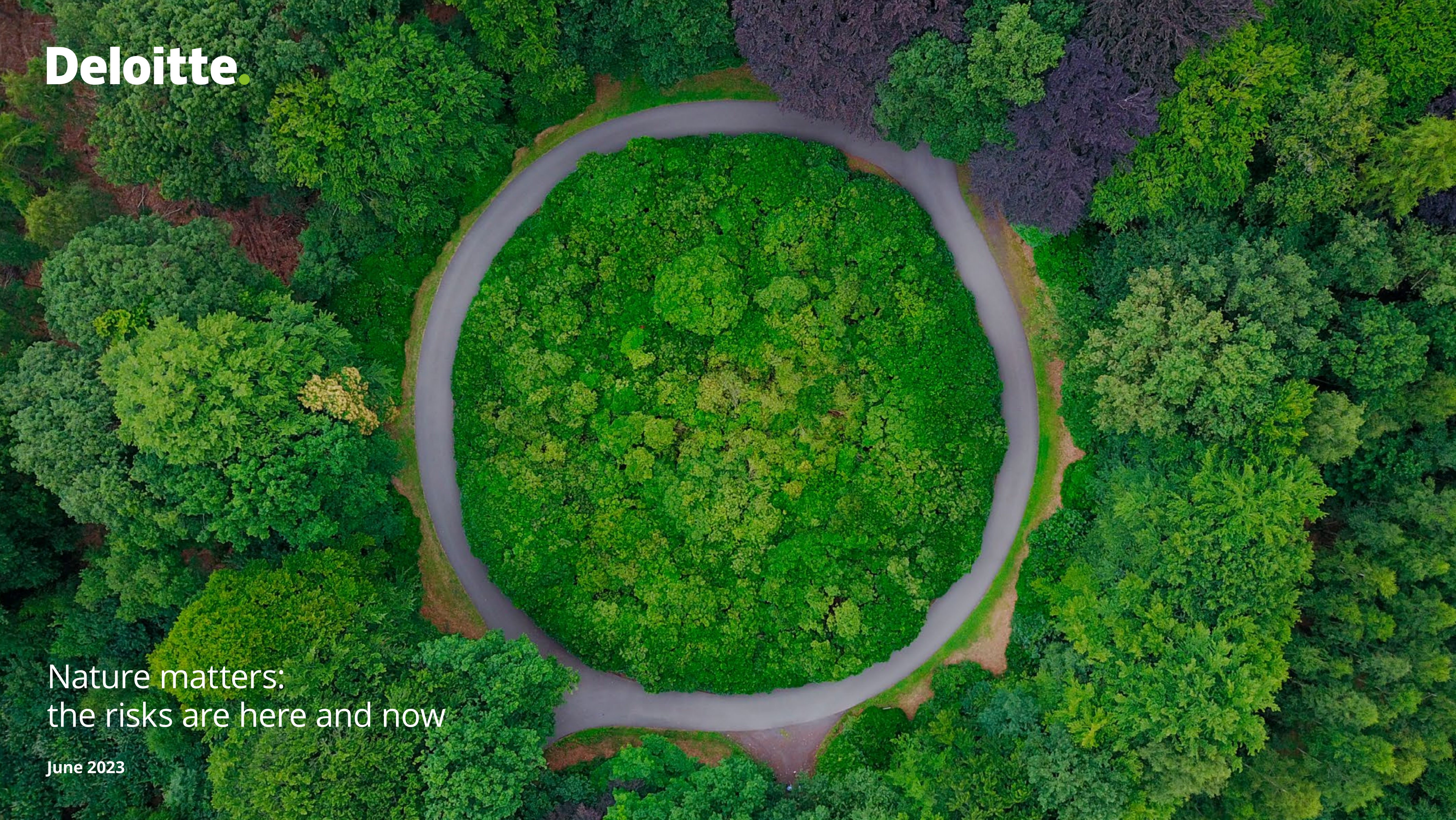
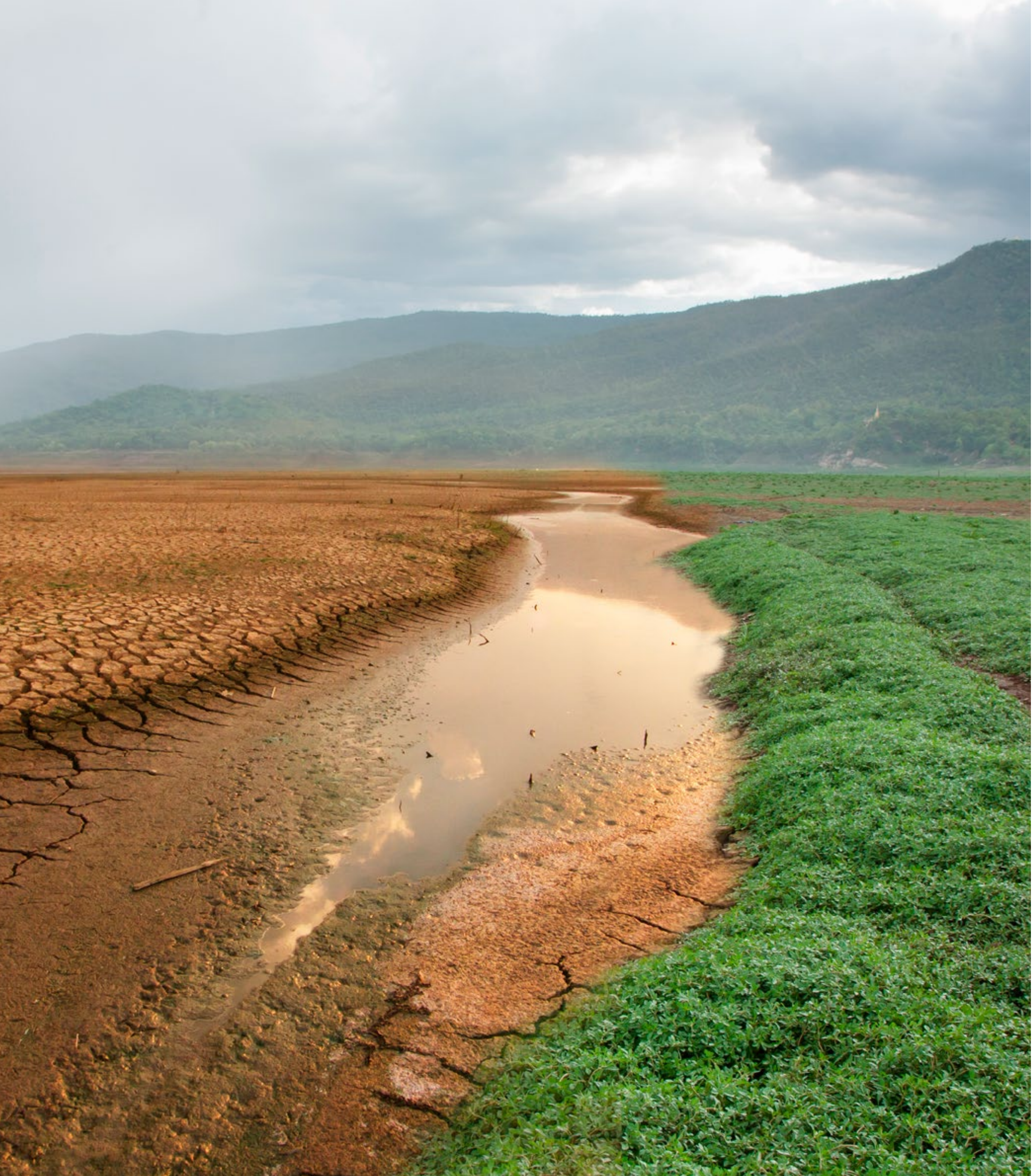


Deloitte.

Nature matters: the risks are here and now

June 2023



Contents

1. Nature risks are here and now

The environmental agenda has become central to many aspects of business planning and risk management, with a particular emphasis on climate change and the transition to a net zero emissions economy. But climate change is not the only environmental challenge facing companies: biodiversity is in rapid decline, ecosystems are at risk of collapsing, water supplies are increasingly polluted and poorly managed, and soils are overexploited and declining in quality. **These topics form part of a wider category of *nature-related risks* that are fast rising up the corporate agenda.**

A healthy natural world is the foundation of resilient economies, businesses and supply chains. More than half of global GDP is either moderately or highly dependent on nature and its services[1] including for the provision of raw materials and water, crop pollination, recreation and tourism opportunities, protection from storms, flooding, erosion and wildfires, and regulation of the climate through carbon removals.

But with nature loss now at unprecedented levels, the capacity of the natural world to provide these critical services on which companies depend is under threat, carrying the risk of major economic repercussions: the World Bank has estimated that damage to ecosystem services could lead to annual GDP losses of $2.7 trillion by 2030.[2]

In this report, we help companies make the connection between nature and contemporary business issues and highlight why action needs to be taken now. The report sets out five areas in which Boards and senior management teams should be asking questions about the exposure of their companies to nature-related risks:

The capacity of the natural world to provide critical services is under threat.

- **Net zero transition planning** is by now familiar to most companies. But transition plans themselves depend on and have impacts on wider nature-related issues. Without accounting for this 'climate-nature nexus', companies face additional execution risks to their (climate-driven) net zero transition plans.
- Markets for **green finance** have grown significantly in recent years. As financial services providers adapt to the nature agenda there will be further knock-on effects to the availability and terms of loans, insurance and other financial services, as well as the manner in which investors engage.
- As transparency around nature is increased through regulatory initiatives, **client and customer expectations** will change, with knock-on effects to retail demand, product design, procurement standards, and more.
- Many companies will be aware of the ongoing scrutiny of **greenwashing**. A lack of engagement with nature-related risks could leave some companies exposed to allegations that nature-related claims in public materials are not well grounded in science or subject to assurance.
- Nature-related risks are becoming formal **regulatory and compliance** challenges as policymakers adopt new initiatives that include requirements for a more robust understanding of nature-related issues.

The primary focus of the report is on 'transition risks' – risks that result from the ways in which various stakeholders are adapting – or not – to our changing world. Companies also face stark physical risks, from reduced raw material availability through to freshwater shortages, which could also disrupt companies in myriad ways, adding to the imperative to act.

It can be difficult for companies and individuals to assess how nature-related issues pose material risks to business activities. For some, ideas about biodiversity and nature conjure images of environmental conservation in remote parts of the world – things that seem distant from the day-to-day of running a business. For others, the challenge is knowing how to translate a desire to engage into a practical response. Either way, the result is that many companies remain underprepared to address nature-related risks, and some may be tempted to treat the issues as being for another financial year.

But **the reality is that many companies will already be exposed to nature-related risks through channels they do not fully appreciate** – risks that could rapidly manifest into real, and costly, business impacts. What's more, the business environment for nature risk is already changing through a combination of new regulatory, investor and consumer expectations. The historic adoption of the Kunming-Montreal Global Biodiversity Framework at COP15 – through which 196 nations committed to take urgent action to halt and reverse biodiversity loss by 2030 through a suite of measures – will quickly lead to new programmes of work. Indeed, a breakthrough agreement on the UN's High Seas Treaty to protect marine areas swiftly followed. The focus on achieving a 'nature positive' global economy will intensify, in turn generating new transition risks for businesses.

The issues we highlight have varying degrees of relevance for companies according to their sector and business footprints. But by looking at nature-related risk through the lens of these issues there should be enough evidence for companies to conclude that nature-related risks demand greater attention and investment. We suggest companies respond by working to *assess* their nature-related exposures, *commit* to nature-related goals and targets, *embed* goals in day-to-day management, *align* assets and other resources with nature strategies, and *collaborate* with partners in their supply chains.

2.1 Net zero delivery risk

Companies are increasingly familiar with the principles and practices of planning for the transition to net zero. Most, however, are less familiar with the critical role that nature plays in climate change mitigation and adaptation through what is sometimes called the 'climate-nature nexus'.

Degradation of high-carbon ecosystems, such as forests, mangroves, peatlands and saltmarsh, is one of the main contributors to global greenhouse gas (GHG) emissions. Conversely, protecting and restoring nature has the potential to fulfil up to 30% of the net emissions reductions required by 2030.[3] Nature is therefore integral to addressing aspects of Scope 1 and 2 emissions within businesses' own operations, Scope 3 emissions across wider value chains, and residual offsetting needs. Many company transition pathways rely to some degree on reducing impacts on, or restoring, nature, including through nature-based solutions (NBS). Without accounting for the role of nature in net zero, businesses face additional execution risks to their (climate-driven) transition plans.

Key risk drivers are regulatory and reputational, given the growing scrutiny to which transition plans are subject. Standard setters and policymakers are increasingly emphasising that net zero plans should account for nature. The Glasgow Financial Alliance for Net Zero (GFANZ), for example, has been clear that transition plans 'should strengthen nature and biodiversity', while the UK Transition Plan Taskforce (TPT) – the governmental group working to develop the 'gold standard' for transition plans – has said that plans should consider material interactions between climate action and nature, while a new working group is set to address the interdependencies between climate and nature.[4]

Land use and land use change provide some of the clearest connections between nature and net zero, with the IPCC attributing 23% of manmade GHG emissions to agriculture, forestry and other land use (AFOLU; sometimes also known as forestry, land and agriculture (FLAG)).[5] This matters not only for businesses in land-intensive sectors: the need to address Scope 3 emissions – which can be the bulk of some businesses' footprints – means that businesses need to be sensitive not just to their own land usage, but to that of their suppliers. With a trend towards Scope 3 emissions reporting becoming mandatory, it is essential that businesses develop robust understandings of these linkages between nature and climate.

Although decarbonisation of operations and supply chains is the main priority for achieving net zero, there remains an essential role for carbon offsetting and carbon removal. While novel engineering-based approaches are currently prohibitively expensive, and largely nascent, most carbon removal projects have nature at their core; indeed, businesses following SBTi approaches will almost certainly be relying on nature to address their residual emissions through carbon removals. Some companies are also using carbon credits sold in the voluntary carbon market to offset residual emissions: the volume traded by private organisations in 2021 was up 380% from 2020 levels to nearly $2 billion,[6] of which half represented credits generated by NBS projects. However, there are rising concerns about the quality of some offsetting projects, which may fail to deliver on the carbon impacts claimed, or even be actively harmful on other fronts such as biodiversity, food security, or the treatment of indigenous people. This creates risks for businesses relying on such credits in their net zero plans, making it all the more important that businesses use reputable schemes and engage substantively with the role of nature in their plans. Done well, the use of NBS can play an essential role in mitigating residual emissions. Done badly, a superficial reliance on NBS could unwittingly undermine businesses' own net zero goals by creating new emissions through inappropriate land use changes.

Opportunities

By engaging with the risks, there are opportunities for companies to improve the integrity and effectiveness of their transition planning by fully integrating nature into the process, and better accounting for its role in net zero. Further, a complete understanding of NBS, including the multiple co-benefits they can deliver for nature and even social outcomes, can help inform wider business resilience strategies for managing physical climate and nature risks, including drought and flood risks.

The road ahead

Scrutiny of nature risk exposures, and of net zero transition plans more broadly, will increase, underscoring the need for companies to get to grips with the role of nature within their business and their transition plans. New SBTi FLAG requirements[7] will require FLAG sector companies or those or with high FLAG emissions in their value chains to set a FLAG target, and will provide companies with guidance and tools to account for land use emissions, and may become an expectation for companies with high land-use exposure under Scope 3 emission disclosures, the latter of which are set to become mandatory as part of the framework under development at the International Sustainability Standards Board (ISSB). Voluntary carbon markets will come under more scrutiny, with work to develop new principles ongoing within the new Integrity Council for the Voluntary Carbon Market,[8] and the UK Government set to consult on measures to address greenwashing in the sector.[9] The ISSB's framework will also entail disclosures around the use of carbon credits, while the UK TPT has recommended disclosures on the 'why?', 'how?' and 'what type?' of carbon credits within transition plans which will likely become mandatory.

Key questions to ask

- To what extent have you considered nature in your net zero transition strategy?
- Does your Board and senior management team understand the dependence of your net zero goal on nature?
- How far has your due diligence on NBS projects taken account of their potential limitations or drawbacks?
- How does the emerging regulatory agenda within the UK, EU, or other jurisdictions in which you are active, affect your net zero transition strategy and plan?

2.2 Supply of financial services

Nature-related risks will increasingly affect the terms on which businesses can access financial services. The financial services industry is subject to a growing body of rules and regulations in connection with climate issues (for instance, being required to disclose details on how 'green' balance sheets are), and these requirements are starting to be extended to capture nature, particularly in the EU.

An increasing number of financial services firms have also made public commitments to engage with nature-related challenges such as biodiversity and deforestation. In the EU, any financial services firm (or large public company) wanting to claim an activity or investment is 'sustainable' must be able to show that it meets the 'Do No Significant Harm' principle, meaning that it must not cause significant harm according to various social and environmental factors. The risks here are no small matter for financial services firms: the Dutch National Bank estimated that for Dutch firms alone, over €500 billion in assets are highly or very highly reliant on a variety of ecosystem services.[10] Put together, these developments mean that nature-related issues, alongside climate, will increasingly be factored into financial services firms' decision-making processes on the cost and availability of funding and capital for borrowers.

For borrowers looking to access finance, these developments have several implications. Companies can expect to face additional requests for data on sustainability policies, including with respect to nature. Financial services firms will assess the risk profile of companies in new ways, accounting for climate and nature-related risks. Financial services firms will want to improve their 'green asset ratios' under the EU Taxonomy regulation – a measure of the share of sustainable exposures on their balance sheet – by pushing customers and clients to improve their own environmental performance. Given the various regulatory and reputational pressures on them, in the medium term financial services firms may opt to step back from clients or sectors if environmental performance does not improve.

It is already possible to access sustainability-linked financial products, some of which incentivise engagement with nature by tying product terms to environmental outcomes. But the regulatory agenda described above also means that environmental factors will increasingly be considered for 'conventional' products, meaning that companies that are not actively seeking 'green' finance will nevertheless find themselves having to consider their environmental profiles. Although the evidence remains mixed, some research suggests that businesses with better environmental credentials already enjoy easier access to credit, potentially with less stringent collateral requirements.[11] And if existing price differentials for financing sustainable assets (the 'greenium')[12] were to widen, this would provide further incentives for borrowers to demonstrate their green credentials.

Engagement with investors will also be affected by nature considerations. Shareholder resolutions addressing climate emissions doubled between 2021 and 2022,[13] and momentum is now building behind nature-related topics, with some of the world's largest asset managers having already declared nature as an engagement priority. Numerous initiatives across the financial services industry will drive further engagement, including the Finance for Biodiversity Pledge (involving over 100 financial services firms responsible for $14 trillion of assets under management)[14] and Nature Action 100,[15] (launched at COP15 in 2022, with the backing of numerous major international groups). An uptick in action is already evident around deforestation, with several shareholder resolutions having been passed within the past two years, including at major multinational corporates.[16]

Opportunities

Companies should consider the opportunity to take advantage of the nature-related financing factors and incentives when considering the direction and pace of their strategy to address nature-related risks in their business and adopt NBS in their transition plans. Companies with greater clarity and transparency about their transition planning, and an ability to demonstrate green credentials (even in specific parts of their business), will be better positioned to help their financial services providers make better determinations about how to write new business.

The road ahead

Financial services firms are continuing to carry out work to incorporate climate into their risk management processes; nature-related risks are next on the agenda. Firms will be looking to improve their data by engaging directly with their customers and clients, and will be looking to understand the nature-related risks in their lending, investment and insurance portfolios better, which in turn may influence pricing. This may also manifest in product innovation, as new forms of financing and insurance tied to environmental performance continue to be developed, linking biodiversity and other aspects of nature-related performance with product terms and conditions.

Key questions to ask

- Do you have robust data on nature risk exposures to support financial services providers in their risk assessments? Are those data readily accessible?
- Have you discussed green financing options with your finance providers, and how your company can access those options?
- Where relevant, how prepared are you to respond to your major institutional investors in relation to their stated nature-related engagement priorities?

2.3 Changing customer and client demands

Consumers are increasingly looking to spend their money in ways that align with their values, and nature-related issues are increasingly relevant to these decisions.

Deloitte's recent 2022 Consumer Behaviour Report[17] showed that more than half of UK adults consider 'biodiversity protection' part of what makes a product sustainable, and that biodiversity ranks alongside sustainable packaging and social responsibility as one of the most important sustainability-related motivations when considering a purchase. Indeed, respondents were more likely to cite biodiversity protection as a consideration in their purchasing behaviour than carbon neutrality. As nature and biodiversity rise up the public agenda, and as regulation increasingly drives greater transparency around nature-related risks, there will be growing implications for companies' revenues, market share and enterprise value.

Beyond changing consumer purchasing patterns, companies will also increasingly need to engage further with issues of nature, factoring these and other sustainability factors into procurement decisions. As governments look to deliver on their nature ambitions, green public procurement can be expected to increase; indeed, in some countries sustainability is already embedded in public procurement frameworks. The Netherlands is a prominent example, while the UK's recently-launched social value model for public procurement also incorporates environmental factors. Buyers will increasingly expect suppliers to be able to meet green criteria, and those that do not may find themselves losing out to competitors who can.

The scrutiny of issues such as deforestation within supply chains (for instance via the new EU Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Regulation on deforestation-free supply chains) will increase. This in turn means that companies will have to examine and understand the nature performance of other actors in their supply chains, and may need to adjust their sourcing behaviour accordingly. Those that are unable to demonstrate that they have considered nature standards within their production practices may find themselves at a competitive disadvantage.

Beyond changing consumer purchasing patterns, companies will also need to engage with nature and other sustainability factors in relation to procurement processes.

Opportunities

With retail, corporate and public sector clients increasingly looking for nature-positive impacts in products and services, there is a clear opportunity for innovative companies to win market share. To take advantage businesses need to understand their nature-related impacts, improve supply chain standards and practices, and communicate their actions to potential consumers and clients. There is reputational advantage to be gained by doing this early and doing it well. Larger companies will also find opportunities to collaborate with suppliers to help shape practices in their sector and adapt to changing consumer expectations.

The road ahead

New disclosure requirements – notably the EU CSDDD – will begin to deliver transparency around supply chains and other business practices, providing customers with additional data and information to inform their decision making. Other mandatory due diligence requirements, such as those on deforestation under the UK's Environment Act and the EU's Deforestation-free products regulation, may also affect corporate sourcing behaviour. Green public procurement can be expected to expand in the coming years. Circular economy principles will also increasingly find their way into business as usual expectations and regulatory requirements, prompting further changes in customer behaviour.

Key questions to ask

- Do your company's product development, marketing, sales and other teams understand what your clients need and want in relation to nature?
- What changes has your horizon scanning identified in respect of public procurement standards in the markets in which you operate? What actions do you need to take to remain eligible, relevant and competitive in those markets?
- How are you preparing for the new due diligence requirements envisaged in CSDDD and other regulatory initiatives?
- To what extent has your business strategy been future proofed against changing customer demands and expectations?

2.4 Greenwashing risk

Greenwashing is an increasingly hot topic, with several companies having already fallen foul of expanding regulatory efforts of financial regulators, advertising watchdogs and competition authorities to ensure that sustainability claims are supported by evidence.

Companies are understandably keen to emphasise their green credentials, particularly in light of the changing consumer and client demands set out above. But even well-intentioned claims bring risks if they are not well substantiated. Such risks may even make some companies more reticent about sustainability ambitions and actions.[18]

Regulatory action has been broad-based. In the UK, the Competition and Markets Authority (CMA) has launched its Green Claims Code and has subsequently carried out investigations into several fast fashion brands to assess if the companies could substantiate their eco-product claims. The Advertising Standards Authority (ASA) has intervened in the banking sector around climate-related claims. The UK Financial Conduct Authority (FCA) has intervened in investment management in relation to sustainability claims made in regulatory disclosures and through investment product labels. These developments are a microcosm of the global landscape, with authorities in the US, EU, Canada, and across the Asia Pacific region on a similar track. The result is that companies face reputational and regulatory risks from unsubstantiated green claims. Sanctions could range from regulatory bans and fines to civil and criminal litigation brought by regulators, consumers, or civil society organisations.

To avoid the pitfalls of greenwashing, companies will need to engage more deeply with nature-related issues and science.

This poses a challenge to all companies, including those making nature-related claims or which make environmental-related claims that do not fully account for nature-related factors. Getting data for full transparency on nature impact is difficult – value chains are convoluted, and nature-related risks and their drivers are complex. Even those acting with good intentions may still be undone by a lack of data to validate a product's true impact on nature. And with efforts under way to develop tools such as biodiversity credits and offsets, companies will need to take care to use them appropriately. To avoid the pitfalls of greenwashing, companies will need to engage more deeply with nature-related issues, understand the science, and ensure that they have adequate assurance over claims made.

Some companies may also need to revisit the nature ambitions they have already stated. Any failure to meet these commitments could attract greenwashing claims. For nature-related claims, the achievement gap under perhaps the brightest spotlight is deforestation, where several recent reports have highlighted lack of action and continued financing of deforestation-linked activities.[19,20] It is crucial that new commitments, such as those made after COP26 by 30 major financial institutions to eliminate agricultural commodity-driven deforestation from portfolios by 2025,[21] do not head in the same direction as previous deforestation targets, such as those set as part of the UN's New York Declaration on Forests:[22] signed but ultimately not translated into concrete action by companies.[23] The erosion of trust that accompanies repeatedly-missed targets will accumulate over time, giving further impetus in future to binding regulatory interventions.

Opportunities

Companies have an opportunity to stand out relative to their peers by developing credible, ambitious, and evidence-based claims; by closing data and achievement gaps; and thereby building trust with customers and regulators. Closing the data gap will also help improve operational resilience, by understanding the extent to which their value chain is vulnerable to nature risk.

The road ahead

In the UK, the CMA is expanding its greenwashing investigations into other priority sectors to scrutinise how companies are aligning with its Green Claims Code. The CMA may step up enforcement of the Code by bringing court proceedings under existing consumer and business protection regulations. The ASA has also stated it will be 'shining a brighter regulatory spotlight on environmental matters'[24] in the coming years. Regulators elsewhere are also taking action: the US Federal Trade Commission is updating its 'Green Guides' relating to environmental claims, having also issued greenwashing fines in the retail sector in 2022,[25] and the EU's new draft Green Claims Directive introduces cross-sector measure to tackle greenwashing.[26] Financial services firms will be under particular scrutiny, including through the EU's Sustainable Financial Disclosures Regulation (SFDR) which has toughened standards for sustainability-related claims, and the UK's forthcoming 'anti-greenwashing rule'.[27]

Key questions to ask

- What are your processes for ensuring that you ground all your environmental claims in scientific evidence and subject them to appropriate due diligence or, where necessary, assurance?
- Are you monitoring the ongoing performance of your publicly declared nature-related ambitions and taking mitigating action where achievement gaps are identified?
- How well do your compliance, marketing, and other relevant teams understand these risks and how they relate to public statements made by the firm?
- To what extent has your business strategy been future proofed against changing customer demands and expectations?

2.5 The emerging regulatory agenda

Companies are already contending with a widening range of sustainability-linked standards and regulation. But growing policymaker interest in the escalating nature crisis means that the regulatory agenda is further expanding.

Companies need to navigate a mixture of multilateral international agreements, national environmental strategies, voluntary initiatives and binding regulatory standards. As has been illustrated in previous sections, the patchwork of rules touches on everything from supply chain practices and due diligence through to risk management, reporting and disclosure. There is basic regulatory risk here: a failure to keep on top of emerging rules creates risks of compliance lapses and regulatory enforcement action, with knock-on reputational and brand implications. But there is also a larger set of strategic risks, as sustainability-related regulation will increasingly shape the business environment, affecting the viability of some business models.

Regulatory initiatives around nature-related risks are following on the heels of counterparts that focused on climate. Companies face challenges in building the capabilities needed to meet new regulatory requirements, including in relation to new categories of data, and acquiring or developing the necessary expertise and skills. For nature-related risk, the regulatory agenda is likely to be more expansive than for climate, given the wider range of issues that fall under the 'nature' umbrella.

Deforestation provides one pertinent example, with the EU having introduced new rules in this area as part of its Forest Strategy for 2030, including the new Regulation on deforestation-free supply chains, which places the onus on businesses to demonstrate that their supply chains for products including palm oil, soy, timber, rubber and more are not contributing to deforestation. And with international regulators estimating that forestry-related crimes such as illegal logging generates somewhere between $51 billion and $152 billion a year,[28] it is unsurprising that authorities are also looking at using anti-money laundering rules to crack down on such illegal activity.

The European Green Deal has triggered a host of regulatory changes that companies from across virtually all sectors of the economy need to be aware of, spanning biodiversity, nature restoration plans, deforestation reduction plans, measures to tackle pollution, revisions to rules around the use of chemicals, and much more besides. Some of these new rules will require companies to look at their supply chains in detail, to carry out new forms of due diligence, and potentially to restructure supplier relationships or production processes.

The ongoing work of the international Taskforce on Nature-Related Financial Disclosures (TNFD), modelled on its climate counterpart, will also entail further work for companies to map their business footprints and their impacts and dependencies on nature, to translate the results into the language of risk management, and disclose the outputs to the market. The TNFD is a market-led initiative, but requirements modelled on its work are highly likely to become mandatory through national/supranational legislative initiatives in the coming years. Indeed, the EU's Corporate Sustainability Reporting Directive (CSRD) already incorporates references to the TNFD framework, and the ISSB stated at COP15 that it will consider the TNFD's work when developing what will ultimately be binding nature-related disclosure standards.

Regulatory initiatives around nature-related risks are following on the heels of counterparts that focused on climate.

Opportunities

The regulatory agenda will prompt companies across sectors to engage with multiple aspects of nature. If tackled as more than a mere compliance exercise, this will create the opportunity for companies to shape strategic planning around sustainability and develop reputational advantages, particularly given that new rules imply greater transparency of business activities.

The road ahead

Nature-related regulation will be introduced at the international, regional and national levels. In the near term, this will create challenges for companies looking for regulatory clarity around their current and likely future obligations. But whichever sets of rules ultimately become mandatory, the underlying principle will be similar: companies will need to engage with the science surrounding their reliance on the natural world and build a detailed understanding of what this means for their operations. The draft (beta) framework of the TNFD remains the best channel through which to engage at present, with its final framework and recommendations due in September 2023, but opportunities are already open to companies to benefit from pilot work to get ahead of the curve.

Key questions to ask

- How have you satisfied yourself that your risk, compliance, and government relations teams are on top of the rapidly developing nature-related regulatory agenda?
- How have you incorporated your understanding of how nature-related regulation will affect your business model and operating model into your strategic planning process?
- What are the results of your gap analysis of the capabilities you need to comply with new rules, for instance in terms of systems, data, scientific expertise, or modelling capabilities? What action are you taking as a result?

3. Mobilising

Nature-related risks are already present and need to be managed on several fronts. Addressing this challenge requires companies to make the link between nature and their ongoing activities, and then to take steps to identify, measure and manage the risks better. As we have also sought to emphasise throughout this report, the flip-side of several of these risks are opportunities to position your business to take advantage of changing stakeholder expectations. With nature-related risks rising on the public agenda, there is no better time than now to begin.

This report has demonstrated that nature and nature-related transition risk is embedded in many different requirements and activities that companies are already tackling. Tackling climate risk remains a pressing obligation for companies, but we have set out how moving beyond climate to develop a strategy for tackling nature can bring benefits and create opportunities. The five areas we have highlighted represent some of the clearest ways in which the nature agenda creates challenges for companies, and although they are by no means the whole picture, they represent good places to start to engage with the subject.

As was the case with climate, companies face what is to some extent an awareness and educational challenge of bringing the reality of nature-related risks to life, in particular for business leaders and budget holders. There are also resource challenges in the face of what can feel at times like an ever-expanding landscape of sustainability-linked regulations and expectations.

The larger pieces of work that will be needed to address nature will require scientifically informed processes of business mapping to identify the footprints on nature; to identify and then quantify nature-related impacts and dependencies; and to translate them into familiar risk categories such as operational risk (e.g. supply chain disruptions) and financial risk (e.g. changing asset valuations and cashflows), as well as opportunities. This work will be complex and will need to be iterative. It will also need to be linked with existing work on climate.

Beyond responding to the specific questions set out in the preceding sections of this report, below are the ways in which we recommend companies can begin to work towards more sustainable, nature-positive operations.

Assess your nature-related impacts, dependencies, risks and opportunities across your value chain using the TNFD's draft (beta) framework. The step-based approach provides a jumping off point for engaging with nature, and a foundation on which to help you prepare for the full suite of incoming regulation. To make the most of the time available to experiment and develop strong capabilities, you should look at the feasibility of starting to pilot the framework ahead of market adoption in September 2023. Encourage customers, investees and clients to do the same.

Commit to clear, time-bound and achievable science-based nature goals and targets, grounded in robust assessment work, and disclose them to stakeholders using credible frameworks such as the SBTi and TNFD. Where relevant to your business, introduce FLAG targets and commit to eliminating deforestation and land-conversion from your supply chain. Ensure that all commitments are underpinned by controls and governance that will prevent achievement gaps from appearing.

Embed nature-related goals in the day-to-day management of the business, ensuring that you use your public commitments to drive action, including to set budgets for investments in nature. Make sure that nature-related risk assessments are not carried out as one-off exercises by isolated teams, but as iterative processes that incorporate input from across the business, to minimise the risk that initial commitments are not met. Learn from your experience with climate about the most efficient and effective ways to approach this within your company.

Align assets, capital, resources and processes with nature-positive commitments to activate your nature strategy. Work to avoid or minimise nature-negative impacts in your value chain and engage in restoration activities for degraded land on which you have impacts and/or dependencies. Engage companies and consumers throughout your ecosystem to reduce nature-negative outcomes and adopt conservation stewardship approaches to deliver positive outcomes.

Collaborate with your partners in your supply chains, and innovate to allow access to more meaningful data. Experiment with new tools and approaches by engaging with new and existing data service providers to help you understand your impact, risks and opportunities. Invest in building internal skills and capacity in data collection, analysis and sharing and be prepared to share them transparently to support the shift to nature-positive.

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About the ECRS

The EMEA Centre for Regulatory Strategy is a source of critical insight and advice, designed to assist clients to anticipate change and respond with confidence to the strategic and aggregate impact of national and international regulatory policy. With regional hubs in the Americas, Asia Pacific and EMEA, the Centre combines the strength of Deloitte's regional and international network of experienced risk, regulatory, and industry professionals – including a deep roster of former regulators, industry specialists, and business advisers – with a rich understanding of the impact of regulations on business models and strategy.

EMEA Sustainability Regulation Hub

About the Sustainability Regulation Hub

The Sustainability Regulation Hub is an EMEA multi-industry initiative, that helps Deloitte practitioners and businesses successfully navigate the complex regulatory environment by providing critical insights on European sustainability regulatory strategy.

Endnotes

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