portfolio

companies' alignment with institutional ambitions for nature. This report outlines how financial institutions can start to assess company efforts to align strategies with the protection and restoration of nature.

When establishing practices for nature, financial institutions should build on existing capabilities, frameworks and structures for climate. This report used climate transition plan assessment approaches as a starting point, which were then supplemented with a series of interviews with financial institutions and leading non-governmental organizations (NGOs).

In the end, 11 indicators across three key dimensions of information were deemed relevant for financial institutions assessing their corporate clients' and portfolio companies' progress and forward planning on nature:

1. **Company starting point:** Financial institutions are eager to form a view on where companies stand on nature and how they are exposed to nature-related risk. Many begin by assessing impacts and dependencies, as well as associated risks and opportunities, and determining materiality of nature-related issues.
2. **Company ambition and targets:** For material nature-related issues, financial institutions would like their portfolio companies and clients to develop and articulate ambitions and, over time, set targets.
3. **Transition credibility and achievability:** Financial institutions would like to see proof points demonstrating that nature ambitions and targets are being embedded into a company's activities.

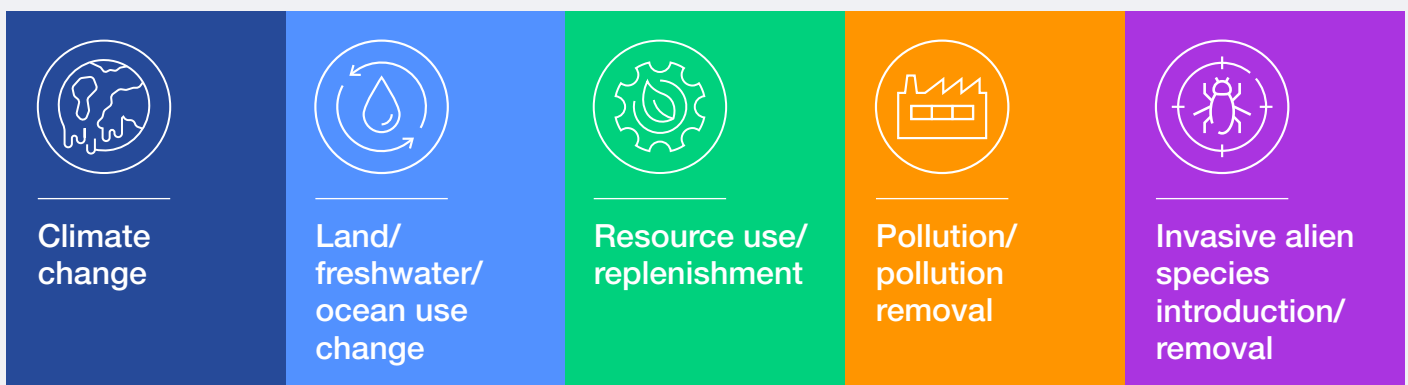
Introduction

Financial institutions must embed nature into risk assessment frameworks to secure economic stability and shape a nature-positive future.

The state of nature has been declining rapidly over the last century; wildlife populations have been shrinking by an average of 69% over the last 50 years.⁷ Three-quarters of the Earth's land surface has been severely altered by human activity. This represents an environmental crisis, but it also poses a significant risk to economic stability.⁸ A majority of the vital ecosystem services on which the global economy and society depend are in rapid decline. While tackling climate change

has been the main focus of financial institutions and companies to date, those efforts must now be expanded to include all five drivers of nature change. These include climate change, land, freshwater or ocean use change, resource use or replenishment, pollution or pollution removal, and invasive species introduction or removal.⁹ These drivers touch the four major realms of nature – land, ocean, freshwater and atmosphere.¹⁰

FIGURE 1 The five drivers of nature change



Source: Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES); Science Based Targets Network (SBTN); Taskforce on Nature-related Financial Disclosures (TNFD).

In 2022, 196 countries adopted the Kunming-Montreal Global Biodiversity Framework (GBF) to halt and reverse nature loss by 2030, with a vision of living in harmony with nature by 2050. As part of this landmark agreement, signatory countries are required to translate the GBF into national biodiversity strategies, action plans and sectoral guidance, and urge all parts of society to tackle nature loss alongside the climate crisis.

Financial investments are critical to ensuring the GBF's success. Even though the term "nature positive" is not explicitly defined in the GBF, companies, financial institutions and non-governmental organizations (NGOs) are increasingly rallying around the concept as a means of contributing to the GBF. The Nature Positive Initiative defines "nature positive" as contributing to the "global societal goals ... to halt and reverse

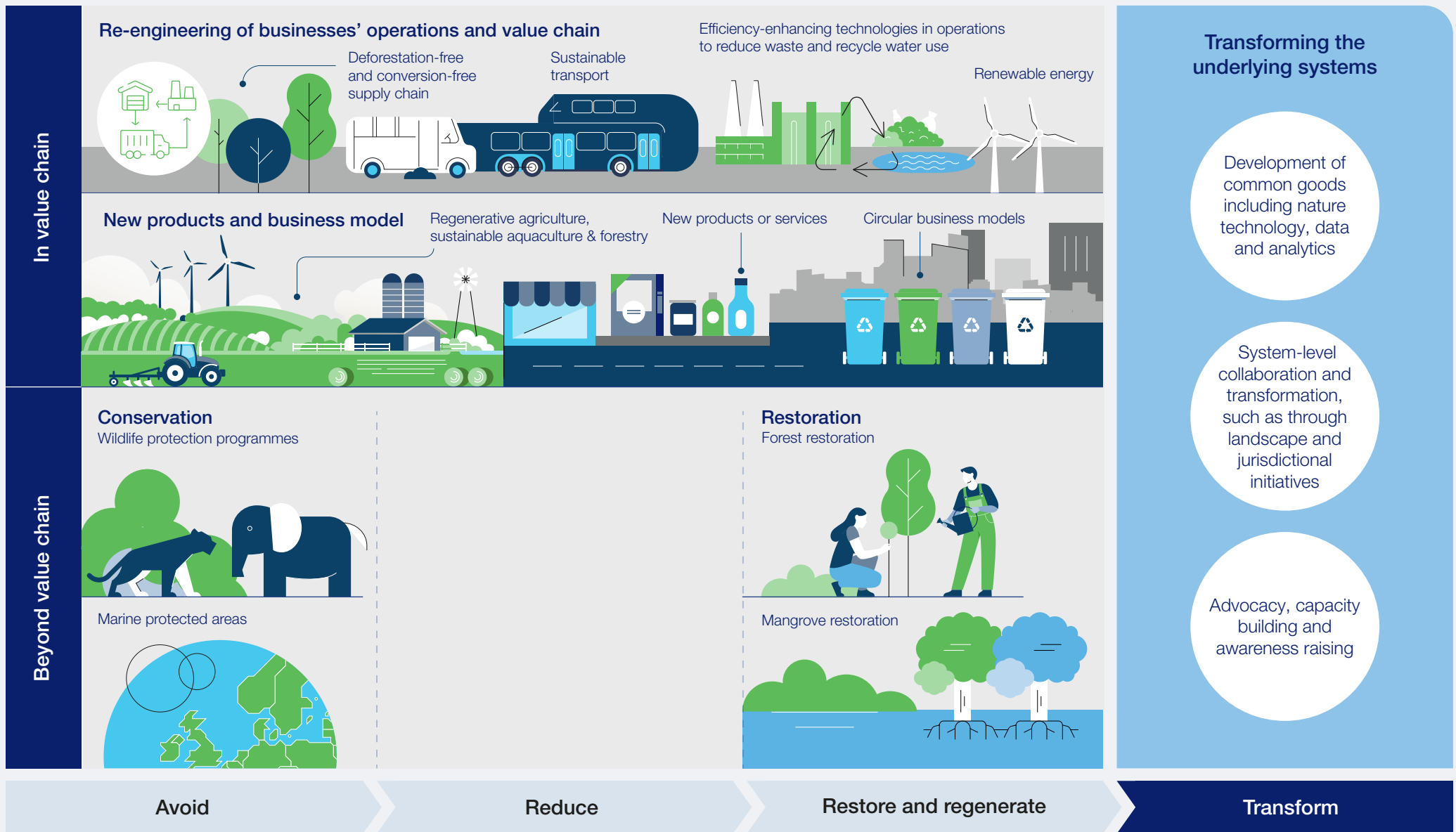
nature loss by 2030, using a 2020 baseline, and achieve full recovery by 2050".¹¹

Investments in nature remain deeply underfunded, however, with \$1.2 trillion worth of annual investment¹² in direct and nature-adjacent projects required by the private sector to reverse the decline in natural systems. The focus of nature finance – that is, finance contributing to the nature-positive goal of halting and reversing nature loss¹³ – needs to broaden from conservation and restoration to include the reduction and avoidance of negative impacts in company value chains across all sectors of the economy. To that end, reducing negative impacts and striving towards a systemic transformation of real-economy company operations and value chains are at the core of financing the nature-positive transition, and represent the focus of this report.

FIGURE 2 | Financing the nature-positive transition – examples of what to finance

Production and consumption activities that contribute to nature-positive outcomes

Examples, not exhaustive



Source: World Economic Forum; Oliver Wyman.

Barriers to capital allocation and the business case for nature

Over the course of 2024, the World Economic Forum and Oliver Wyman engaged with financial institutions through interviews, roundtables and surveys. In one survey conducted during this engagement, financial institutions were asked about the changes in the wider ecosystem required

to increase financing for the nature-positive transition. Overwhelmingly, they cited the need for increased data availability (86% of respondents) and data quality (78%) – among other factors – as foundational for increasing investment in the nature transition. This report demonstrates that the data needed by financial institutions to assess corporate nature efforts through a comprehensive set of indicators may already exist.

FIGURE 3 Financial institutions survey

What would need to change in the wider ecosystem for you as a financial institution to increase financing to the nature-positive transformation?



Source: World Economic Forum; Oliver Wyman.

Leading financial institutions are already beginning to see beyond a regulatory compliance exercise to the compelling opportunities in nature investment.

A report by Business for Nature identified embedding nature in risk management systems as one of five key transformative actions financial institutions need to take to shape a nature-positive future.¹⁴ Nature-related financial risks are also a key concern for global financial system monitoring bodies, such as the international Financial Stability Board (FSB).¹⁵ Despite initial efforts to systematically examine nature-related opportunities (using opportunity categorization by the United Nations Environment Programme Finance Initiative and the Finance for Biodiversity Foundation¹⁶), many financial institutions tend to assess nature in their client portfolios through the lens of risk and compliance, rather than opportunity. For example, financial institutions based in the European Union (EU) are driven by Corporate Sustainability Reporting Directive (CSRD) disclosure requirements to act, and many respondents identified policy change (83%) and regulatory requirements (75%) as necessary for catalysing further financing for nature.

However, some financial institutions are already beginning to view nature as a valuable opportunity. For instance, Legal & General's asset management division emerged as the largest cornerstone investor in Ecuador's debt-for-nature swap, contributing \$250 million in marine conservation loans in 2023. Similarly, Emirates NBD (ENBD) has set a sustainable financing target, prompting the institution to guide its clients on

blue and green bonds that emphasize water-related (and other) ecological initiatives.

While regulatory requirements such as the CSRD are critical and have helped to drive progress on nature disclosure, leading financial institutions are already beginning to see beyond a regulatory compliance exercise to the compelling opportunities in nature investment. Survey respondents were asked how they perceive the future potential demand for nature-related opportunities (high/medium/low). They saw the following as the most promising business opportunities, with more than 50% of respondents expecting high future demand:

1. Process re-engineering to achieve operational efficiencies, such as in waste or water use reduction
2. The mitigation of regulatory/environmental risks, such as pollution prevention and emissions reduction
3. Financing or insurance for regenerative agriculture

Furthermore, sustainable forestry, land conservation and restoration, nature-based solutions and emerging nature technology are also expected to have high future demand by more than 43% of survey respondents.

BOX 1 | Sector reports

The World Economic Forum, together with the World Business Council for Sustainable Development and Business for Nature, has issued 17 sector reports analysing nature-related business opportunities. These reports identify four to five priority business actions for each sector, grounded in each sector's key nature-related impacts and dependencies, and risks and opportunities. Tackling these opportunities will require substantial investments of over \$4.6 trillion. For example, one

priority action for the automotive sector is to expand circularity to avoid and reduce material waste across the value chain. This will require investments in new technologies and efficiency-increasing mechanisms enabling companies to enhance processes and reuse more materials. This would lower the sector's negative effects on nature. For more information on sector-specific opportunities to unlock value through nature-positive transitions, please see the [Nature Positive Transitions: Sectors](#) report series.

The momentum for assessing corporate nature performance is building

This report aims to outline a practical approach that financial institutions can apply to assess company efforts to align their strategies with the protection and restoration of nature. This approach will help them to identify key information related to their portfolio companies.

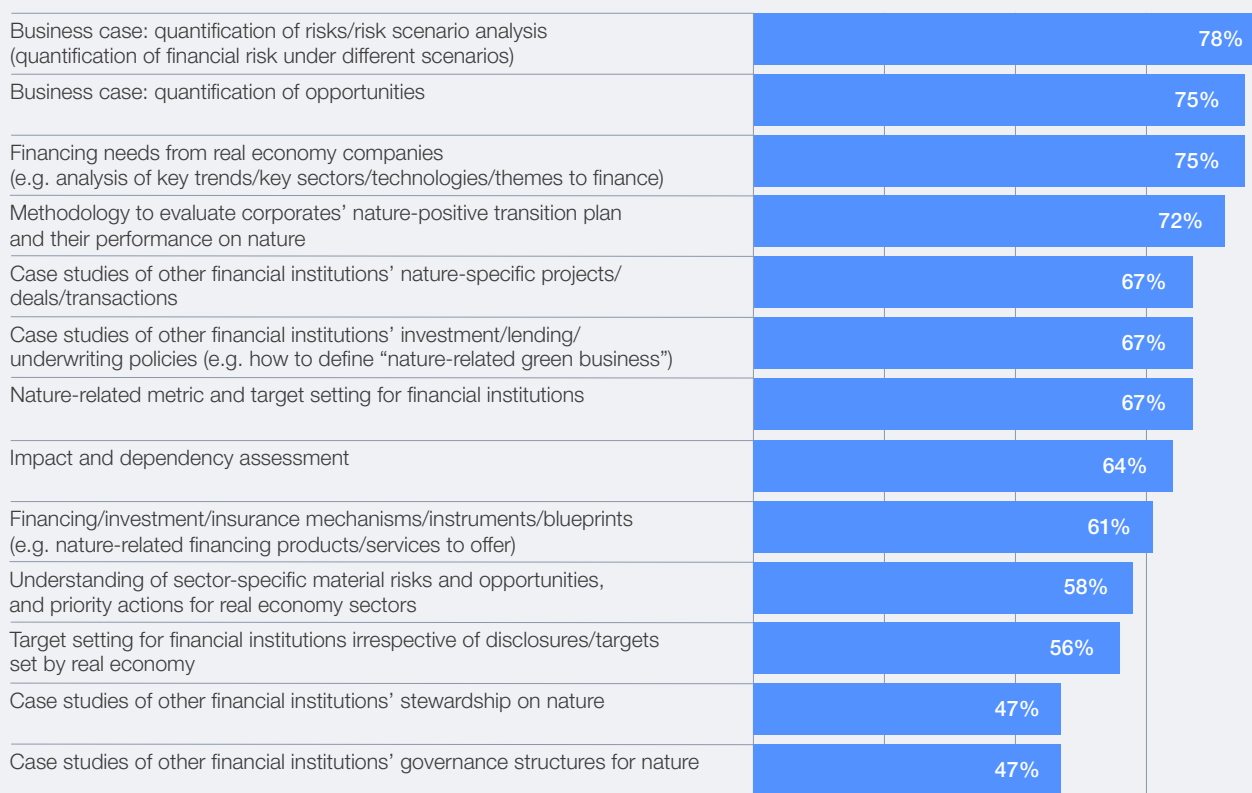
In a recent survey conducted by Oliver Wyman and the World Economic Forum, financial institutions identified areas where they believe more guidance is required to support further capital allocation to nature. Overall, four key areas were identified by more than 70% of surveyed financial institutions:

- Quantification of risks
- Quantification of opportunities
- Understanding financing needs for real-economy companies (including the analysis of key trends, sectors and technologies)
- Methodology to evaluate corporate performance on nature and company nature transition plans

Motivated by this finding, this report advises responding to the need for guidance by providing a collective perspective on how financial institutions can assess companies' nature efforts and impacts.

FIGURE 4 | Financial institutions survey – areas of guidance

Which areas would you like guidance from industry standard setters and think tanks on, to enable your organization to increase financing to the nature-positive transition?



Source: World Economic Forum; Oliver Wyman.



“ Globally, 12,545 companies reported on biodiversity to CDP in 2024, while 9,666 reported on water security, 5,615 reported on plastics and 3,851 reported on forests.

Global initiatives such as the Taskforce on Nature-related Financial Disclosure (TNFD), the Glasgow Financial Alliance for Net Zero (GFANZ) and the World Wide Fund for Nature (WWF) are currently developing guidance for corporates and financial institutions to aid the development of nature strategies and transition plans. For instance, TNFD has already been adopted by financial institutions like Legal & General, ENBD, MUFG, UBS and Mirova. The publication of nature transition plans by corporates presents a significant opportunity for financial institutions to access the information they need to assess corporate efforts to transform operations and value chains. As such, this report advocates for the development of guidance on nature transition plans and highlights the key role of financial institutions as consumers of this data.

Corporate data on nature is emerging

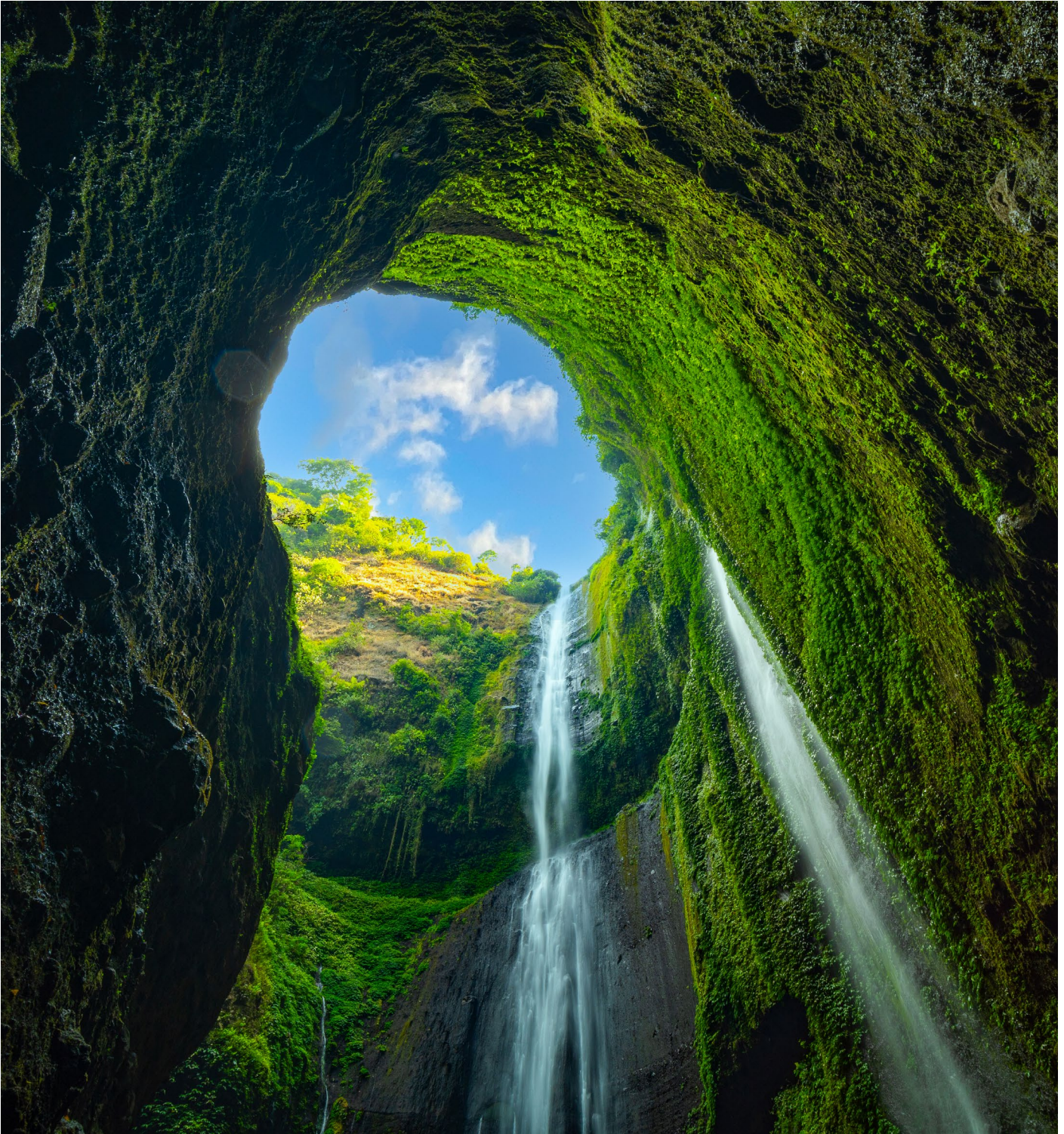
It's crucial to recognize that nature transition plans are in earlier stages of maturity than climate transition plans. As such, financial institutions will, in the near term, rarely have access to complete and holistic nature transition plans from companies. Nevertheless, a number of companies are already disclosing nature-related information, and, as more companies disclose, data availability and quality will improve.

- Globally, 12,545 companies reported on biodiversity to CDP in 2024, while 9,666 reported on water security, 5,615 reported on plastics and 3,851 reported on forests. This number is expected to increase as companies get more experience developing and using nature-related data.

- As of October 2024, 502 companies have signed up as TNFD adopters. This number is growing and has increased by 57% since January 2024.¹⁷ Working with initiatives like TNFD will familiarize companies with nature disclosure on a global scale.
- Companies that fall within the scope of the EU's CSRD or voluntarily choose to align with it will disclose a wide range of nature-related metrics and data. The EU Corporate Sustainability Due Diligence Directive (CSDDD), which took effect in July 2024, will further drive disclosure. Other standards such as the International Financial Reporting Standards (IFRS) and Sustainability Disclosure Standards set by the International Sustainability Standards Board (ISSB) will increase data availability for other jurisdictions over time.
- GSK, Holcim and Kering have publicly adopted freshwater targets with the Science Based Targets Network (SBTN) as part of the Science Based Targets initiative.
- Analyses of available nature data conducted by TNFD in March 2022 and again in October 2024 concluded that a significant amount of nature-related metrics and data already exist.^{18,19} However, the lack of data on the extent of companies' nature-related impacts represents the most urgent priority and the biggest pain point for market participants. The work being conducted by the Nature Positive Initiative on state-of-nature metrics aims to coalesce companies around key indicators for reporting and disclosure.

1 Assessing companies on nature

Assessing companies' nature performance helps financial institutions align investments with sustainability goals and prepare for future regulation.



Through consultations with global financial institutions across banking, insurance and asset management, the World Economic Forum has developed a set of nature-related indicators that financial institutions can use to assess their portfolio companies and clients. The information collected will also prepare financial institutions to comply with future nature-related regulation. While the report outlines what indicators financial institutions seek to assess, it does not provide guidance on how financial institutions should evaluate the corporate information provided per indicator.

Given the profound interconnection between nature and climate,²⁰ this approach is closely linked to existing climate transition plan assessment

frameworks already in use by many leading financial institutions – see Appendices (A2) for existing examples of climate assessment frameworks. Figure 5 outlines this perspective, evaluating how financial institutions aim to approach assessments of nature strategy and performance.

While the nature assessment indicators are sector-agnostic overall, the relevance of the specific data points will vary according to the sector and the nature-related issues most material to a particular company. For example, targets and policies affecting freshwater use will most likely be more relevant to a company in the agriculture sector than one in the education sector, as indicated by the sector-specific heatmap shown in Table 1.

FIGURE 5 **Eleven indicators for financial institutions to assess companies on nature**

	Nature		Climate
	Interim indicators	Target-state indicators	Indicators used by financial institutions to assess climate transition plans
Starting points 	1 Material nature impacts and dependencies, and risks and opportunities		Greenhouse gas (GHG) emissions baseline and evolution of emissions from baseline
		2 Nature metrics	
Ambition and targets 	3 Nature ambition		Ambition of targets (e.g. versus pathway)
		4 Nature targets	Interim and long-term GHG emission targets
Transition credibility and achievability 	5 Strategy and actions		Sector-specific actions
	6 Policies		Policies
	7 Governance		Governance
		8 Incentives	Incentives
		9 Planned spend	Capital expenditure and climate research and development
		10 Independent verification of actions	Offsets
	11 Supplier engagement plan		Engagement plan

Source: World Economic Forum; Oliver Wyman.

“ Financial institutions would like to see proof points that demonstrate that nature ambitions and targets are being embedded into the company’s activities.

Three dimensions of client nature transition information

Financial institutions might find it helpful to consider three progressive dimensions of information along 11 indicators, which are based on approaches used today by financial institutions to assess climate transition plans:

1. **Company starting point:** Financial institutions are eager to form a view on where companies stand on nature and how they are exposed to nature-related risk. Many companies begin by assessing impacts and dependencies as well as associated risks and opportunities to determine materiality of nature-related issues, and have started to report on some key nature-related metrics such as water use.
2. **Company ambition and targets:** Financial institutions would like to see their portfolio companies and clients develop and articulate ambitions and, over time, set targets for material nature-related issues. This would provide important information on the degree of transformation companies are seeking to achieve and indicate the areas where they may require support during the nature-positive transition.

3. **Transition credibility and achievability:** Financial institutions would like to see proof points that demonstrate that nature ambitions and targets are being embedded into the company’s activities, such as integration of nature into company policies and credible action plans that are in place and on track. This would help financial institutions to form a view on whether a company’s targets are likely to be achieved and where opportunities might exist to support them.

This report distinguishes between two types of indicators of information available for financial institutions to assess companies on nature. These are: “interim” indicators and “target-state” indicators. Interim indicators consist of streamlined information categories that can be effectively used today, while target-state indicators represent information that financial institutions hope to see readily available in the near future when company maturity on nature has increased.

In the following sections, this report will outline a practical approach financial institutions can follow to assess companies on nature using indicators presented in Figure 5. These sections will provide case studies and examples to illustrate this concept.



CASE STUDY 1

Legal & General

Legal & General's strategy is focused on both climate and nature. Alongside their commitment to net zero, Legal & General has made firm-wide commitments on nature and deforestation. Specifically, Legal & General is a signatory to the Finance for Biodiversity Pledge and supports the COP26 (the 26th United Nations Climate Change Conference) financial sector commitment to eliminate agricultural commodity-driven deforestation.

In order to meet its commitments, Legal & General needs to understand its portfolio at an investee company level. Legal & General has reviewed its own asset portfolio and prioritized sectors with the greatest impacts and dependencies on nature for further action. These include: consumer staples, consumer discretionary, energy, materials, transport, utilities, financials, healthcare, information technology and industrials.

Legal & General's Nature Framework focuses on the five primary drivers of biodiversity loss as identified by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). Legal & General has therefore chosen to develop policies for four sub-themes that target these drivers: water policy, natural capital management policy, deforestation policy and circular economy policy.

Legal & General assesses its investee companies along the following dimensions:

- **Assessments:** Legal & General expects companies to conduct materiality assessments and encourages adoption of the TNFD LEAP (locate, evaluate, assess and prepare) disclosures to promote standardized assessment outputs. For example, as part of their Water Policy, Legal & General intends to understand companies' contribution to ecosystem use change (marine and freshwater) and how these companies ensure access to water and sanitation (WASH).
- **Ambitions and targets:** Legal & General encourages companies to start setting targets that are time-bound, context-specific and science-based.
- **Strategic development (including strategies, policies and mitigation actions):** Legal & General expects these to be developed in collaboration with Indigenous Peoples and local communities when they are affected.
- **Accountability and governance mechanisms:** For example, as part of their Water Policy, Legal & General

expects companies to share what monitoring processes are in place and whether there is board-level oversight of water management.

- **Engagement (including with actors in the value chain, trade associations, policy-makers and other stakeholders):** For example, Legal & General assesses how indirect and direct policy advocacy is aligned with the GBF and the goal of reducing impacts on water.
- **Disclosure:** This includes an expectation for, at a minimum, disclosure of the core metrics of TNFD.

In order to assess companies on these indicators, as well as guide engagement with companies, Legal & General harnesses proprietary environmental, social and governance (ESG) tools that incorporate nature-related metrics. Legal & General has integrated biodiversity and nature considerations into its Climate Impact Pledge, both within quantitative scoring and qualitative assessments.

Legal & General engages with companies globally, targeting the top sectors with the most significant impacts on nature. Legal & General's approach involves direct engagement and thorough collaboration with regulators and policy-makers to address these systemic market risks. In 2023, Legal & General had over 200 specific nature-related engagements. Companies that are failing to meet Legal & General's standards can be divested from the portfolio. However, through Legal & General's direct engagement, once-divested companies may also be reinstated if they meet the Climate Impact Pledge standard. One such example is China Mengniu Dairy, which was reinstated after it published a deforestation policy pledging commitment to carbon neutrality by 2050 and delivered on Legal & General's red lines.

In regions like Asia Pacific and Latin America, where biodiversity risks are high, standardized nature-related disclosures are scarcer than in Europe, making it more difficult to assess companies' environmental impacts. In order to scale their efforts and ensure more consistent and comparable risk assessments across global markets, Legal & General continues to engage with policy-makers, standard-setters and stock exchanges to encourage better reporting standards (particularly as global regulatory frameworks evolve).

Source: Legal & General.



BOX 2 | Interlink between indicators and transition planning guidance by TNFD, GFANZ and WWF and disclosure via CDP

TNFD, GFANZ and WWF are currently developing guidance aimed at financial institutions and real-economy companies on the preparation of their nature transition plans. The structure of the nature assessment indicators aligns with the assessment methods financial institutions employ when evaluating corporate climate transition plans and is therefore derived from a practical output perspective.

Once companies publish their nature transition plans in accordance with the guidance from TNFD, GFANZ and WWF, and report relevant information through CDP, financial institutions can draw on that data. For further details, please review the Appendices (A3), which contains an overview of transition planning guidance and the connections between the indicators presented here and other relevant data points.

“ All types of financial institutions may be interested in understanding companies’ nature starting points, ambitions and targets, as well as the credibility and achievability of nature transition plans.

A sector-wide perspective across financial institutions

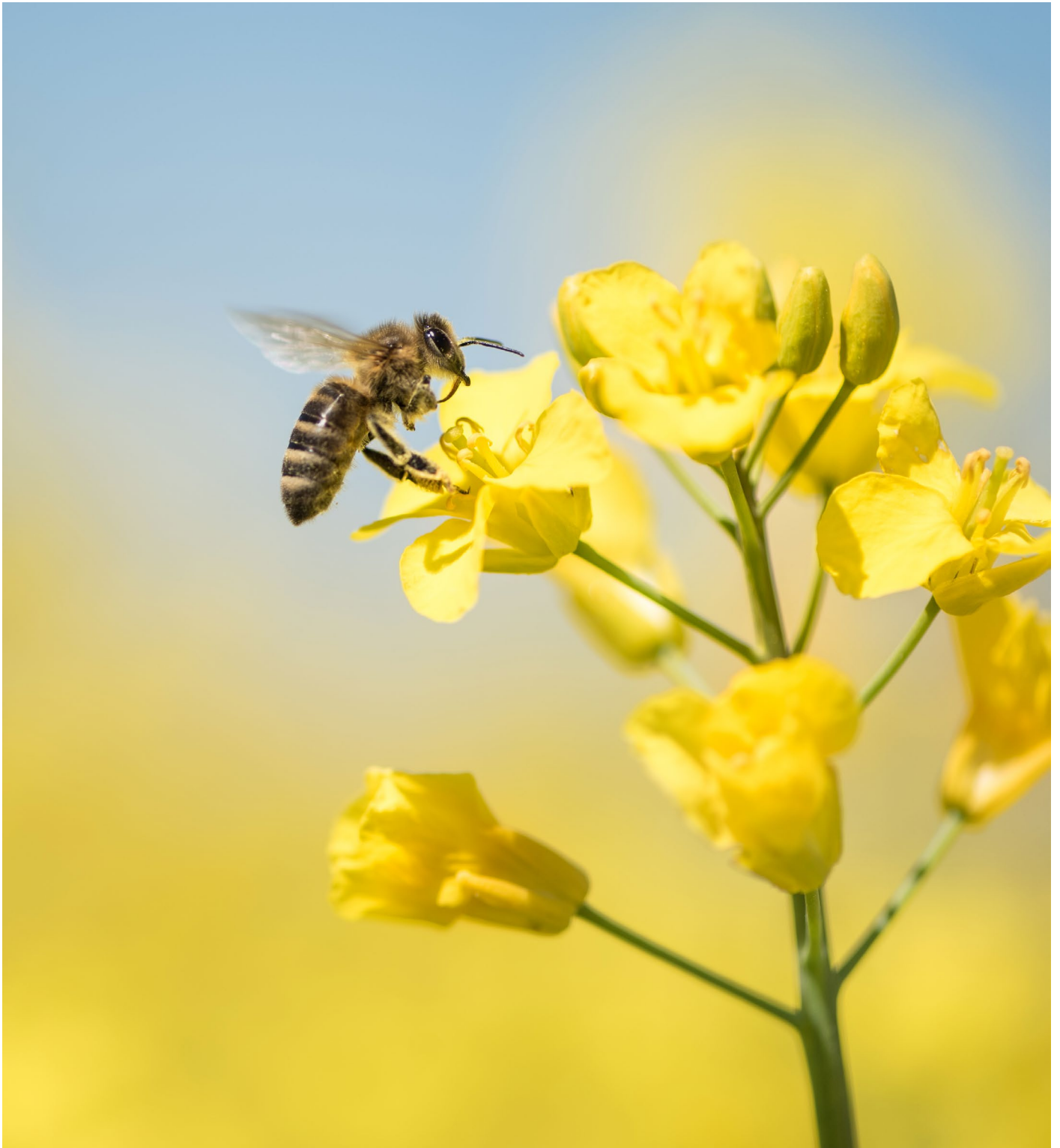
This report has been developed using information and insights from across the financial sector. However, different financial institutions will have different levers available to support companies making progress in their nature-positive transitions, as well as different perspectives on the companies they engage with.²¹ For example, banks may adopt a long-term perspective when engaging with clients. On the other hand, investors with a significant or majority stake in a company will have much

greater influence when requesting data and shaping nature transition plans than banks do. Insurers and reinsurers typically renew many policies on an annual basis. However, the insurance sector also has long-term client relationships and typically assists clients in identifying and assessing nature risks.

Regardless of financial activities, the components that financial institutions will assess are likely to be consistent, as all types of financial institutions may be interested in understanding companies’ nature starting points, ambitions and targets, as well as the credibility and achievability of nature transition plans.

2 Indicators to assess companies on nature

Nature assessment indicators help financial institutions assess and engage with companies, ultimately enabling a nature-positive real economy.



This section will dive into each of the 11 indicators that financial institutions need to understand in order to assess companies' nature performance and transition plans, and provide insights on how financial institutions are getting started today.

2.1 Indicator 1: Material nature risks and opportunities, and impacts and dependencies

Although most companies are yet to develop nature transition plans, growing numbers have undertaken internal assessments along the lines of TNFD LEAP and SBTN to understand their nature-related impacts and dependencies as well as associated risks and opportunities. Disclosing material impacts and dependencies identified through this assessment provides valuable information to financial institutions on starting points for companies. It additionally helps financial institutions understand which areas require significant effort for the transition (for example, business sites with elevated impacts on water use or pollution), present risks (transition or physical) and business opportunities derived from new business models and technologies. Financial institutions seek the following information from companies when assessing this indicator:

- Availability of nature materiality assessment:
 - Financial institutions seek to understand whether and how an assessment of nature-related issues has been conducted by the company – using the TNFD LEAP approach or applying SBTN “Step 1: Assess” and “Step 2: Prioritize”.
 - Financial institutions additionally want to know whether the company has disclosed nature-related issues using a single or double (e.g. CSRD) materiality approach (TNFD

General Requirement 1). A single materiality approach is associated with disclosure of information on how nature impacts the organization's financial performance (“outside-in”). A double materiality approach is associated with disclosure of how the organization impacts nature (“inside-out”) and vice versa (“outside-in”).

- Scope of nature materiality assessment:
 - Which business units, geographies, products and outputs have been considered and whether the assessment extends to the whole value chain, such as in TNFD General Requirement 219
- Impacts and dependencies identified in the nature materiality assessment:
 - Material impacts and dependencies of the company on nature, such as water removal and land use
 - Magnitude of the impacts on nature – expressed as high/medium/low
 - Relevant location- and value chain-specific details, such as whether these issues are related to where the company's operations are located

“ Although most companies are yet to develop nature transition plans, growing numbers have undertaken internal assessments along the lines of TNFD LEAP and SBTN.



- Nature-related risks (physical and transition-related) identified in the nature materiality assessment:
 - Physical risks result from the degradation of nature (such as changes in ecosystem equilibria, including soil quality and species composition) and consequential loss of ecosystem services on which a business model depends²² (such as the loss of freshwater for a beverage company or loss of pollinators in agriculture).
 - Transition risks stem from misalignment of economic actors with actions aimed at protecting, restoring and/or reducing negative impacts on nature. They come from five sources: policy, market, technology, reputation and liability risks.²³ For example, companies in the oil and gas industry are exposed to significant transition risks, such as non-compliance with shifting environmental regulations.
- The timeframe in which these risks are expected to manifest (short-, medium- and long-term) impacts risk.
- Nature-related opportunities identified in the nature materiality assessment:
 - Business performance: Where the company has opportunities to develop its business model, reputation and resilience through increased resource efficiency, new products/services, market access and valuation, or access to new capital flows
 - Sustainability performance: Where the company has opportunities to optimize its activity through actions that preserve habitats and ecosystems, such as through ecosystem protection, restoration and regeneration or the sustainable use of natural capital



Existing frameworks that companies may be using:

- TNFD: LEAP is an integrated approach for identifying and assessing nature-related issues. It is designed for use by organizations of all sizes across all sectors and geographies.²⁴ TNFD has also published recommendations on the disclosure of nature-related impacts and dependencies, and risks and opportunities.²⁵
- SBTN: The SBTN Framework Step 1: Assess and Step 2: Prioritize offer a prescriptive approach to screening nature impacts in the company's direct operations and upstream, assessing where to act first and which locations and economic activities to include within target boundaries.²⁶
- Global Reporting Initiative (GRI): This presents a four-step approach to identifying and assessing material impacts.²⁷
- CSRD/European Sustainability Reporting Standards (ESRS): This provides guidance on conducting double materiality assessments, including steps for understanding the context, identification and assessment of impacts, risks and opportunities, and their subsequent disclosure.²⁸
- Nature benchmarking initiatives – such as Nature Action 100²⁹ and the World Benchmarking Alliance (WBA)³⁰ – state expectations around a company's assessment of its nature-related issues.

“ Certain sectors, particularly those with well-known nature impacts and dependencies – including mining and metals, chemicals and agriculture – are more advanced in their ability to assess and disclose material nature-related issues.

How financial institutions are getting started:

Financial institutions already have access to information from companies across multiple sectors that are increasingly assessing and disclosing their material nature-related issues. This shift is driven by the EU’s CSRD and increasing commitments to disclose in alignment with TNFD. However, the lack of a universally accepted definition of – or standardized methodologies for – materiality leads to variability in disclosures, resulting in uneven structure and granularity in reporting across sectors and geographies.

Certain sectors, particularly those with well-known nature impacts and dependencies – including mining and metals, chemicals and agriculture – are more advanced in their ability to assess and disclose material nature-related issues. These companies, to varying extents, are already capable of geographically locating their nature impacts and dependencies. This is more feasible for owned assets such as mines, plants, farms and factories. However, upstream and downstream impacts and dependencies remain challenging.

For example, Anglo American conducted an assessment in 2023 using a qualitative approach to evaluate nature-related issues as well as associated timeframes. The results highlighted that access to water and tailings management are material issues for the company under a double materiality approach.³¹ For financial institutions, such information provides valuable insights on where the company stands today, forming the basis for further actions.

However, since not all companies will have performed materiality assessments, financial institutions can use tools such as ENCORE³² to generate heatmaps and assign sector average ratings for impacts and dependencies (e.g. low, medium and high). Companies can then use these ratings as proxies for materiality assessments. Similarly, sector-level emissions data was used as a proxy for climate target-setting purposes when company-level emissions data was still scarce. This allows financial institutions to pinpoint sectors where significant nature-related issues are prevalent and evaluate sector averages for companies before more robust data becomes available. Table 1 presents a heatmap detailing material issues by driver and sector.



TABLE 1 | Gross output weighted sector heatmap based on ENCORE data

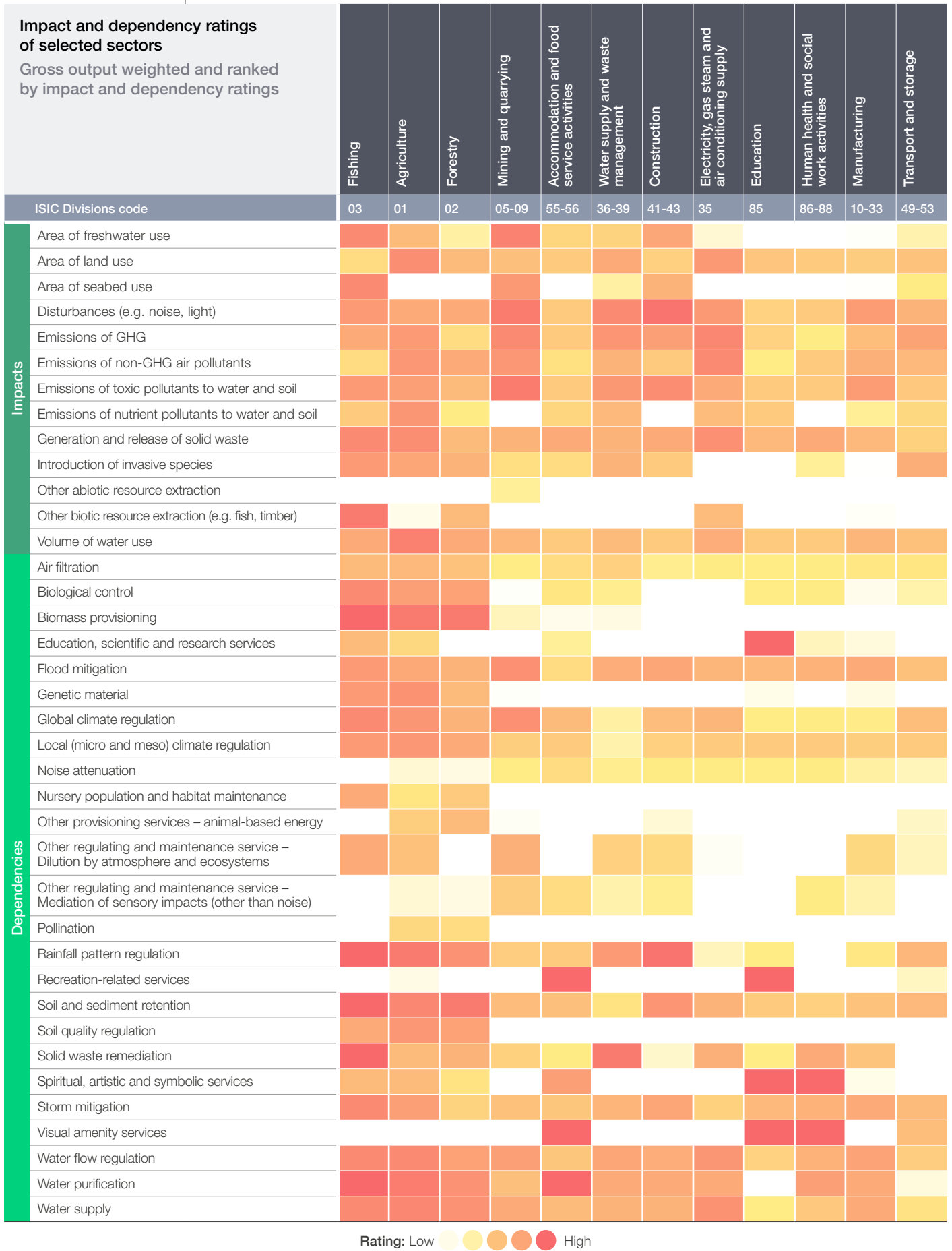


TABLE 1 | Gross output weighted sector heatmap based on ENCORE data (continued)

Impact and dependency ratings of selected sectors Gross output weighted and ranked by impact and dependency ratings		Arts, entertainment and recreation	Administrative and support service activities	Wholesale and retail trade	Professional, scientific and technical activities	Real estate activities	Public administration and defence	Activities of households as employers	Information and communication	Other service activities	Financial and insurance activities	Activities of extraterritorial organizations
		90-93	77-82	45-47	69-75	68	84	97-98	58-63	94-96	64-66	99
Impacts	Area of freshwater use	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	Area of land use	High	High	High	High	High	High	High	High	High	High	High
	Area of seabed use	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	Disturbances (e.g. noise, light)	High	High	High	High	High	High	High	High	High	High	High
	Emissions of GHG	Low	Low	High	Low	Low	Low	Low	Low	Low	Low	Low
	Emissions of non-GHG air pollutants	Low	Low	High	Low	Low	Low	Low	Low	Low	Low	Low
	Emissions of toxic pollutants to water and soil	Low	Low	High	Low	Low	Low	Low	Low	Low	Low	Low
	Emissions of nutrient pollutants to water and soil	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	Generation and release of solid waste	High	Low	Low	Low	Low	High	Low	Low	Low	Low	Low
	Introduction of invasive species	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	Other abiotic resource extraction	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	Other biotic resource extraction (e.g. fish, timber)	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	Dependencies	Volume of water use	High	High	High	High	High	High	High	High	High	High
Air filtration		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Biological control		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Biomass provisioning		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Education, scientific and research services		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Flood mitigation		High	High	High	High	High	High	High	High	High	High	High
Genetic material		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Global climate regulation		High	High	High	High	High	High	High	High	High	High	High
Local (micro and meso) climate regulation		High	High	High	High	High	High	High	High	High	High	High
Noise attenuation		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Nursery population and habitat maintenance		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Other provisioning services – animal-based energy		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Other regulating and maintenance service – Dilution by atmosphere and ecosystems		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Other regulating and maintenance service – Mediation of sensory impacts (other than noise)		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Pollination		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Rainfall pattern regulation		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Recreation-related services		High	High	Low	Low	Low	Low	Low	Low	Low	Low	Low
Soil and sediment retention		Low	Low	High	Low	High	Low	Low	Low	Low	Low	Low
Soil quality regulation		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Solid waste remediation		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Spiritual, artistic and symbolic services		High	High	Low	Low	Low	Low	Low	Low	Low	Low	Low
Storm mitigation		High	High	High	High	High	High	High	High	High	High	High
Visual amenity services		High	High	Low	Low	High	Low	Low	Low	Low	Low	Low
Water flow regulation		Low	Low	High	Low	Low	Low	Low	Low	Low	Low	Low
Water purification		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Water supply		Low	Low	High	Low	Low	Low	Low	Low	Low	Low	Low

Rating: Low High

Source: World Economic Forum; Oliver Wyman; ENCORE. (2024). ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure.

CASE STUDY 2

ING

ING is integrating nature aspects into its sustainability strategy, with the aim of complementing the existing Terra approach, which quantifies and sets science-based targets for key sectors in line with its climate goals. This environmental approach also considers social aspects, with the aim of working holistically across these interdependent factors.

ING's nature approach is aligned with its climate approach, with the aim to contribute to halting and reversing nature loss through:

- Managing nature risks and impacts
- Steering the portfolio and engaging with clients to halt and reverse nature loss
- Promoting nature mainstreaming internally and externally

Scoping: The first steps in ING's approach included the assessment and scoping of the most material nature aspects within its portfolio. This assessment resulted in a list of industries with an expected high impact on nature in their operations and supply chains, high dependency on nature in their operations or high likelihood of having operations in countries with high significance to nature. Based on these insights, ING is first focusing on the most material sectors: farming and fishing, food and beverage processing, mining, and upstream oil and gas.

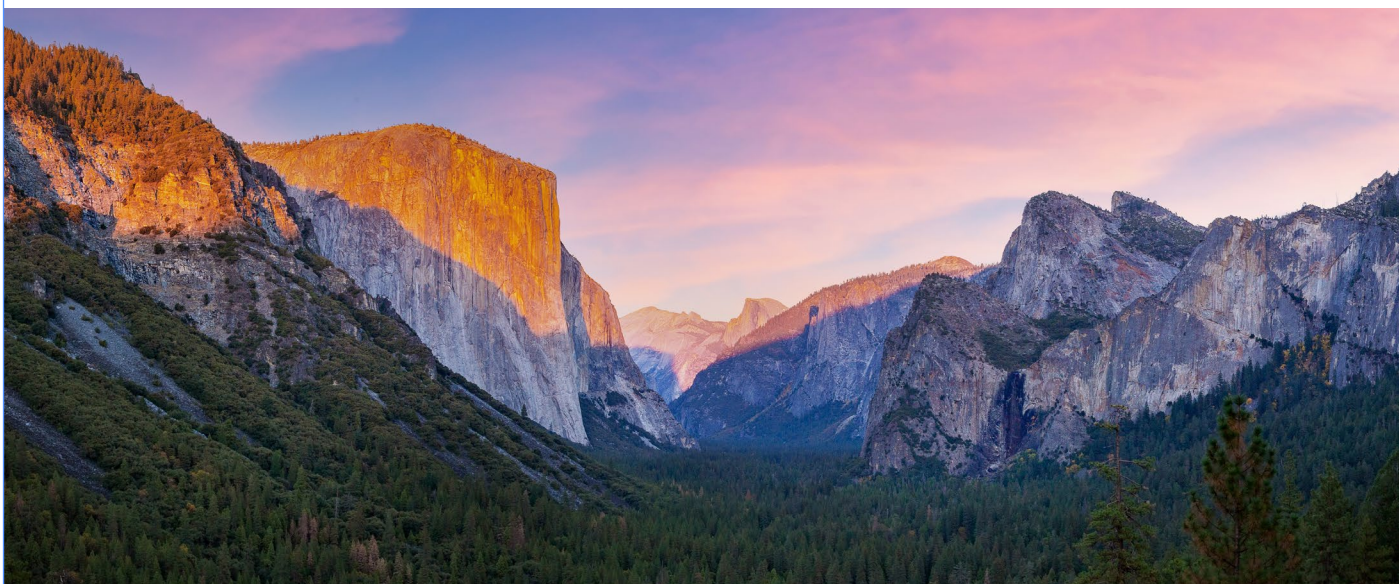
Sector-specific assessment: ING engages with clients in high-impact sectors based on an analysis of key environmental factors affecting their sector. This includes assessing carbon emissions, land-use change (deforestation and conversion), water use, pollution and biodiversity/ ecosystems. To initiate client-level nature assessments, ING aims to collect publicly available data of clients in material sectors and assess a company's baseline, ambition, targets, governance and implementation of mitigation actions towards nature. Building on the framework of its climate assessment

approach, ING aims to use these nature assessments to strengthen client dialogue, identify and manage long-term risks and support clients in nature transition.

Accountability: ING's due diligence is applied through the Environmental and Social Risk (ESR) framework, which includes a standalone, cross-sectoral human rights policy. Additionally, ING takes a risk-based approach to assess the relevant deforestation and ecosystem conversion risks, based on a set of criteria as further detailed in its deforestation stance. These criteria aim to influence and encourage 1) no-deforestation and no-ecosystem conversion commitments, and 2) targets towards full traceability in supply chains. Additionally, through its ESR framework, ING also conducts relevant checks in its transactions to determine whether free, prior and informed consent (FPIC) has been obtained and labour rights respected.

Measurement and monitoring: To quantify and monitor how ING's financing activities impact and rely on ecosystem services, the bank applies varying levels of data granularity. Asset-level financing is subject to the Equator Principles, which prescribe detailed ecosystem and social analyses for transactions in scope. To link ING's knowledge of monitoring ecosystems and drive best practice across all nature-related assessments, the bank is working closely with the Equator Principles and United Nations Environment Programme Finance Initiative (UNEP FI) through a range of initiatives.

Scientific pathways and target setting: ING is developing knowledge on scientific pathways for key nature-related aspects, such as land-use change and water. Drawing on the work of the GBF, National Biodiversity Strategies and Action Plans (NBSAPs), Science Based Targets Network (SBTN), and Planetary Boundaries, ING is identifying sector-level nature pathways, which it is testing at a sector level. This will support how the bank steers its loan book in line with global goals for nature and guides the next steps in setting targets for nature.



As a next step, financial institutions can drill down on specific sectors of the heatmap and determine the exposure of clients to dependencies and impacts of specific financial or corporate assets – also called “asset tagging”.³³ Based on these findings, financial institutions can prioritize engagement with companies in sectors recognized for their significant impacts or dependencies on nature.

This engagement should focus on understanding the assessments that have been conducted to identify material nature impacts and dependencies, as well as on understanding the potential financial implications for the business. For example, financial institutions might want to discuss how companies in the agricultural sector would respond in a water stress scenario that would impact food supply.

2.2 Indicator 2: Nature metrics

As location-specific data becomes available, nature metrics will increasingly be used to evaluate the scale of a company’s impact and dependency on nature, and will serve as benchmarks for both measuring companies’ progress over time and comparing companies. However, like carbon emissions, it will take time for companies to reliably quantify progress benchmarks across the entire value chain.

Nature is multidimensional and, as such, there is no single metric that captures its complexity. Nature change is driven by five impact drivers –

climate change, land, freshwater or ocean use change, resource use or replenishment, pollution or pollution removal, and invasive species introduction or removal³⁴ – that financial institutions anticipate companies will increasingly report. Each impact driver can be associated with several metrics like water, soil or non-greenhouse gas (GHG) air pollutants, and companies may report metrics for the nature loss and changes in ecosystem services that result from impact drivers. For dependencies, companies may report the metrics for the changes in the state of nature or ecosystem services on which they depend.

TABLE 2 Metric types

Impact and dependency metrics	Risk and opportunity metrics
<ul style="list-style-type: none"> – Impact driver metrics capture how companies’ operations are impacting nature and are categorized based on the five drivers of nature change.³⁵ Examples of impact driver metrics include the extent of land use change in square kilometres (km²) (TNFD) or total use of land area in metres or hectares (CSRD). – Metrics for the state of nature capture changes to the ecosystems impacted by the companies’ operations and help assess whether a company’s actions are contributing to nature’s recovery or deterioration. Terrestrial ecosystem conditions (Nature Positive Initiative³⁶) are an example of such metrics. State of nature metrics are complementary to impact driver metrics. – Dependency metrics capture how a company’s activities depend on ecosystem services (e.g. use of water). 	<ul style="list-style-type: none"> – These metrics assess the level of risk or opportunity within the organization.³⁷ – These might be opportunity metrics – for example, the value of operational cost savings associated with nature-related management (TNFD) – or risk metrics – for example, the anticipated financial effects of material risks and opportunities arising from biodiversity- and ecosystem-related impacts and dependencies (CSRD).

“ As location-specific data becomes available, nature metrics will increasingly be used to evaluate the scale of a company’s impact and dependency on nature.

Table 3 shows a set of nature metric disclosures that are commonly requested by leading initiatives and regulation. The table highlights that a high level of consensus has already been reached in initiatives and regulation regarding the metrics to disclose. Financial institutions seek the following information from companies when assessing this indicator:

- Location-specific key metrics can be used to quantify the company’s impacts and dependencies on material nature-related issues. Leading initiatives such as CSRD, TNFD, CDP or GRI have published core metrics for nature and biodiversity as well as interoperability mappings of these metrics, increasing financial institutions’ ability to compare and benchmark companies within and across sectors.

- Location-specific key metrics can be used to assess a company’s risks and opportunities stemming from identified impacts and dependencies.
- Historical trends for key nature metrics, such as Ecoregion intactness scores over previous years, can be used to assess a company’s performance over time.

Existing frameworks that companies may be using:

- CSRD/ESRS: Disclosure standards provide requirements on disclosure for nature-related metrics.³⁸

- TNFD: TNFD provides guidance for disclosure of specific nature-related metrics. There are two categories of disclosure metrics: 1) core metrics and 2) additional metrics. Both include metrics for all sectors as well as sector-specific metrics.³⁹
- CDP: The CDP integrated questionnaire used for environmental disclosure requires companies to provide nature-related metrics through its modules on water security, forests, plastics and biodiversity.⁴⁰
- GRI: In the topical disclosure standards, the GRI requires companies to report a range of metrics on biodiversity, water and effluents, materials (recycling) and waste.⁴¹
- Nature Positive Initiative: This organization proposes a set of metrics to evaluate changes in the state of nature. There are ongoing efforts to explore how state-of-nature metrics can be integrated into respective frameworks of initiatives such as SBTN or TNFD.⁴²
- The World Business Council for Sustainable Development (WBCSD): This organization is developing a nature metrics portal collating sector-relevant metrics from global and sector-specific sources.⁴³

How financial institutions are getting started:

Data that financial institutions can use to start assessing companies is already accessible. Globally, 12,545 companies have reported through the integrated CDP questionnaire on biodiversity in 2024. Meanwhile, there were 9,666 responses on water security, 5,615 on plastics and 3,851 on forests. Respondents provided data on metrics such as availability of water-, plastics- or forest-related activities.⁴⁴ Some leading financial institutions developing their initial company nature assessments use CDP data as a foundational resource and are preparing their frameworks on that basis until data availability improves.

Despite the CSRD omnibus proposal and related consequences, such as a decreased scope of companies disclosing on CSRD, availability of corporate data on nature is expected to improve from 2025 onwards, as both EU companies and global companies with significant operations in the EU will soon be required to disclose nature-related metrics under the CSRD. Coupled with this is the increasing number of companies globally adopting the TNFD, which in turn is increasing the number of companies disclosing on a broader range of nature-related metrics.

FIGURE 6 CSRD disclosure timeline

CSRD is expected to increase nature-related metrics disclosure







Notes: Reporting on the preceding financial year; 1. Companies subject to the NFRD are large public-interest companies with more than 500 employees; 2. EU-based companies, including EU subsidiaries of non-EU groups; 3. SME listed on EU regulated market; 4. Additional criteria applies to subsidiaries (large or listed), branches (more than €40 million net turnover); all thresholds must be met on two consecutive balance sheet periods

Source: Oliver Wyman.

However, financial institutions can already start requesting key priority nature-related metrics from clients to inform climate and environment risk assessments. An analysis of the metrics mandated for disclosure under various standards and initiatives reveals that key metrics are consistently required across most standards and initiatives (including water consumption, emissions to water by pollutants or total land area in use). Of the

67 identified CSRD pollution, water, biodiversity and waste metrics, six overlap with three other disclosure standards, initiatives or platforms (TNFD, CDP and GRI), 18 overlap with two other standards and 14 overlap with one other standard. Financial institutions can start to engage with companies and CDP, acting as disclosure platforms to collect this information, regardless of whether these companies are yet subject to specific disclosure requirements.

TABLE 3 | **CSRD nature metrics and overlaps with at least two other standards**

CSRD nature metrics with overlaps with at least two other standards		CSRD	TNFD	GDP	GRI
Pollution 	Emissions to air by pollutant	Highly aligned	Highly aligned	Partially aligned	Highly aligned
	Microplastics generated and used	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Microplastics generated	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Microplastics used	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Total amount of substances of concern that are generated or used during production or that are procured (breakdown by main hazard classes of substances of concern)	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Quantitative information about anticipated financial effects of material risks and opportunities arising from pollution-related impacts	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Operating expenditures (OpEx) in conjunction with major incidents and deposits (pollution)	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Capital expenditures (CapEx) in conjunction with major incidents and deposits (pollution)	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Provisions for environmental protection and remediation costs (pollution)	Highly aligned	Highly aligned	Highly aligned	Highly aligned
Water 	Total water consumption	Highly aligned	Highly aligned	Partially aligned	Highly aligned
	Total water consumption in areas at water risk, including areas of high water stress	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Total water withdrawals	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Total water discharges	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Quantitative information about anticipated financial effects of material risks and opportunities arising from water and marine resources-related impacts	Highly aligned	Highly aligned	Highly aligned	Highly aligned
Biodiversity 	Total use of land area	Highly aligned	Highly aligned	Partially aligned	Highly aligned
	Total sealed area	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Nature-oriented area on site	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Nature-oriented area off site	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Quantitative information about anticipated financial effects of material risks and opportunities arising from biodiversity- and ecosystem-related impacts and dependencies	Highly aligned	Highly aligned	Highly aligned	Highly aligned
Waste 	The absolute weight of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	Highly aligned	Highly aligned	Partially aligned	Highly aligned
	Total waste generated	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	Waste diverted from disposal, breakdown by hazardous and non-hazardous waste and treatment type	Highly aligned	Highly aligned	Partially aligned	Highly aligned
	Waste directed to disposal, breakdown by hazardous and non-hazardous waste and treatment type	Highly aligned	Highly aligned	Partially aligned	Highly aligned
	Quantitative information about anticipated financial effects of material risks and opportunities arising from resource use and circular-economy-related impacts	Highly aligned	Highly aligned	Highly aligned	Highly aligned

● Metrics highly aligned
 ● Metrics closely aligned
 ● Metrics partially aligned

Source: World Economic Forum; Oliver Wyman.

CASE STUDY 3

Swiss Re

Swiss Re aims to support clients with tools to assess data on nature and climate-related dependencies and risks.

To support clients in understanding and mitigating their nature risks, Swiss Re provides services designed to support nature-related risk assessment and reporting capabilities. These include data and analytics services that can identify locations of high nature and climate risk and offer bespoke, actionable risk recommendations.

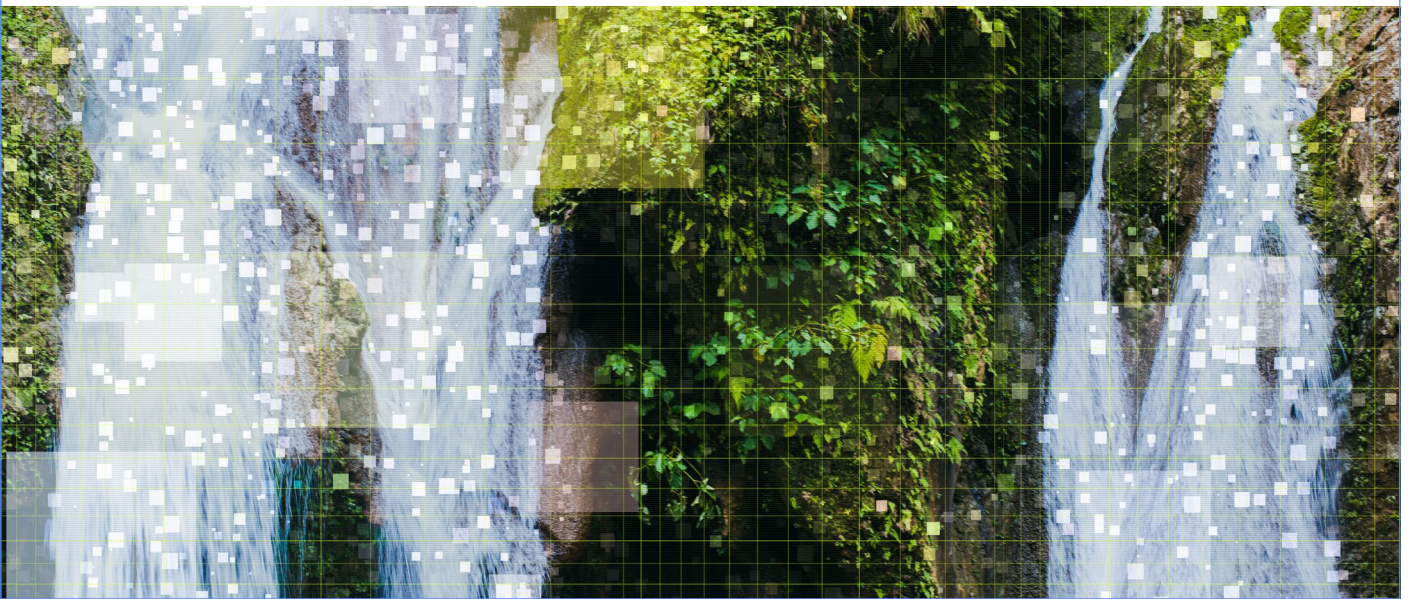
For example, as part of its service offering for reinsurance and corporate clients, Swiss Re provides an interactive online platform – called the Risk Data & Services (RDS) platform. This platform combines climate risk assessments with nature risk data and natural catastrophe risk profiles of client assets or supply chains. Swiss Re supports clients in responding to their regulatory reporting requirements, and approximating the role of climate change and nature dependency in their assets and business models.

Furthermore, the internationally patented Biodiversity and Ecosystem Services (BES) Index provides peer-reviewed data on the capacity of 10 different BES categories (e.g. water security, contribution of wild pollinators, water quality and soil fertility) at a resolution of 1 km² across the globe. The platform combines the BES Index with ENCORE's materiality ratings for sector dependency and impact on nature.

To complement the analysis using the BES Index, clients can further analyse their assets and supply chains against the biodiversity datasets available through the Integrated Biodiversity Assessment Tool (IBAT) – namely key biodiversity areas, protected areas and the IUCN Red List of Threatened Species.

These services and capabilities can support clients towards the goal of conducting multi-location comparisons across portfolios (e.g. for insurers) or suppliers (e.g. for corporates).

Source: Swiss Re.



2.3 Indicator 3: Nature ambition

A company's nature ambition represents its intended contribution to the nature transition, clarifying the outcomes it wants to achieve, where it will focus and the role it wants to play. A nature ambition is a higher-level indicator compared to nature targets. Financial institutions seek the following information from companies when assessing this indicator:

- Overall objectives and priority areas the company aims to address, linked to the company's impacts and dependencies, and risks and opportunities
- Alignment of the ambition with the 2030 targets and 2050 goals of the GBF
- Span of the business model and value chain considered, including location of direct operations and activities by sector, value chain and geography
- Period in which the ambition is to be achieved (e.g. 2030, 2050)
- Links to climate ambition where relevant

“ Numerous companies across various sectors, particularly large ones, have well-articulated nature ambitions.

Existing frameworks that companies may be using:

- TNFD: Draft guidance on nature transition plans includes a component on nature ambitions in the nature transition plan disclosure section.⁴⁵
- Nature Strategy Handbook: Building on the ACT-D (assess, commit, transform and disclose) framework, the Nature Strategy Handbook provides guiding questions, recommendations and resources on how to develop a nature ambition.⁴⁶
- Accountability Framework Core Principles: This provides a high-level framework for setting supply chain goals, taking action and assessing progress in efforts to make supply chains in agriculture and forestry more ethical.⁴⁷
- Capitals Coalition’s Beta Framework for Integrated Decision-making: This outlines seven required steps to integrating the value

of capital (natural, social, human, produced) into decision-making.⁴⁸

- Nature benchmarking initiatives state expectations around the nature ambitions of companies such as Nature Action 100.⁴⁹

How financial institutions are getting started:

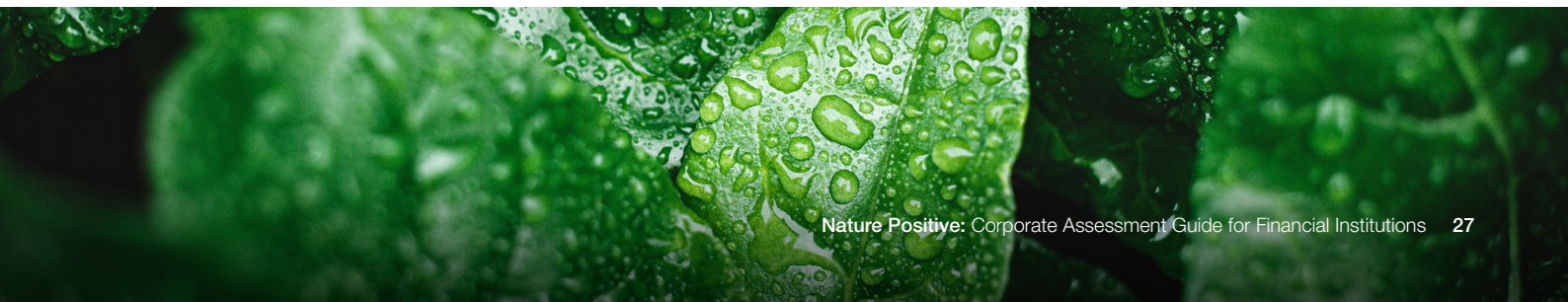
Numerous companies across various sectors, particularly large ones, have well-articulated nature ambitions. Companies like Ørsted, GSK and Holcim are good examples, having expressed their aim to contribute to the nature-positive movement and the goals of the GBF. While science-based or science-backed nature target setting through SBTN and similar pilots is still under development, overarching nature ambitions – for instance, those that pledge achieving the nature-positive goal by 2050 – are more common but vary widely. They continue to help financial institutions understand company commitments to nature and the relative maturity of those commitments.

2.4 Indicator 4: Nature targets

A company’s nature targets are a more detailed and quantified specification of a company’s ambition within a clear timeframe. Ideally, target statements include interim targets that indicate short- and medium-term milestones and the pathway to long-term targets. Targets can be set in line with a mitigation hierarchy (such as AR3T, which stands for avoid, reduce, restore and regenerate and transform) at site and project levels to ensure companies prioritize actions that mitigate nature impacts in the first instance where possible. An initiative by SBTN provides a framework and guidance for setting science-based targets for nature, helping companies align their environmental goals with scientific evidence. Aligning targets with scientific evidence is not yet mainstream given inherent methodological challenges – however, it has various advantages, such as increased investor confidence and resilience.⁵⁰ Financial institutions seek the following information from companies when assessing this indicator:

- If the targets are science-based and developed in line with available guidance such as SBTN or validated by SBTN
- If the targets are specific, measurable, achievable, relevant and time-bound (SMART) and location- or ecosystem-specific

- If the targets encompass all material impacts (such as in the case where a company’s water extraction is having a material impact on an ecosystem) and dependencies – this informs whether financial institutions might expect to have a water withdrawal and consumption (m³) target in place for that location
- If the targets are developed in line with a mitigation hierarchy (such as AR3T)
- Which parts of the company’s business model and value chain are covered
- If the targets are set for short-, medium- and long-term periods – for example, ESRS defines these periods analogously to the periods used by financial institutions in their financial statements for short-term (up to five years), medium-term and long-term (more than five years)⁵¹
- If the targets are aligned with national and international policy objectives on nature and biodiversity, such as GBF, countries’ NBSAPs or other policy commitments and regulations



Existing frameworks that companies may start to use:

- SBTN: The network provides guidance that real-economy companies can use to set targets and take action on freshwater and land (with ocean targets forthcoming).⁵²
- TNFD: The “prepare” phase of the LEAP approach includes guidance on setting targets in response to nature-related issues, which is consistent with the SBTN framework.⁵³
- Mitigation hierarchy: This provides guidance

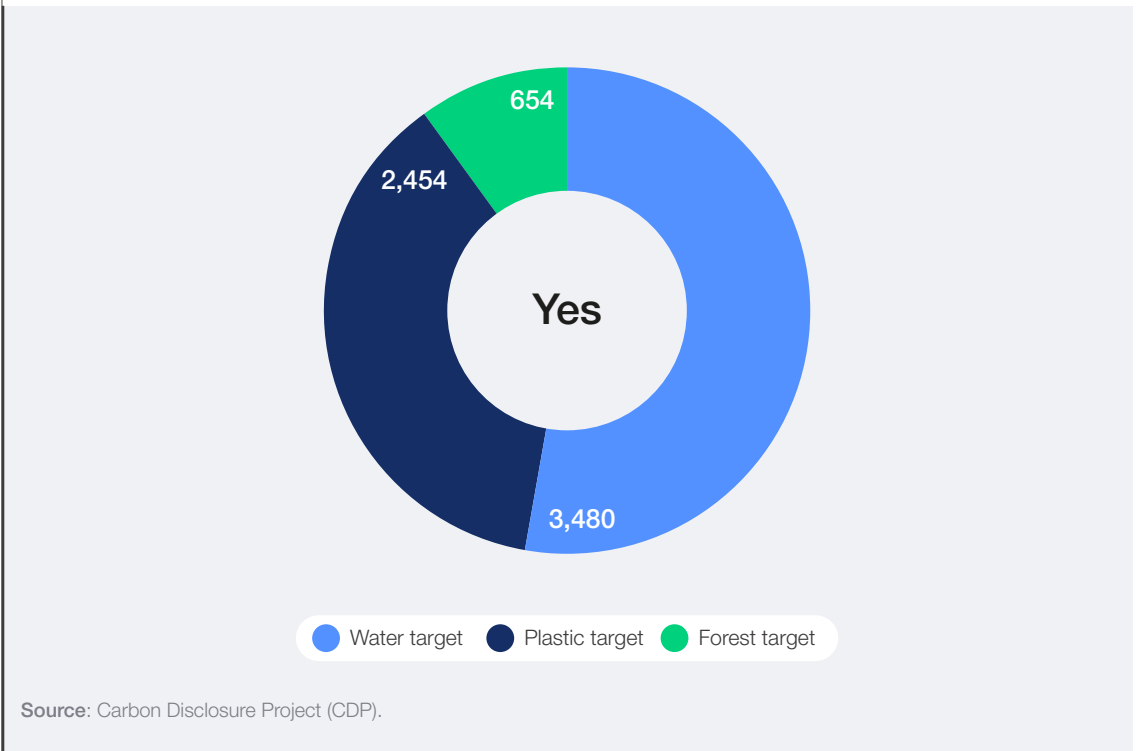
on prioritizing targets and actions that reduce impacts on nature according to the hierarchy (avoid, reduce, restore, offset, contribute).⁵⁴

- Nature benchmarking initiatives state expectations around the nature targets of companies like Nature Action 100⁵⁵ and the WBA.⁵⁶

Insights from current data

Companies are increasingly setting targets on nature. According to disclosures through CDP, companies already have targets related to plastic (2,454), water (3,480) or forest (654).

FIGURE 7 CDP questionnaire 2024 – nature targets



“ In light of evolving guidance available in this area, financial institutions will primarily want to understand whether their portfolio companies have set nature targets

In light of evolving guidance available in this area, financial institutions will primarily want to understand whether their portfolio companies have set nature targets and whether they have plans to refine targets or increase ambition once more concrete guidance has been established. SBTN is developing technical science-based target guidance, with an initial cohort of 17 companies participating in the first year-long pilot programme. This programme focuses on setting SBTN targets for land (e.g. no conversion of natural ecosystems, land footprint reduction and landscape engagement) and freshwater (e.g. quantity and quality), with ocean targets forthcoming. Of the companies in the initial cohort, 60% have received SBTN validation, and three companies – GSK, Holcim and Kering – have publicly disclosed their targets to date. More companies will follow suit. Despite challenges in data availability (e.g. the need for basin-specific data or data on nutrient concentrations), 150 additional companies are now preparing to set their own science-based targets.⁵⁷

Beyond organization-wide targets, companies may be able to set smaller-scale targets on a project or site level, in response to a specific nature impact. These also act as indicators of a company’s willingness to take measurable action. Financial institutions can encourage companies that have already identified material nature-related issues and plans to take action to translate these into concrete targets.

Examples of SBTN-aligned targets include:

- Water: Reduce its freshwater withdrawals in its direct operations in the Moctezuma basin by 39% to 90,808 m³ per year by 2030 compared to an average 2022-2023 baseline (Holcim); reduce its freshwater net withdrawal in its direct operations in the Upper Godavari basin in India by 100% by 2030 compared to an average 2018-2022 baseline (GSK)⁵⁸
- Land: Reduce absolute agricultural land footprint by 3% by 2030 from a 2022 baseline (Kering)⁵⁹



2.5 | Indicator 5: Strategy and actions

A company's nature strategy and actions demonstrate its approach to aligning business activities and operations with its nature ambition and targets. They are critical for helping financial institutions to understand whether nature ambitions are feasible and backed by credible roadmaps. Actions identified should be aligned to the results of the company's assessment of

its nature-related issues (Indicator 1) and should follow a mitigation hierarchy, such as the AR3T developed by the SBTN,⁶⁰ prioritizing steps from "avoid" to "transform" (see Figure 8). Nature strategy and action reports previously published by the World Economic Forum⁶¹ provide more details on this approach.

FIGURE 8 | AR3T framework



Source: Science Based Targets Network (SBTN).

Financial institutions seek the following information from companies when assessing this indicator:

- The specific actions identified by the company to achieve its nature ambition and targets across the mitigation hierarchy, within and outside of the business value chain, such as:
 - Actions to avoid impacts on nature loss, such as avoiding unsustainable or illegally harvested seafood and other marine resources in supply chains
 - Actions to reduce impacts on nature loss, including reducing nutrient runoff by decreasing fertilizer use
 - Actions to restore and regenerate so that nature can recover, such as increasing soil's ability to retain water and sequester carbon through regenerative farming practices (fertility management, mulching)
 - Actions to transform underlying systems to address the drivers of nature loss, including harnessing supply chains to transform productive systems in line with science-based targets for nature (such as ensuring suppliers provide deforestation and conversion-free products)
- Whether the companies are on track or whether their action plans need corrective action
- Timelines for the actions (for example, three to five years)
- The extent to which these actions may be effective in reducing nature loss and restoring nature, such as:
 - Extent to which these have been aligned to sectoral priority actions (see in Box 1 on sector reports and Figure 9 on sector priority actions)
 - Extent to which these contribute to GBF 2030 targets and 2050 goals as well as countries' NBSAPs
 - Comparison of actions identified by the company with actions identified by other companies in the sector

- Expected impact of the action on nature and measures of success
- Whether companies engage with landscape stakeholders and rights holders (such as local communities and Indigenous Peoples)

Existing frameworks that companies may be using:

- Nature Strategy Handbook: Building on the ACT-D framework, the Nature Strategy Handbook provides guiding questions, recommendations and resources for developing a nature strategy.⁶²
- Sector Actions Towards a Nature-Positive Future: This framework outlines sector-specific priority actions that companies should take to transform their business and meet the ambitions they set out as part of a credible nature strategy, including the Forum's Nature Positive Transitions reports.⁶³
- TNFD: The *Discussion Paper on Nature Transition Plans* provides guidance on what a nature transition plan should include under its implementation strategy.⁶⁴
- WWF: The WWF report *Catalysing Change: The Urgent Need for Nature Transition Plans* includes strategy and actions as components in its transition planning guidance.⁶⁵
- TPT: The advisory paper *The Future for Nature in Transition Planning* provides guidance on how nature can be included in transition planning.⁶⁶
- GFANZ: Voluntary guidance, which is currently in consultation, provides insight on integrating nature into net-zero transition plans. This is supplementary to the *Financial Institution Net-zero Transition Plans (2022)* guidance.⁶⁷
- Nature benchmarking initiatives state expectations around companies' nature strategy and actions, such as Nature Action 100⁶⁸ and WBA.⁶⁹

How financial institutions are getting started:

Although nature transition plans are not currently common, many companies have disclosed strategies and initiatives aimed at reducing their impacts and dependencies on nature, which



financial institutions can use to assess companies' strategies and actions on nature. For example, several mining companies are improving traceability across the value chain to better track and communicate information about the components of products and materials throughout the production process, promoting the adoption of good practices.⁷⁰ This includes Teck Resources' digital product passport pilot with germanium,⁷¹ Rio Tinto's START sustainability label⁷² for aluminium or De Beers Group's Tracr diamond blockchain solution.⁷³

Additionally, chemicals companies are increasingly shifting towards alternative feedstocks, such as in bio-based fuels.⁷⁴ In the automotive sector, many companies, including Volvo, Mercedes-Benz, Renault, Stellantis and tire companies such as Michelin, are working towards reducing resource use by incorporating reused, repaired, recycled and renewable materials into new models or fleets by 2030.⁷⁵ Financial institutions can further engage with clients and portfolio companies to understand the actions they have committed to.

CASE STUDY 4

ABN AMRO

In its recently published Nature Statement, ABN AMRO committed to "using and expanding its influence... to reduce negative impact and enhance positive impact on nature in order to play its role in halting and reversing biodiversity loss by 2030".

To achieve this, ABN AMRO will engage with and incentivize its clients to address their negative impact on nature, such as by halting deforestation in value chains or adopting circular practices. ABN AMRO identified two key sectors for initial priority focus in its lending activities: the built environment (corporate lending, mortgages) and agriculture. The built environment focus is based on ABN AMRO's relatively large exposure.

The agriculture focus is based on the sector's relatively high impact on nature compared to other sectors in ABN AMRO's portfolio (contributing 26% of ABN AMRO's biodiversity impact). ABN AMRO selected nature-related metrics for dairy and arable farming within the agriculture sector, and works to create incentives farmers to improve impacts from their farming practices on nature (beyond existing incentives such as repayment pauses). A materiality assessment will direct ABN AMRO to identify additional focus sectors in the coming years.

Nature is a central part of the assessments ABN AMRO conducts to evaluate the sustainability performance of corporate clients with over 1 million euros in lending. Clients are reviewed periodically or during onboarding. The assessment questions used are based on the 10 Generic Principles of ABN AMRO, which include the following applicable principles:

- Clients are aware of their impact on biodiversity, water, air and soil, and take appropriate measures to prevent biodiversity loss and pollution.
- Clients are aware of how their business model depends on ecosystem services (e.g. resources, pollination) and take measures to preserve these services.
- Clients take measures to promote circularity and reduce the use of virgin material and waste (e.g. through design, recycling, lifetime extension) if applicable.

The outcome of this sustainability assessment serves as the basis for further engagement and strategic discussion, depending on the client's level of compliance. A dedicated team conducts additional validation – covering the sustainability assessment outcome, the 10 Generic Principles, the "exclusion list" and the fulfilment of specific requirements, (e.g. zero deforestation in sensitive ecosystems in the client's supply chain) – for lending clients with high sustainability risk. This validation can, for example, lead to extra monitoring, specified conditions and/or client engagement, and influence the onboarding decision.

Sector-specific guidance for banking teams as well as upskilling for employees working specifically with clients in key sectors impacting biodiversity aim to improve the sustainability assessment process and enhance client dialogues.

Source: ABN AMRO.

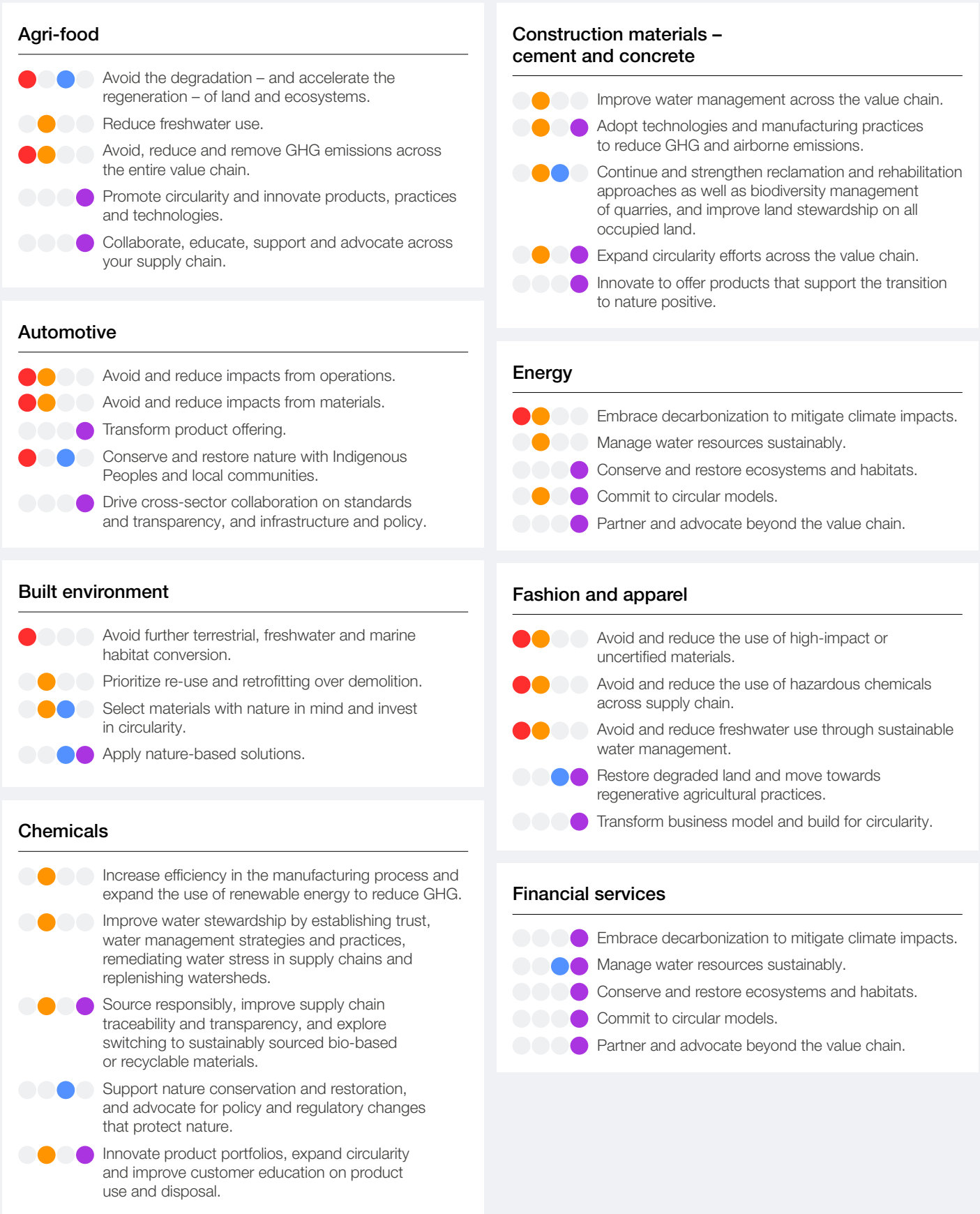
Sector-specific considerations:

While priority actions will vary by company across sectors and even within a sector (given differing business models and operational footprints), they can broadly be identified at a sectoral level. For example, mining companies have a material impact and dependency on water and would be expected to avoid and reduce water abstraction in operations and instead focus on good water stewardship.⁷⁶ Priority actions for the chemicals sector include focusing on improving water stewardship, expanding circularity and reducing GHG through

(for example) bio-based feedstocks, in line with the top drivers of nature loss in that sector: water use, pollution and GHG.⁷⁷

The Sector Actions report series, published by the World Economic Forum, WBCSD and Business for Nature, delineates priority actions for each sector that companies can use to start unlocking opportunities across operations and value chains and reduce impact on nature. Figure 9 summarizes priority actions for sectors from across 16 reports published to date. These actions have been identified through research and inputs from experts across each sector.

FIGURE 9 | Sector priority actions for 16 sectors



Mapping to AR3T hierarchy ● Avoid ● Reduce ● Restore and regenerate ● Transform

FIGURE 9 | Sector priority actions for 16 sectors (continued)



Mapping to AR3T hierarchy ● Avoid ● Reduce ● Restore and regenerate ● Transform

Source: World Economic Forum; Oliver Wyman; Science Based Targets Network (SBTN).

In total, 88% of the priority actions fall under the categories “avoid”, “reduce” or “transform”, emphasizing the importance of financial institutions allocating funding to support businesses in changing their operations and business models.

2.6 Indicator 6: Policies

“ Nature-related policies allow financial institutions to understand how companies will guide their employees to mitigate overall impact on nature.

Nature-related policies establish clear guidelines for employees and ensure consistent decision-making and actions across an organization. They allow financial institutions to understand how companies will guide their employees to mitigate overall impact on nature by setting rules, conditions and limitations on nature-related sustainability matters.

Financial institutions are interested in understanding the nature policies companies have in place to support the credibility of their nature strategies or transition plans. As a first step in understanding a company’s progress on nature, many financial institutions already assess whether deforestation policies are in place (given that they are the most common environmental policies in the market). Financial institutions seek the following information from companies when assessing this indicator:

- Whether nature-related policies such as those relating to deforestation or water are in place and based on international practices including the Accountability Framework Initiative
- What the scope of the policy is and how many company segments and locations are involved
- Whether the policy specifies commitments and targets for a no-deforestation and/or no-conversion approach, the definition of the intended outcome and cut-off dates, and the implementation mechanisms used (including risk assessment, traceability, supplier engagement strategies and operationalization)
- How policies are enforced

Existing frameworks that companies may be using:

- Accountability Framework Initiative’s *How to Write a Strong Ethical Supply Chain Policy*:

This user guide outlines the process by which companies can apply the Accountability Framework to create or update an ethical supply chain policy aimed at safeguarding forests and other natural ecosystems, and upholding human rights.⁷⁸

- TNFD’s *Discussion paper on nature transition plans*: This paper includes policies and conditions within its transition plan implementation strategy.⁷⁹
- Nature benchmarking initiatives state expectations around nature policies of companies such as Nature Action 100.⁸⁰

How financial institutions can get started:

Many companies already have deforestation policies in place. These are currently most observed in the food, beverage and agriculture, manufacturing and materials sectors,⁸¹ which have material impacts on forests. The forthcoming EU Deforestation Regulation is expected to further compel companies with customers and supply chains to implement anti-deforestation policies. The regulation prohibits companies from placing commodities or products from land deforested or degraded after 31 December 2020 on the EU market. Financial institutions can, at a minimum, use this information and start assessing whether deforestation policies are in place until other policies become more established. If other issues, such as plastic pollution, are more relevant to a company’s operations, corresponding policies may be prioritized. In the target state, companies will have comprehensive policies covering all material nature and climate topics, as well as interlinked social policies, such as engaging and managing impacts on Indigenous Peoples and local communities.

2.7 Indicator 7: Governance

Financial institutions will seek to understand whether companies have the appropriate governance mechanisms in place to approve, implement and monitor progress against their nature ambitions or targets at different levels of the organization. As availability and quality of corporate data on nature have not yet reached target-state levels, governance

is one of the key components financial institutions can rely on to assess companies on nature.

Many companies already have governance structures in place for climate. Climate and nature-related committees, for example, can be stand-alone committees or integrated into existing committees.



“ As availability and quality of corporate data on nature have not yet reached target-state levels, governance is one of the key components financial institutions can rely on to assess companies on nature.

In particular, financial institutions hope to see robust governance for nature-related issues, which would ensure that the necessary oversight roles and responsibilities are in place to execute the strategy and actions laid out.

A company's nature governance heavily depends on their business model. Organizations with nature or natural resources at the centre of their business models often already have nature deeply integrated into governance structures (e.g. companies offering recycling services or in forestry/agriculture might have dedicated functions responsible for pollution/waste strategy at the board level). Other companies might integrate nature governance into existing structures or require the formation of new governance structures (e.g. nature governance steering committees) to ensure the necessary governance systems are in place to drive such change over a long period of time. Financial institutions seek the following information from companies when assessing this indicator:

- Board-level oversight:
 - Nature formally included in the mandate of board-level committee
 - Nature ambition and nature transition plan approved at board level
 - Ongoing oversight of progress on nature at board level
- Executive/senior management oversight:
 - Nature formally included in the mandate of executive-level committee(s)
 - Nature ambition and nature transition plan approved at executive committee level
 - Executive-committee-level ownership of nature transition plan development and implementation
- Skills and training:

- Board-level training on nature
- Senior-management-level training on nature
- Employee training on nature

Existing frameworks that companies may be using:

- TNFD disclosure recommendations (governance A and governance B) and the TNFD *Discussion paper on nature transition plans* provide an overview of expectations around a company's nature governance.⁸²
- WWF's *Catalysing Change: The Urgent Need for Nature Transition Plans* provides an overview of expectations around a company's nature governance (including board-level or other strategy-oversight-body-level governance).⁸³
- Nature benchmarking initiatives state expectations around a company's nature governance (such as Nature Action 100).⁸⁴

How financial institutions are getting started:

Many companies have implemented and disclosed governance structures for climate and sustainability, particularly since the introduction of the Task Force for Climate-related Financial Disclosures (TCFD). Some are starting to explicitly incorporate nature, as a report by CDP in collaboration with Oliver Wyman and the World Economic Forum indicates. In total, 52% of companies (based on a sample of 6,800 businesses, accounting for two-thirds of global market capitalization) have implemented board-level oversight of water, 44% have board oversight of biodiversity and 33% have it for forests.⁸⁵ Financial institutions can draw on this information and engage with companies to understand the extent to which climate and sustainability governance structures are taking a holistic approach when addressing other drivers of nature change. The TNFD *Disclosures Recommendations* build on the TCFD structure and include a pillar on governance, and more than 500 companies are already signed up as TNFD adopters.⁸⁶

CASE STUDY 5

Emirates National Bank of Dubai (ENBD)





ENBD is adapting its current risk management approach to address nature risk by integrating the Kunming-Montreal GBF. The approach seeks to capture physical, transitional and broader macroeconomic risks that manifest as risks to clients, such as stranded assets, supply chain disruptions, and capital and profit reductions.

To do this, ENBD engages with clients directly to gather primary data on their business' interfaces with nature and support the transition towards nature-positive core operations. For example, in the shipping industry, ENBD works with shipping clients to understand their impact on protected environmental sites as well as the location of port facilities. In the agricultural sector, ENBD shares materiality assessment questionnaires with clients to better understand impacts and dependencies, and discuss adoption of regenerative agriculture practices. This direct client engagement informs discussions about how ENBD can support their clients to reduce impacts and mitigate risks affecting their dependencies. ENBD complements this assessment with analysis on regulatory shifts, changing standards and developments on key nature themes such as:

- Impact on mandatory nature regulations such as CSRD, Nature Restoration Law, Biodiversity Net Gain
- Impact on UN-protected habitats, Ramsar wetlands, nationally protected sites, protected sites beyond national jurisdictions such as BBNJ
- Impact on Sustainable Development Goals (SDGs) 14 and 15
- Impact on pollution regulations

Furthermore, ENBD has conducted materiality assessments on its portfolio to identify significant portfolio-level risks and has made strategic decisions to limit financing for palm oil, coal and arctic oil extraction. ENBD also assesses loans and investments using the Partnership for Biodiversity Accounting Financials (PBAF) methodology, measuring clients' biodiversity footprints and deepening understanding of the impact of investments on biodiversity within the broader value chain.

Emirates NBD nature risk approach

 Exclusionary policy	 Kunming-Montreal impact	 Nature risk assessment	 Sustainability tracking and reporting
Is the financing dedicated to a restricted type of project?	What is the project's Kunming-Montreal and nature/biodiversity impact?	How are nature risks assessed?	How are nature risks and benefits evolving?
<p>Types of nature restrictions are checked, including:</p> <p>Does the project finance coal?</p> <p>Does the project finance palm oil?</p> <p>Does the project finance activities in an environmentally protected space (i.e. Ramsar, UN restricted site, site of scientific interest)?</p> <p>Does the project finance activities in a location of environmental degradation as graded by environmental impact assessment?</p>	<p>Nature finance checklist is completed, including:</p> <p>Complete alignment to nature finance checklist and highlighted nature finance benefits</p> <p>Highlight alignment to UN SDGs, with focus on SDGs 13, 14, 15</p> <p>Highlight any restricted environmental covenants or alignment to national biodiversity strategies and action plans in countries of operation</p>	<p>Nature risks are assessed in forums as well as through risk review, including:</p> <p>Assessment of nature risk exclusionary policies at group level</p> <p>Assessment from ESG team of restricted covenants and nature policies in country of operation and locality</p> <p>Nature risk assessment by risk and ESG team</p> <p>Approval of project at Sustainable Finance Forum</p> <p>Approval of project at ALCO</p>	<p>Nature risks and benefits are tracked on an ongoing basis, including:</p> <p>Ongoing thematic reviews of nature risks for client and projects</p> <p>Ongoing reputational risk review of nature risks</p> <p>Ongoing tracking of Kunming Montreal protocol alignment</p> <p>Ongoing reporting and analysis of nature risks and benefits from financing</p> <p>Reporting through annual reporting channels, for example sustainable finance reports, annual ESG reports</p>

Source: ENBD.

2.8 Indicator 8: Incentives

The successful execution and implementation of a nature transition plan relies on a company's senior leadership and employees. Financial institutions will seek to understand the extent to which senior management and other employee compensation bodies are linked to achievement of the company's nature ambitions and targets. This aligns the interests of management and shareholders, elevates the importance of the topic and demonstrates a recognition of nature-related issues' relevance to the company. Financial institutions seek the following information from companies when assessing this indicator:

- Target group subject to variable pay linked to success of transition:
 - Executive management – for example the chief executive officer, chief sustainability officer and heads of business
 - Other employees with responsibility for delivering nature-related actions
- Specificity of targets:
 - Whether incentives are linked qualitatively or quantitatively to nature-related performance (and, if quantitative, which metrics are used)
 - The timeframe of performance-linked targets

Existing frameworks that companies may be using:

- International Corporate Governance Network's (ICGN) *Statement on the Governance and Stewardship of Biodiversity Responsibilities COP15* provides an overview of how to link chief executive officer and executive pay to nature.⁸⁷
- TNFD's *Discussion paper on nature transition plans* provides a high-level overview on what incentives should include.⁸⁸ The TNFD recommended disclosure "governance A" includes provision for disclosure of how nature-related issues are incorporated into remuneration policies.
- WWF's *Catalysing Change: The Urgent Need*

for Nature Transition Plans provides a high-level overview on what should be included in incentives in the element "Governance – incentives and remuneration".⁸⁹

- Nature benchmarking initiatives state expectations around a company's incentives on nature (such as Nature Action 100⁹⁰ and WBA⁹¹).

How financial institutions are getting started:

The integration of carbon targets into executive pay policies is becoming increasingly common.⁹² Despite this trend, a significant gap remains in the clear communication of how these incentives align with long-term decarbonization goals. Only a small fraction of companies provide a transparent explanation of this linkage, highlighting a critical area for improvement.

For nature-related targets, the situation is even more challenging. The absence of well-defined nature targets complicates the incorporation of such metrics into executive compensation. This lack of clarity poses a significant barrier to demonstrating executives' commitment to nature transitions. However, a few companies have linked executive compensation to nature, underlined by a survey by the CDP showing that only 26% of companies from a set of 6,800 businesses (representing two-thirds of global market capitalization) have monetary incentives linked to water, while 15% have incentives for forests and only 1% have incentives for biodiversity.⁹³ Financial institutions can use this information to assess companies on nature incentives. For example, Heineken links long-term variable executive compensation to improvement in water efficiency. Unilever links compensation to the percentage change in total tonnes of virgin plastics used in product packaging.

In the absence of public information on nature incentive schemes, financial institutions can engage in detailed conversations with senior stakeholders and corporate executives to assess the seriousness with which companies are striving towards reducing their impact on nature. These dialogues can also help determine the level of accountability that executives attribute to themselves in this context.

“ The absence of well-defined nature targets complicates the incorporation of such metrics into executive compensation.





2.9 Indicator 9: Planned spend

“ Actions laid out in a company’s action plan should be mirrored in the CapEx during the planning horizon.

Evidence of a credible quantum of capital expenditure (CapEx) formally allocated towards fulfilling nature ambitions reassures financial institutions of a company’s commitment to planned strategy and provides confidence that actions will be implemented. Actions laid out in a company’s action plan should be mirrored in the CapEx during the planning horizon. This ensures that capital stock, working capital and overall business operations align with the company’s specific nature ambitions or targets. Some nature transition actions are highly capital-intensive (such as developing sustainable water infrastructure like water treatment facilities or irrigation systems to reduce the environmental impact of water use or performing large-scale reforestation projects). Others will likely require a high volume of research and development (R&D) investment in areas such as: desalination technologies that convert seawater into freshwater and new bio-based fertilizers and pest control methods to replace synthetic chemicals in agriculture. Additionally, this provides insight to financial institutions on what aspect of the nature transition requires financing. Financial institutions seek the following information from companies when assessing this indicator:

- The amount of planned CapEx and R&D spending related to nature
- The proportion of planned spending over a given time horizon
- How the planned spending has been allocated towards specific actions to achieve nature ambitions and targets
- Whether the planned spending is linked to the company’s material impacts and dependencies, and risks and opportunities

- Whether the planned spending has been approved at the board level

Existing frameworks that companies may be using:

- TNFD: The recommended disclosure “Strategy B” questions how the impacts, dependencies, risks and opportunities identified have affected the company’s business model and value chain, as well as its financial planning, performance and cashflow.⁹⁴ The TNFD discussion paper on nature transition plans includes guidance on developing and disclosing a financing strategy for the transition plan.⁹⁵
- GFANZ: The *Nature in Net-Zero Transition Plans* consultation paper provides guidance on integrating nature financing strategies as part of net-zero transition plans.⁹⁶

How financial institutions are getting started:

The 2024 CDP and Oliver Wyman report *Majority of European companies spend less than a quarter of capital expenditures on green initiatives* found that 70% of European companies align less than a quarter of their expenditures with climate transition goals.⁹⁷ It is likely that most companies do not have planned expenditures specifically allocated to nature.

At this point, financial institutions have the opportunity to play a proactive role by engaging with companies on potential projects. Through this engagement, financial institutions can aid companies in defining projects that provide a foundation for the allocation of capital towards nature-based solutions. This support will enable companies to independently continue their budgeting and planning processes.

2.10 Indicator 10: Independent verification of actions

By publicly disclosing evidence of actions taken towards a nature strategy (supported by a verification assurance report from an independent, external verifier with relevant expertise, such as an auditor), companies can demonstrate the validity of their plans. Financial institutions seek the following information from companies when assessing this indicator:

- Which components of the nature strategy and which relevant disclosures have received/will receive internal assurance and independent external verification
- Who provided the assurance, and the credibility of the assurance provider
- Whether the company is planning to engage with any independent bodies to validate nature actions in the future (if not assured today)
- Any nature initiatives, certifications or accreditations that companies align and provide verification to

2.11 Indicator 11: Supplier engagement plan

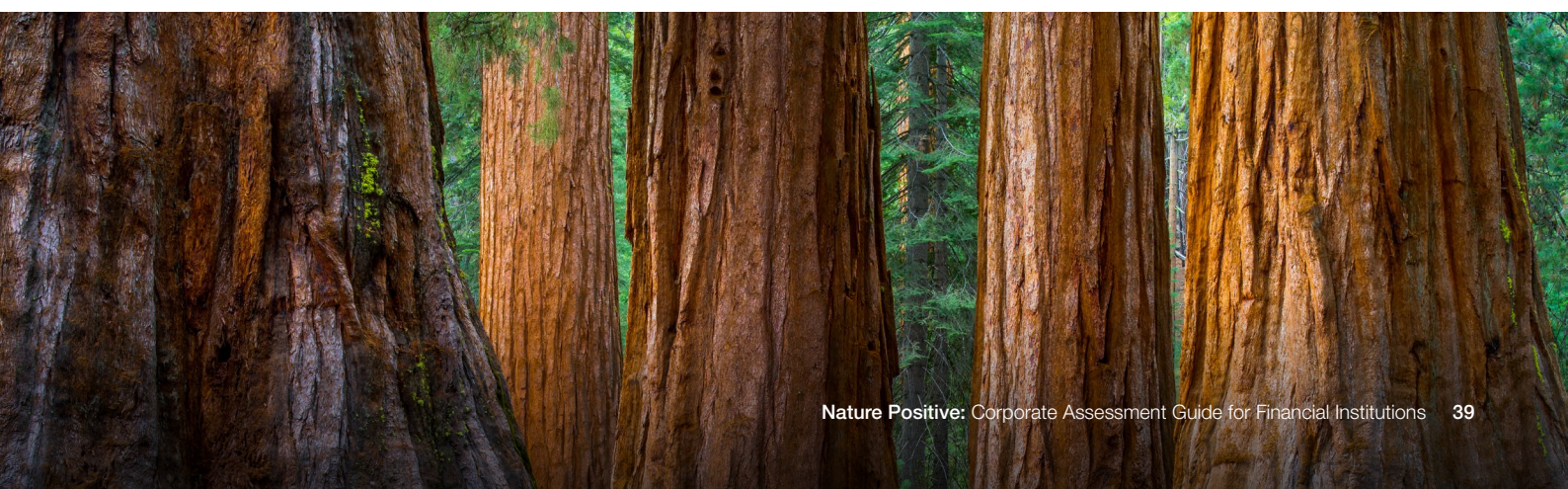
Engaging suppliers in support of strategic nature objectives demonstrates a company's willingness to ensure the success of its transition plan. An engagement plan may include steps to identify suppliers who have nature-related interests in the companies' activities or are potentially affected by planned changes to the company's business in response to nature-related issues. It then lays out a plan for engagement with those stakeholders to mitigate nature risk and maximize nature opportunities. In contrast to a company's action plan, a supplier engagement plan assesses how financial institutions' clients engage with their suppliers to advance on nature. Financial institutions seek the following information from companies when assessing this indicator:

- Current and planned engagement and activities (by priority and location) with suppliers in the company's upstream value chain
 - How the company prioritizes engagement activities with its suppliers
- Ultimately, financial institutions will seek to understand how companies engage not only with their suppliers but also with a broader group of affected stakeholders, such as Indigenous Peoples and local communities, customers, governments and civil society, to meet their nature priorities.

As such information will not be fully available at the beginning of a company's nature endeavours, financial institutions can prioritize assessing companies' engagement with suppliers to mitigate nature risks upstream in their value chains. Over time, financial institutions can gradually expand their focus to companies' broader engagement plans.

Existing frameworks that companies may be using:

- TNFD: The TNFD recommended disclosure on risk and impact management covers how an organization identifies and assesses nature-related issues in its upstream and downstream value chain.⁹⁸ The *Discussion paper on nature transition plans* provides guidance on engaging with actors in the value chain as part of a nature transition plan as well as disclosure of that plan.⁹⁹
- WWF: *Catalysing Change: The Urgent Need for Nature Transition Plans* provides a high-level overview on engagement with stakeholders in the Engagement Strategy section.¹⁰⁰
- Nature benchmarking initiatives state expectations around the engagement of a company with its suppliers on nature-related issues, such as Nature Action 100¹⁰¹ and WBA.¹⁰²



Conclusion

The rapid decline of nature and biodiversity poses significant challenges not only to the environment but also to economic stability and societal well-being. The GBF has set ambitious goals and targets to halt and reverse nature loss by 2030, emphasizing the need for financial institutions to play a pivotal role and calling for a substantial increase in public and private funding.

The growing momentum around nature disclosures, nature transition plans and company assessments, combined with the increasing availability of relevant data, provides an actionable pathway for financial

institutions to integrate nature into their existing climate assessment frameworks and effectively evaluate companies on nature.

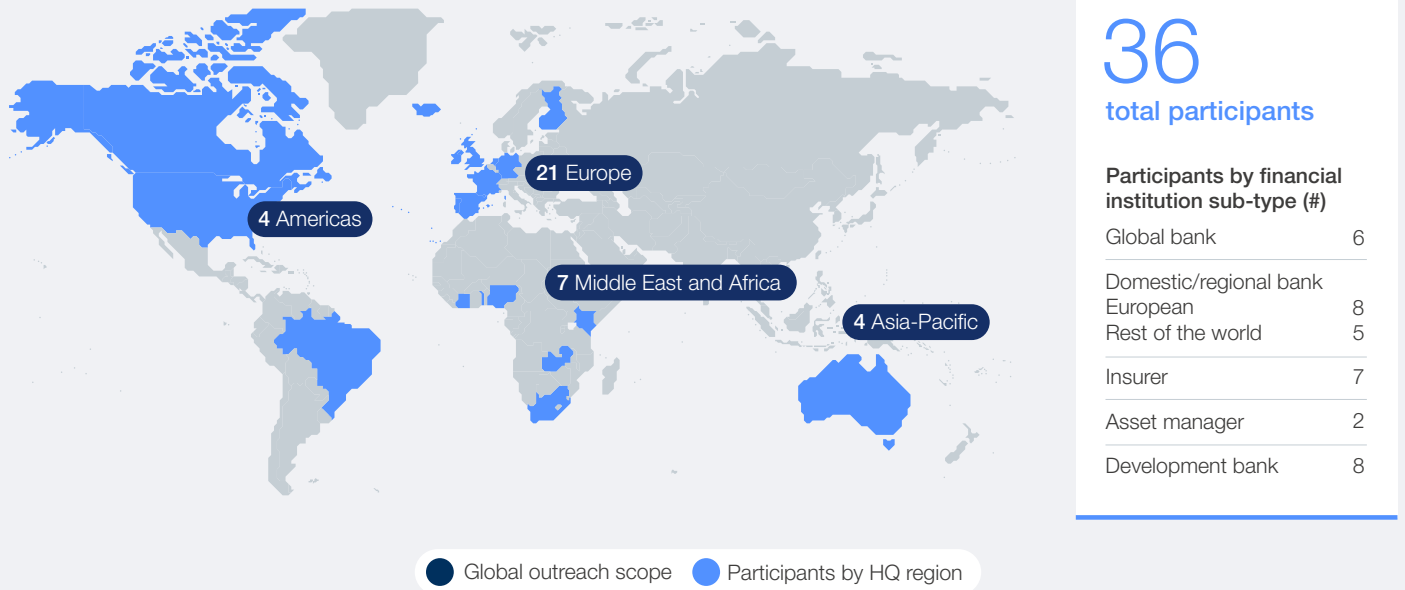
Now is the time for financial institutions to act. Data is sufficiently available, and by starting with a focused set of interim indicators, financial institutions can begin assessing companies. Whether prioritizing key industries and issues or engaging with companies in data-scarce regions, financial institutions can take immediate, impactful steps towards supporting the global effort to protect and restore nature. The urgency is clear – delaying action is no longer an option.

Appendices

A1 Survey data

FIGURE 10 Survey scope

2024 Oliver Wyman Nature Survey

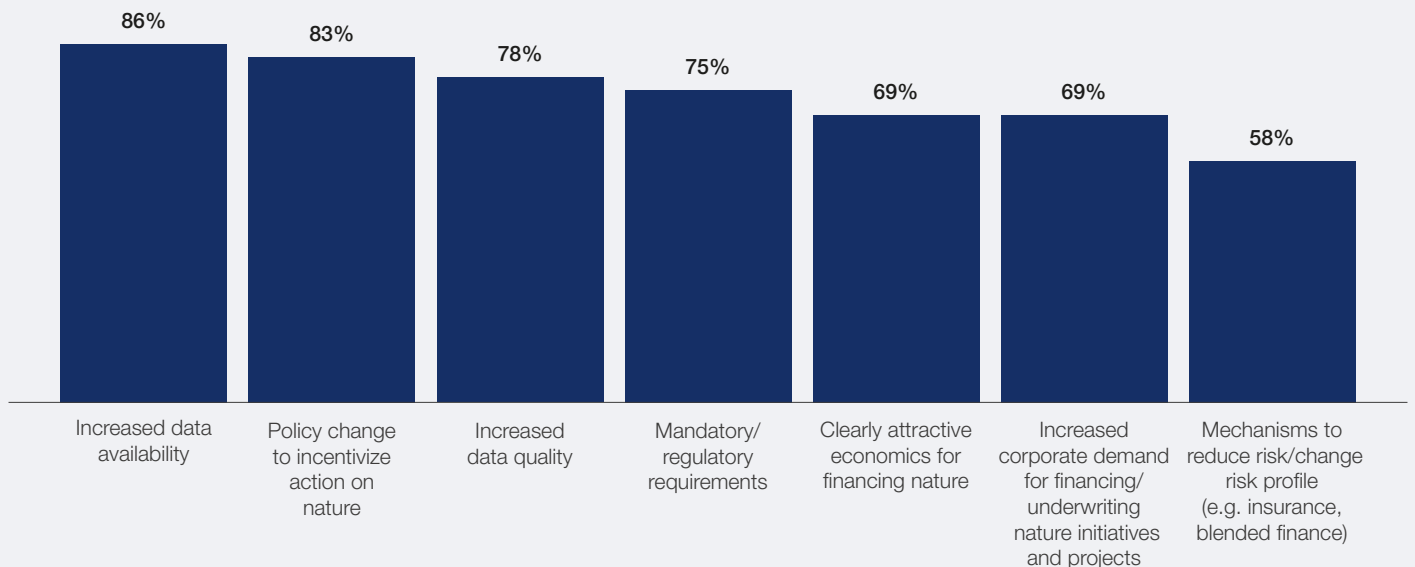


Source: Oliver Wyman and World Economic Forum survey.

FIGURE 11 Changes in the wider ecosystem to increase financing to the nature-positive transition

Q: What would need to change in the wider ecosystem for you as a financial institution to increase financing to the nature-positive transition?

n=36

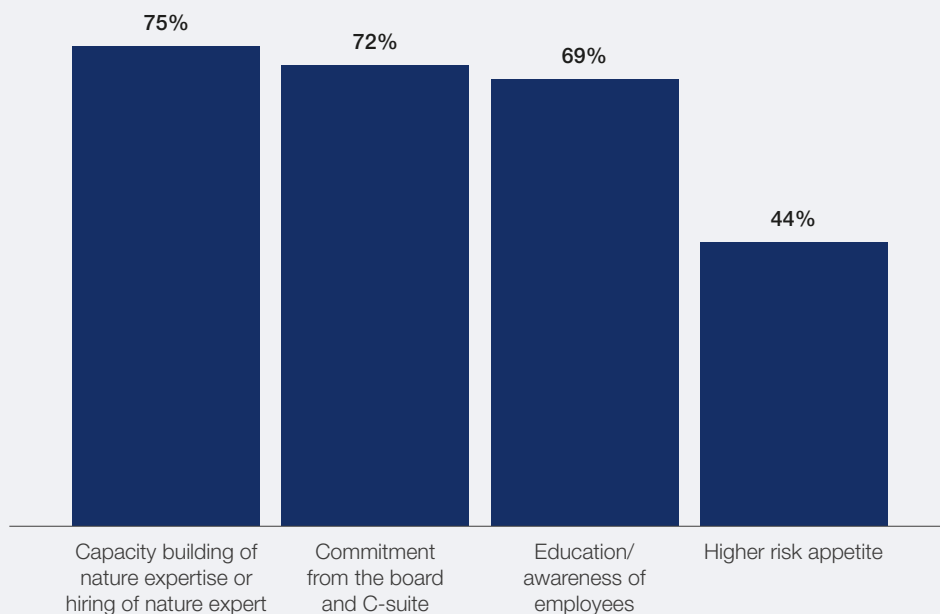


Source: Oliver Wyman and World Economic Forum survey.

FIGURE 12 | Changes in the organization to increase financing for the nature-positive transition

Q: What would need to change in your own organization for you to increase financing to the nature-positive transition?

n=36

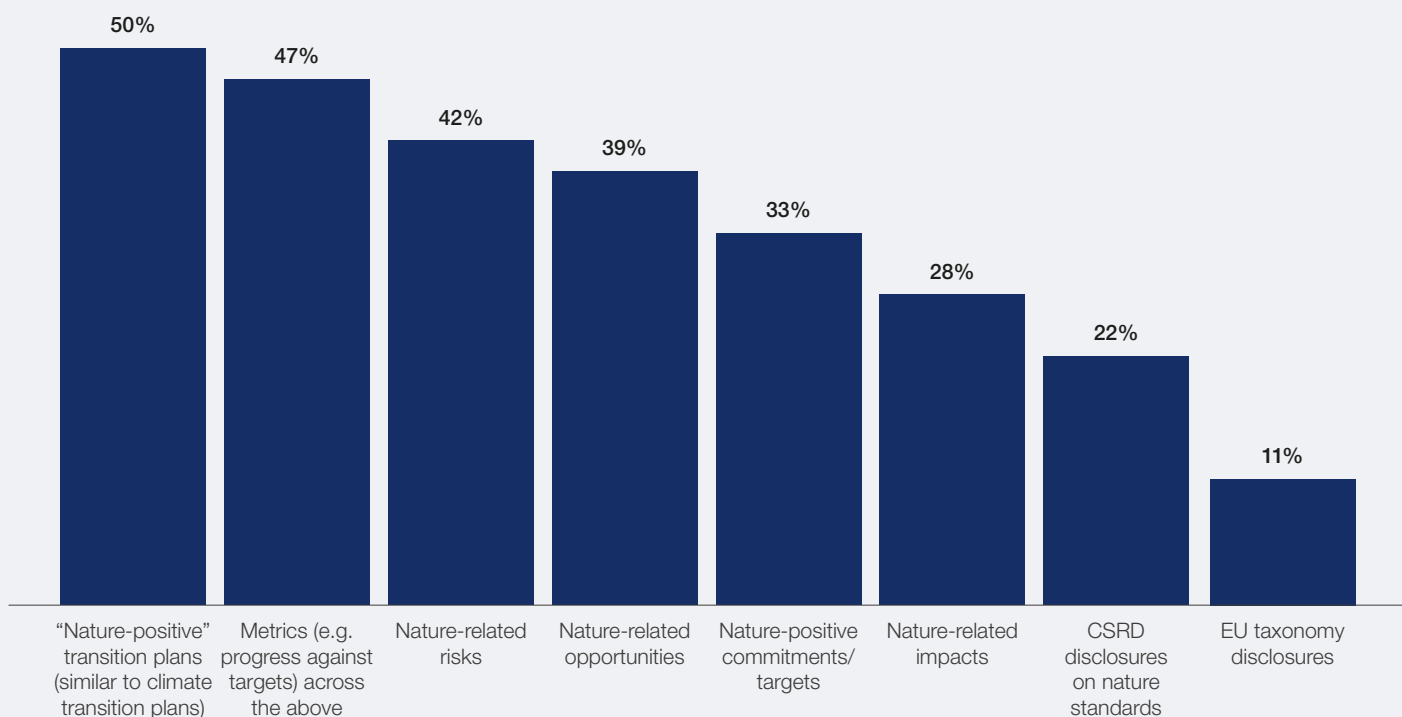


Source: Oliver Wyman and World Economic Forum survey.

FIGURE 13 | Corporate disclosure to increase financing to the nature-positive transition

Q: What type of corporate disclosures would be helpful for you as a financial institution to increase financing to the nature-positive transition?

n=36



Source: Oliver Wyman and World Economic Forum survey.

FIGURE 14 | Guidance from industry standard setters to increase financing to the nature-positive transition

Q: Which areas would you like guidance from industry standard setters and think tanks on, to enable your organization to increase financing to the nature-positive transition?

n=36

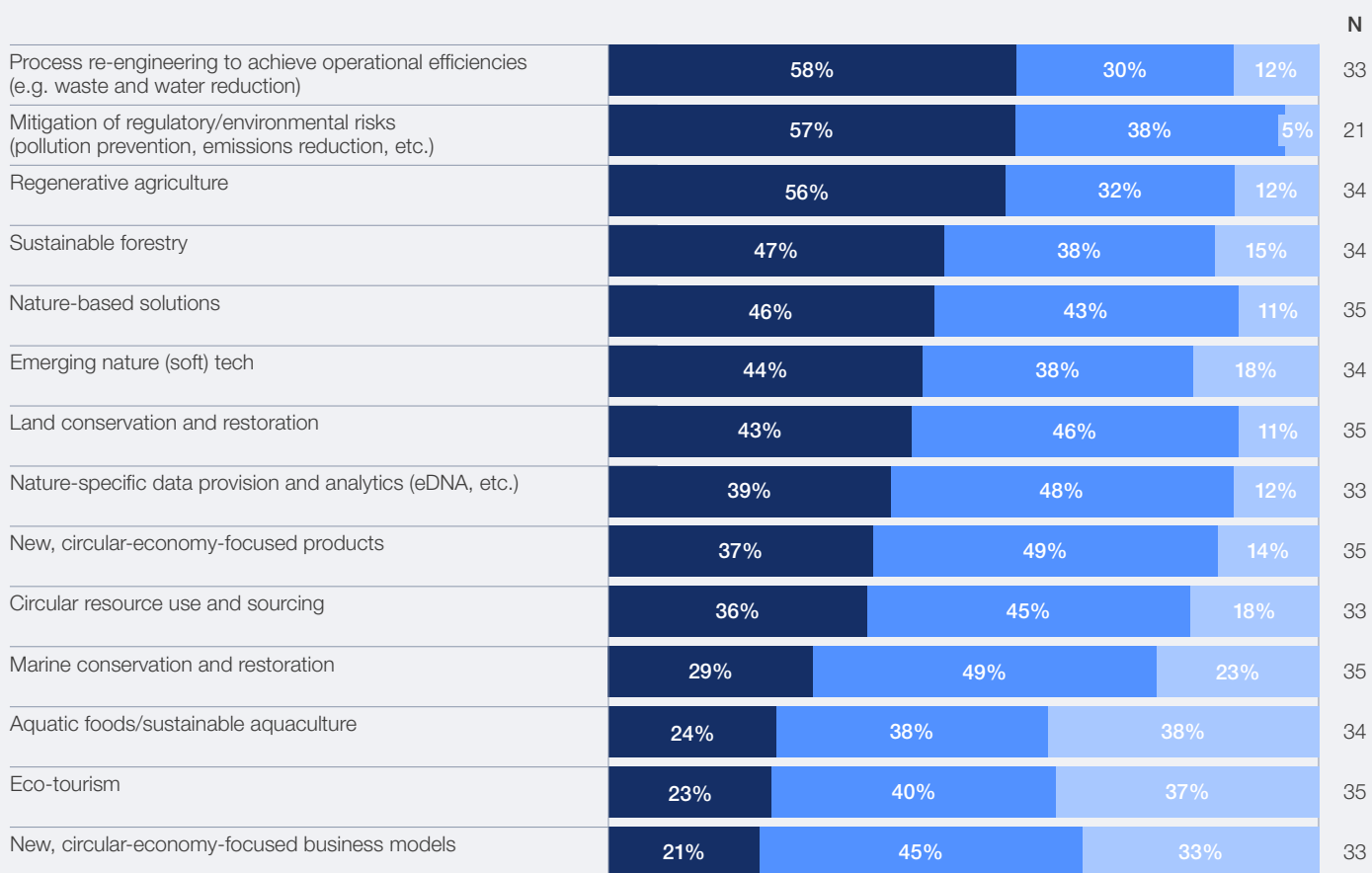


Source: Oliver Wyman and World Economic Forum survey.

FIGURE 15 | Current and future potential demand for nature-related themes and activities

Q: How would you describe the current and future potential demand for financing or insurance for the following nature-related themes/activities?

High Medium Low



Source: Oliver Wyman and World Economic Forum survey.

A2 Sample financial institutions' climate assessment frameworks




TABLE 4 Sample financial institutions' climate assessment frameworks

	Starting point	Ambition and targets	Transition credibility and achievability	Other factors
Aviva Climate Engagement Escalation Program	<ul style="list-style-type: none"> Industries with significant contribution to global GHG 	<ul style="list-style-type: none"> Net-zero commitment Short- and medium-term climate targets and milestones 	<ul style="list-style-type: none"> Strategy and CapEx framework Management incentives Commitment to SBTi 	<ul style="list-style-type: none"> Reporting on progress using TCFD
AXA Investment Managers	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Long-term ambition Mid-term targets 	<ul style="list-style-type: none"> Actions Governance Capital allocation 	<ul style="list-style-type: none"> N/A
Barclays Client Transition Framework	<ul style="list-style-type: none"> Historical emission reductions Current emissions 	<ul style="list-style-type: none"> Projected emissions based on carbon targets 	<ul style="list-style-type: none"> Governance factors Mitigating factors (e.g. CapEx, OpEx) Exacerbating factors (e.g. offsets) 	<ul style="list-style-type: none"> Sector-specific indicators
JP Morgan Carbon Assessment Framework	<ul style="list-style-type: none"> Historical emission reductions Current carbon intensity 	<ul style="list-style-type: none"> Forecasted carbon intensity based on carbon targets 	<ul style="list-style-type: none"> Governance and oversight Strategic actions 	<ul style="list-style-type: none"> N/A
Santander Customer engagement approach	<ul style="list-style-type: none"> Current GHG 	<ul style="list-style-type: none"> Future GHG targets Alignment with Santander pathway 	<ul style="list-style-type: none"> Action plan Disclosure Governance 	<ul style="list-style-type: none"> N/A
UBS Climate Transition Assessment Scorecard	<ul style="list-style-type: none"> GHG emissions disclosure 	<ul style="list-style-type: none"> Long-term net-zero commitment Short- and medium-term targets 	<ul style="list-style-type: none"> Decarbonization plans Carbon performance against commitment/target pathways 	<ul style="list-style-type: none"> N/A

Source: Oliver Wyman; World Economic Forum.

A3 Mapping of themes within transition planning guidance to 11 report indicators

FIGURE 16 Mapping of themes within transition planning guidance to 11 report indicators

Indicators		Transition planning guidance		
		TFND	GFANZ	WWF
Starting points 	1 Material nature impacts and dependencies, and risks and opportunities	F Plan priorities	F Objectives and priorities	F Impacts and dependencies, and risks and opportunities
	2 Nature metrics	M Dependency and impact metrics and targets	M Metrics and targets	M Nature-related and process metrics
Ambition and targets 	3 Nature ambition	F Transition plan framing and scope	F Objectives and priorities	F Strategic vision
	4 Nature targets	M Dependency and impact metrics and targets	M Metrics and targets	M Nature-related targets and targets hierarchy
Transition credibility and achievability 	5 Strategy and actions	F Transition financing strategies, plan priorities, activities and decision-making I	I Activities and decision-making	F Strategic vision, action per realms, cross-organizational actions I
	6 Policies	I Policies and conditions	I Policies and conditions	I Cross-organizational actions
	7 Governance	G Governance	G Governance	G Governance
	8 Incentives	G Governance	G Governance	G Governance
	9 Planned spend	I Financial planning	N/A	I Financial planning
	10 Independent verification of actions	N/A	N/A	V Monitoring, reporting and verification
	11 Supplier engagement plan	E Engagement strategy	E Engagement strategy	E Engagement strategy

F Foundations **M** Metrics and target **I** Implementation strategy **G** Governance

E Engagement strategy **V** Monitoring, reporting and verification

Source: Oliver Wyman; World Economic Forum; Taskforce on Nature-related Financial Disclosures (TNFD); Glasgow Financial Alliance for Net Zero (GFANZ); World Wide Fund for Nature (WWF).

A4 Coverage of indicators in industry disclosure standards and initiatives

TABLE 5 Coverage of indicators in industry disclosure standards and initiatives

Indicators	Information financial institutions seek to assess	CSRD	GRI	TNFD	CDP
1 Material nature impacts and dependencies, and risks and opportunities	Availability of nature materiality assessment	Information available	Information available	Information available	Information available
	Scope of nature materiality assessment	Information available	Information available	Information available	Information partially available
	Impact and dependencies identified in the nature materiality assessment	Information available	Information available	Information available	Information partially available
	Nature-related risks (physical, transition) identified in the nature materiality assessment	Information available	Information available	Information available	Information available
	Nature-related opportunities identified in the nature materiality assessment	Information available	Information partially available	Information available	Information available
2 Nature metrics	Impact and dependency metrics	Information available	Information partially available	Information available	Information available
	Risk and opportunity metrics	Information available	Information partially available	Information available	Information available
3 Nature ambition	Overall objectives and priority areas	Information available	Information available	Information available	Information partially available
	Alignment of the ambition with the 2030 targets and 2050 goals of the GBF	Information partially available	Information available	Information available	Information partially available
	Span of business model and value chain	Information partially available	Information partially available	Information available	Information partially available
	Timeframe in which the ambition is aimed to be achieved	Information partially available	Information partially available	Information available	Information partially available
	Linkages to climate ambition where relevant	Information partially available	Information partially available	Information available	Information partially available
4 Nature targets	If targets are science-based and developed in line with available guidance	Information available	Information available	Information available	Information partially available
	If the targets are specific, measurable, achievable, relevant and time-bound (SMART)	Information partially available	Information partially available	Information available	Information partially available
	If the targets encompass all material impacts	Information available	Information partially available	Information available	Information partially available
	If the targets are developed in line with a mitigation hierarchy (such as AR3T)	Information partially available	Information partially available	Information available	Information partially available
	Which parts of the company's business model and value chain are covered	Information available	Information partially available	Information available	Information partially available
	If targets are in place for short, medium and long-term timeframes	Information available	Information partially available	Information available	Information partially available
	If the targets are aligned with national and international policy objectives on nature and biodiversity	Information partially available	Information available	Information available	Information partially available
5 Strategy and actions	Specific actions identified by the company to achieve its nature ambition and targets across the mitigation hierarchy, within and outside of the business value chain	Information available	Information available	Information available	Information available
	On track with the action plan	Information available	Information available	Information partially available	Information partially available
	Timelines for the actions	Information available	Information partially available	Information partially available	Information partially available
	Effectiveness of the actions	Information available	Information available	Information available	Information partially available
	Whether companies engage with landscape stakeholders and rights holders	Information partially available	Information available	Information available	Information partially available

● Information available
 ● Information partially available
 ● Information not available

TABLE 5 | Coverage of indicators in industry disclosure standards and initiatives (continued)

Indicators	Information financial institutions seek to assess	CSRD	GRI	TNFD	CDP
6 Policies	Nature-related policies in place	Highly aligned	Approximate	Highly aligned	Highly aligned
	Scope of the policy	Highly aligned	Approximate	Highly aligned	Highly aligned
	Specification of commitments and targets	Highly aligned	Highly aligned	Approximate	Approximate
7 Governance	Board-level oversight	Highly aligned	Approximate	Highly aligned	Highly aligned
	Executive/senior management oversight	Highly aligned	Approximate	Highly aligned	Highly aligned
	Skills and training	Highly aligned	Approximate	Approximate	Highly aligned
8 Incentives	Target group subject to variable pay	Highly aligned	Approximate	Highly aligned	Highly aligned
	Specificity of targets	Highly aligned	Approximate	Highly aligned	Highly aligned
9 Planned spend	Amount of planned CapEx and R&D spend	Highly aligned	Approximate	Highly aligned	Approximate
	Proportion of planned spend over a given time-horizon	Highly aligned	Approximate	Approximate	Approximate
	Link between planned spend and material nature impacts and dependencies, and risks and opportunities	Approximate	Approximate	Highly aligned	Approximate
	Board level approval of planned spend	Approximate	Approximate	Highly aligned	Approximate
10 Independent verification of actions	Components of nature strategy with external assurance	Highly aligned	Approximate	Approximate	Highly aligned
	Provider of assurance	Highly aligned	Approximate	Approximate	Approximate
	Company plans to engage with external bodies to validate nature targets	Approximate	Approximate	Approximate	Approximate
	Nature initiatives, certifications, accreditations that company aligns to	Approximate	Approximate	Approximate	Approximate
11 Supplier engagement plan	Current and planned engagement and activities by priority and location with suppliers in the company's upstream value chain	Highly aligned	Highly aligned	Highly aligned	Highly aligned
	How the company prioritises engagement activities with its suppliers	Approximate	Approximate	Approximate	Approximate

● Metrics highly aligned
 ● Metrics closely aligned
 ● Metrics are approximate

Source: Oliver Wyman; World Economic Forum; Corporate Sustainability Reporting Directive (CSRD); Taskforce on Nature-related Financial Disclosures (TNFD); Carbon Disclosure Project (CDP); Global Reporting Initiative (GRI).

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ABN AMRO

APG Asset Management

Aviva

AXA

Banco Bradesco

Bank Lombard Odier

BBVA

BlackRock

Citi

Deutsche Bank

Emirates NBD Bank

First Abu Dhabi Bank

Guidewire Software

ING Group

Itaú Unibanco

Kasikornbank

Legal & General

Mirova

Nordea

Nuveen

Royal Bank of Canada (RBC)

S&P Global

Société Générale

Standard Chartered Bank

State Street Corporation

Swiss Re

Temasek

Tikehau Capital

Trade and Development Bank of Mongolia

UBS

Advisory panel

Cambridge Institute for Sustainability Leadership (CISL)

Capitals Coalition

CDC Biodiversité

CDP

Ceres

CREM

EU Business & Biodiversity Platform (EU B&B)

Finance for Biodiversity Foundation

Forest Peoples Programme

Glasgow Financial Alliance for Net Zero (GFANZ)

Global Commons Alliance

GoldenBee Consulting

International Union for Conservation of Nature (IUCN)

Metabolic

Orée

Partnership for Biodiversity Accounting Financials (PBAF)

Planet Tracker

Rutgers University

Science Based Targets Network (SBTN)

Society of Entrepreneurs and Ecology (SEE)

Taskforce on Nature-related Financial Disclosures (TNFD)

The Nature Conservancy (TNC)

United Nations Environment Programme (UNEP) – Finance Initiative (FI)

United Nations Environment Programme (UNEP) – World Conservation Monitoring Centre (WCMC)

United Nations Global Compact

University of Oxford

We Mean Business Coalition

World Benchmarking Alliance (WBA)

World Business Council for Sustainable Development (WBCSD)

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Endnotes

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