

Input Paper for G20 Sustainable Finance Working Group

**Building a business case through nature related
corporate reporting by emerging economies-
Brazil, China, India, Indonesia, South Africa**



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Preface



Parthana Borah
Director, CDP India

Companies and investors are increasingly recognising and at the same time addressing the importance of nature, since it is well established fact that businesses cannot thrive in a world of environmental stress, poverty, and uncertainty. Increased conscious action by companies sends clear signals to governments and policymakers in support of stronger environmental policies. Those policies, in turn, enable and incentivize businesses to move even further along their environmentally positive path.

At CDP we believe disclosure is the bedrock for action. CDP data is world's largest repository of self-reported private sector environmental data in the world. It provides tangible insights on how companies are currently involved in nature-based reporting and solutions thereof. To drive sustainable action through Nature based solutions (NbS), it is crucial that all stakeholders undertake ambitious action. In addition to the efforts of governments, the engagement of businesses and the investor sector is also important. The private sector's contributions must be incentivized and recognized, and there must be more transparency from the private sector's activities.

This report tries to build a business case through corporate disclosure data and is aimed to provide policymakers and regulators with a general understanding of the status of the private players in emerging economies such as Brazil, China, Indonesia, India and South Africa, with respect to Nature based reporting and of the role that the private sector plays in unlocking the potential of Nature-based Solutions.

We believe that NbS can be achieved in tandem with ambitious corporate action to reduce overall GHG emissions and adhering to the best available environmental and social standards. NbS are indeed a cost-effective tool to support a responsible forest-risk commodity value chain and in delivering a 1.5°C, deforestation-free world. The report also presents recommendations calling for policy makers to promote policies that enable corporate action on forest and biodiversity NbS and framing high levels of business ambition in confronting the climate and biodiversity crises.

Parthana Borah,
Director, CDP India



Introduction

Nature-based Solutions (NbS) are actions to protect, sustainably manage, and restore natural and modified ecosystems that address societal challenges effectively and adaptively, simultaneously benefiting people and nature. They include the protection, restoration or management of natural and semi-natural ecosystems; the sustainable management of productive land and seascapes; or the creation of novel ecosystems such as urban 'green infrastructure'¹.

The approach to NbS is all inclusive and leaves no one behind. It is also important to bear in mind that NbS are a complementary approach to other decarbonization strategies and cannot be seen as substitutes to them.

The uptake of Nature Based Solutions across globe is ambitious and being adopted by governments and international organizations to strategize around managing, protecting and restoring ecosystems as a means to reduce GHG emissions and to generate biodiversity and human welfare benefits. NbS are also noted as having the potential to increase the resilience of ecosystems and thereby to stabilize the provisioning of important services.

¹ The four guidelines for Nature-based Solutions | Nature-based Solutions to Climate Change | Key messages for decision makers in 2020 and beyond (nbsguidelines.info)

Building a business case through Corporate Disclosures



Businesses cannot thrive in a world of environmental stress, poverty, and uncertainty and moreover in silos. This fact is also being increasingly recognised by companies and investors. This in affect sends out clear signals to governments in support of stronger environmental policies that accelerates progress toward the broader objectives of the Paris Agreement and SDGs.

At CDP we believe disclosure is the bedrock for action. Companies that are transparent on their environmental information can identify and measure risks and opportunities as a first step towards tailoring their business, reducing the impact on the environment while also improving resiliency. Formulating governance and strategies around managing risks is equally important.

It is rightly quoted – “More than half of the world’s economic output – US\$44 trillion of economic value generation – is highly or moderately dependent on nature. Yet most companies, investors and lenders today inadequately account for nature-related risks and opportunities in their decisions².”

This paper focuses on Nature-based Solutions (NbS) in forest and Biodiversity ecosystems, which builds upon the integration of established practices such as forest conservation, forest landscape restoration and ecosystem-based disaster risk reduction, all with an explicit focus on improving biodiversity and livelihoods. It is important, therefore, to understand to what extent businesses are implementing these practices.

Hence to assess whether and to what extent companies in emerging economies such as **Brazil, China, India, Indonesia and South Africa** are already implementing various forms of NbS in their operations, CDP has analysed the reported data disclosed by companies in these **emerging economies** to its Forest questionnaire and Climate Change questionnaire’s Biodiversity module.

This report tries to build a business case through corporate disclosure data and is aimed to provide policymakers and regulators with a general understanding of the status of the private players in emerging economies with respect to Nature based reporting (forest protection, sustainable management,

2 Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy | World Economic Forum (weforum.org)

and restoration and biodiversity conservation) and of the role that the private sector plays in unlocking the potential of Nature-based Solutions. NbS are indeed a cost-effective tool to support a responsible forest-risk commodity value chain and in delivering a 1.5°C, deforestation-free world. The report also presents recommendations calling for policy makers to promote policies that enable corporate action on forest and biodiversity NbS and framing high levels of business ambition in confronting the climate and biodiversity crisis.

The analysis in this report is also mapped against the Sustainable Development Goals namely Goal 12: Responsible consumption and production, Goal 13: Climate action, Goal 15: Life on land and Goal 6: Clean water and sanitation.



Decoding NbS through Forest Data³

Deforestation and forest degradation account for approximately 15% of the world's greenhouse gas emissions. Stopping deforestation and the conversion of other natural ecosystems is vital to significantly reducing greenhouse gas emissions and the loss of natural capital. Global demand for agricultural commodities is the primary driver of deforestation and ecosystem conversion, as timber is extracted unsustainably, and land is cleared for agricultural production. This represents major risks to businesses as agricultural commodities associated with deforestation, i.e., forest risk commodities, are the building blocks of millions of products traded globally and, thus, feature in the supply chains of numerous organizations.⁴ The forest sector has a huge potential to mitigate climate change by achieving carbon sequestration.

CDP's forests program aims to decouple deforestation from forest risk commodity production, working to remove commodity-driven deforestation from corporate value chains, effectively contributing to a 1.5 degree aligned and water secure world.

Globally around 1043 companies disclose to CDP on their forest footprint and around 150 companies among these belong to Brazil, China, India, Indonesia, and South Africa. Interestingly more than 950 companies from all G20 countries have been reporting to CDP on their Forest disclosures.⁵ These companies are interestingly operating across a range and variety of industries such as food, beverage & agriculture, food, beverage & agriculture, materials, retail, infrastructure, retail, services, manufacturing, power generation and fossil fuels.

³ It is important to note that CDP's forests questionnaire does not directly ask companies to report on NbS, so the numbers in this section may underestimate NbS implementation by companies.

⁴ Source: CDP Forest Questionnaire

⁵ Source: CDP Data from CDP Government Dashboard; the data pertains to investor requested, customer requested and self selected companies

Table 1: How CDP's forests KPIs relate to NbS⁶

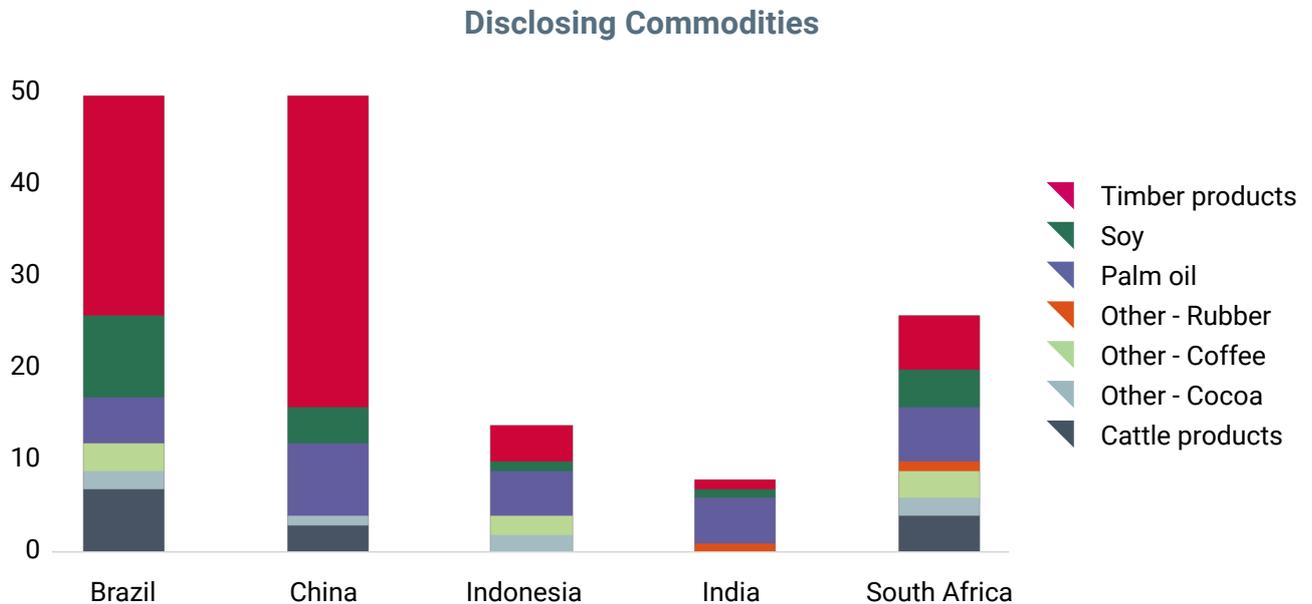
KPI Category	KPI	How the KPI relates to NbS
Policy	Assesses the existence of a forest-related corporate policy, as well as its scope and content.	Captured within the policy and commitments KPIs are important social wellbeing indicators such as the adoption of the UN Declaration on the Rights of Indigenous Peoples and the UN International Labour Organization's principles. In addition to environmental benefits, NbS must address societal challenges. The adoption of these social indicators demonstrates company awareness on the importance of this topic.
Commitments	Assesses the existence of a public commitment to reduce or remove deforestation and/ or forest degradation from direct operations and/or supply chain, as well as its scope and content.	
Strategy	Assesses the extent to which companies integrate forest related issues into long-term strategic business plans.	The integration of forest-related issues into all parts of a company's long-term strategic business plans are an important step towards the development of a holistic view of forests, which is at the base of the NbS concept. It also enables companies to understand the potential long-term opportunities offered by NbS to their business and how to integrate forest-NbS projects into their current and future business plans.
Risk Assessment	Assesses whether companies conduct a forest-related risk assessment and its comprehensiveness.	Conducting comprehensive forest-related risk assessments enables companies to understand what societal challenges they need to address, as well as to better gauge the potential value in designing and implementing NbS to address identified environmental and societal risks to business operations.
Compliance	Assesses whether a company has a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments, and the system's coverage.	It is important to have internal systems in place to assess compliance and alignment with the stated objectives of a NbS project to ensure that the environmental and societal benefits are being appropriately accrued and distributed.

6 Source:NbS_brief_2022_FINAL.pdf (cdp.net)"https://cdn.cdp.net/cdp-production/comfy/cms/files/files/000/006/693/original/NbS_brief_2022_FINAL.pdf"

KPI Category	KPI	How the KPI relates to NbS
Supply chain engagement	Assesses the extent of a company's work with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems.	As NbS often have a very localized impact on small stakeholders, engagement with smallholders and other small stakeholders forms a critical component of a NbS. Companies must have systems in place to engage with their smallholder suppliers to ensure benefits are being felt and that challenges smallholders face are being integrated into the design of any future or existing NbS project.
Forest-related external activities or initiatives	Assesses the extent of a company's participation in external activities or initiatives to promote the implementation of their forest-related policies and commitments.	Multi-stakeholder participation helps to overcome scalability challenges of NbS projects and ensures that NbS projects are effective in meeting stated environmental and social objectives. Companies engaging in jurisdictional approaches will therefore be better positioned to integrate and scale localized NbS with broader stakeholder buy-in.
Ecosystem restoration and protection	Assesses whether a company is supporting or implementing project(s) focused on ecosystem restoration and protection and how it monitors and measures outcomes.	Outcome-based environmental and biodiversity conservation and restoration actions form the basis for NbS projects.



CDP Forest questionnaire covers focuses on how organizations produce, source and use four key forest risk commodities: timber, cattle products, soy, and palm oil. The questionnaire additionally allows disclosure by companies producing, sourcing or using cocoa, coffee, and rubber. In terms of Forest Risk Commodities across emerging economies, the analysis shows a varied distribution as depicted in graph below:⁷



Manufacturing, Production and Processing are the stages of the value chain that best represents these organization's area of operation. The kind of activities that the companies indulge in while producing, using or selling these commodities are:

- ▼ Using as input into product manufacturing,
- ▼ Refining & processing, Crushing;
- ▼ Milling, Distributing/packaging
- ▼ Using the commodity as an input into product manufacturing,
- ▼ Buying manufactured products among others.

Forest related Risks identified by Emerging Markets' Corporates

Risks emanating from Forest related activities (deforestation) manifest in myriad ways and can affect a businesses' value chain, cause physical damage, or pose a threat to its reputation. These can have profound latent impacts on an organization. Nature and Biodiversity changes have already prompted substantial transitional adjustments to the global economy. Businesses are taking cognizance of the fact that such impacts are far-reaching, both in depth and magnitude.

⁷ Source: CDP Data (2022)

The companies in emerging markets are taking conscious efforts towards them and are regularly monitoring deforestation/conversion footprint in their supply chain and are assessing the forest related risks. Mostly the risk is being assessed annually and different companies across the emerging economies have different timelines to assess the risk.

The types of Forest related Risks that are identified range from acute physical, regulatory, chronic physical, reputational risks to markets risks and occur at both direct operations and supply chain level of individual companies' operations.

Primary risk drivers

India- Land loss due to desertification, precipitation and/or hydrological variability, flood (coastal, fluvial, groundwater), regulatory uncertainty, increased severity of extreme weather events, increased stakeholder concern or negative stakeholder feedback, changes to national legislation and increased cost of certified sustainable material. Companies have also reported that they suffer brand damage related to forests risk commodities. Also, impact arising from changing patterns of climate also pose threat to water security and social fabric.

Brazil- Shifts in consumer preference, uncertainty about product origin and/or legality, reputational and market risk, biomass supply risk and shortage of biomass on the market, increased commodity prices, heat wave, heavy precipitation and changes in precipitation patterns (rain, hail, snow/ice), exposure to sanctions and litigation, uncertainty about product origin and/or legality, availability of certified sustainable material, non-compliance with national legislation, negative media coverage.

China- Lack of monitoring systems, increased commodity prices, negative media coverage, changes in precipitation patterns and types (rain, hail, snow/ice), shifts in consumer preference, non-compliance with national legislation, increased cost of certified sustainable material, heat wave, regulatory uncertainty, increased cost of certified sustainable material, seasonal supply variability, uncertainty about product origin and/or legality, wildfires, changes to international law and bilateral agreements, increased stakeholder concern or negative stakeholder feedback, lack of mature certification and sustainability standards, land loss to desertification among others.

Indonesia- Increased severity of extreme weather events, regulatory driver such as changes in consumer market regulation and law (eg. changes in EU RED where EU aim to ban use of palm oil in biodiesel), local community opposition, exposure to sanctions and litigation, increased severity of extreme weather events, shifts in consumer preference, regulatory uncertainty, increased cost of certified sustainable material, increased commodity prices and wildfires.

South Africa- Increased severity of extreme weather events, increased stakeholder concern or negative stakeholder feedback, shifts in consumer

preference, increased cost of certified sustainable material, availability of certified sustainable material, wildfires, changes in precipitation patterns and types (rain, hail, snow/ice), declining ecosystem services, uncertainty about product origin and/or legality, changes in land tenure regulations, availability of certified sustainable material and shifts in consumer preference.

These identified risks also pose potential financial and strategic impact on the operations of the companies. These emanate in the form of increased compliance costs, closure of operations, supply chain disruption, constraint to growth, increased production costs, brand damage, reduction or disruption in production capacity. **5041 USD million** of forest related risks has been reported by the **emerging market corporates** while cost of response stand at **378 USD million** only. **This gives ample case that the cost of inaction is much more than the cost of addressing the risks indicating a prompt action to leverage long-term nature resilience.**⁸ This is also reflective of the fact that the companies are being increasingly aware of the risks being posed by disruption in nature and ecosystem on their governance structure and hence are internalizing these risks in their strategy build up, going forward.

Forest related Opportunities identified by emerging market corporates

Companies operating in Forest risk commodities are picking up pace in realizing that apart from negative consequences that forest risks are posing, there is also an ample scope of **realizing opportunities** from changing ecosystem at large.

The opportunities occur at different part of value chain such as direct operations and supply chain level. Most of the companies have reported that the time frame required for realisation of these opportunities is on an average 6 years.

Primary forest related opportunity

India- Ensuring and building supply chain resilience, reduction of food loss and waste in the value chain, increased demand for certified materials, improved climate change adaptation, increased brand value and increased demand for certified materials, access to new markets.

Brazil- Expansion into new markets, improved supply chain engagement, improved customer education, improved community relations, ensuring supply chain resilience, increased security of production, increased supply chain transparency, increased R&D and innovation opportunities, cost savings, increased efficiency of manufacturing and/or distribution processes, improved climate change adaptation, increased growth in the alternative protein market, increased demand for certified materials, increased security of production, increased availability of products with reduced environmental impact (other than certified products).

China- Increased availability of products with reduced environmental impact (other than certified products), increased demand for certified materials, expansion into new markets, increased supply chain transparency, cost savings, increased shareholder value, increased efficiency of manufacturing and/or distribution processes, ensuring supply chain resilience, improved staff retention, improved customer education, improved supply chain engagement, improved community relations, increased security of production, increased R&D and innovation opportunities among others.

Indonesia- Increased demand for certified materials, price premium for deforestation-free materials, cost savings, increased availability of products with reduced environmental impact (other than certified products), increased security of production, ensuring supply chain resilience.

South Africa- ensuring supply chain resilience, increased efficiency of manufacturing and/or distribution processes, increased supply chain transparency, improved climate change adaptation, increased availability of products with reduced environmental impact (other than certified products), increased demand for certified materials, expansion into new markets, increased brand value, cost savings.

These opportunities do hold significant strategic and financial impacts on the businesses' operations. Most companies have responded on the magnitude of identified opportunities with the potential to have a substantive financial or strategic impact to be in the range of medium to high and are very likely to occur.

Potential financial impact arising from realising these identified opportunities are identified to the tune of **267 USD billion**.⁹

Governance and strategy structure to manage forest risks

Governance and strategy in the organisations around managing forest risks is very important to aptly manage their operations from being affected and impacted from adversities. Most of the organisations in the emerging economies (**Brazil, China, India, Indonesia, and South Africa**) that are reporting to CDP have mentioned having **board level oversight** which means they are taking NbS as a serious business. Forests-related issues are also integrated into aspects of their long-term strategic business plan since it is believed largely that Biodiversity and forest are an intrinsic element of the climate action strategy. These aspects are:

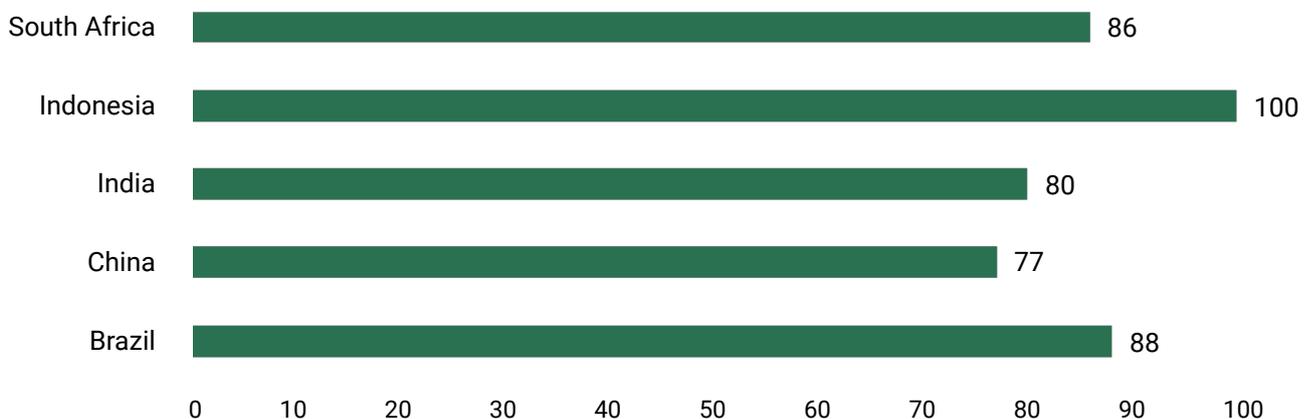
- ▼ Protecting biodiversity, particularly endangered plant species
- ▼ Identifying an external agency to find the opportunities with respect to forest-related matters and formulate a strategy and action plan for achieve them.
- ▼ Ensuring efficient waste management systems,

- ▼ Focusing on sustainable packaging materials,
- ▼ Partnering with suppliers to adopt the sustainable supply chain policy and improve their ESG performance
- ▼ Maintaining water positivity,
- ▼ Achieve and maintain zero waste to landfill
- ▼ Sourcing palm oil from sustainable sources
- ▼ Budget allocation for capital expenditure in renewable energy assets, energy & water conservation activities
- ▼ Sound management of solid & liquid waste, value chain engagement, compliance & certification
- ▼ Engagement with suppliers and customers for increasing share of certified sustainable palm material in the supply chain

As far as engaging in landscape including jurisdictional approaches and sustainable land use goals are concerned, companies have mixed approaches. While few have and/or are planning to have one, some companies raised concerns on capacity building and knowledge constraints. Brazil leads the way in engaging in jurisdictional approaches with Majority of companies engaging at jurisdictional level. Only 16% companies are verifying any forests information reported in CDP disclosure.

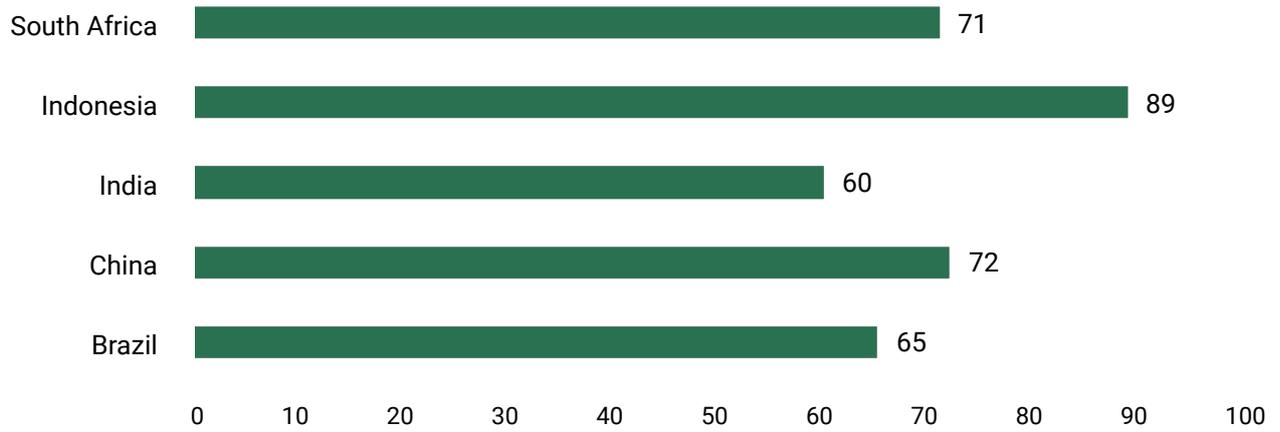
Comparative graphical representation of the various governance strategies of the corporates from emerging economies have been presented in the paper.¹⁰

% companies have traceability forest related activities

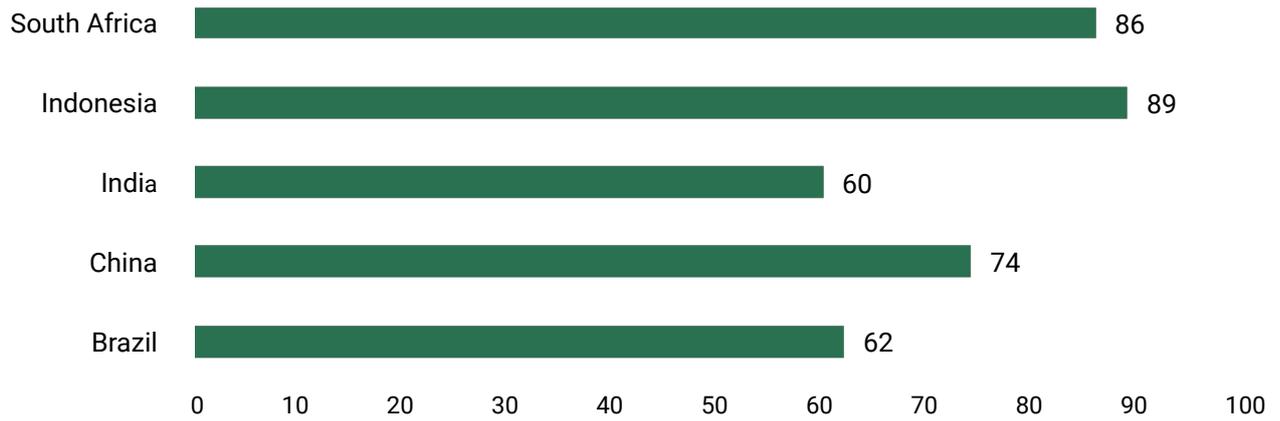


¹⁰ Source: Graphs have been compiled from CDP Government Dashboard

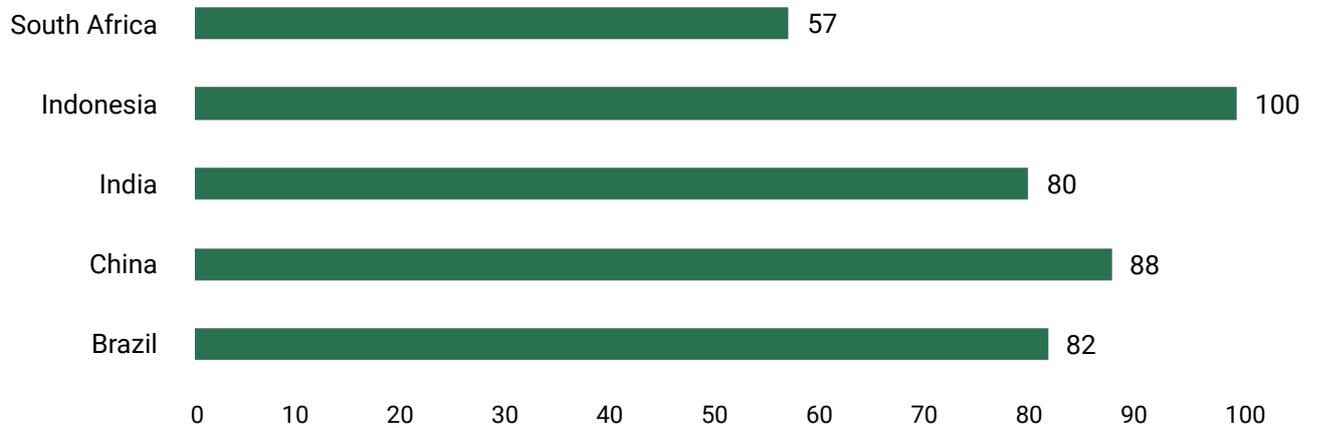
% companies have certification of forest related commodities



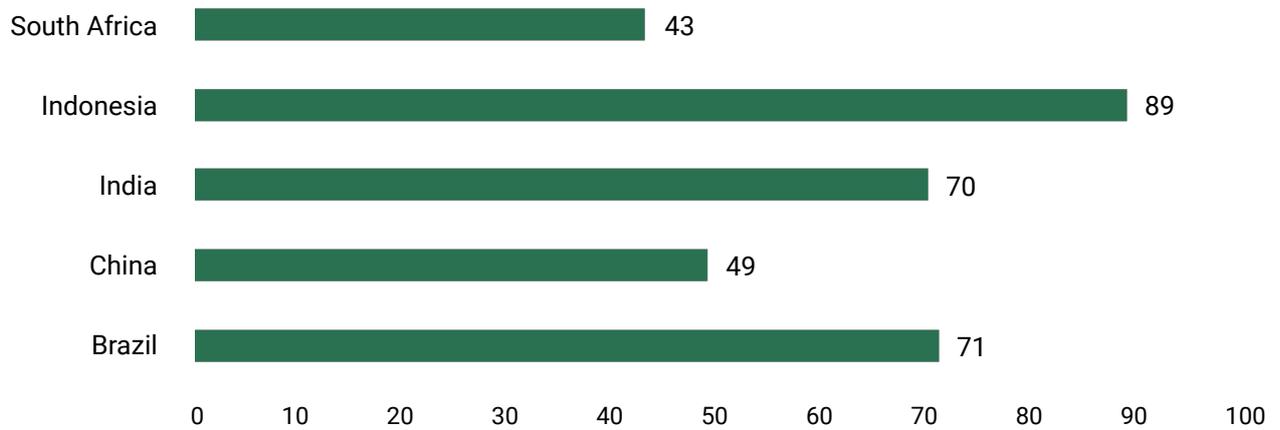
% companies have target for increasing sustainable production or consumption



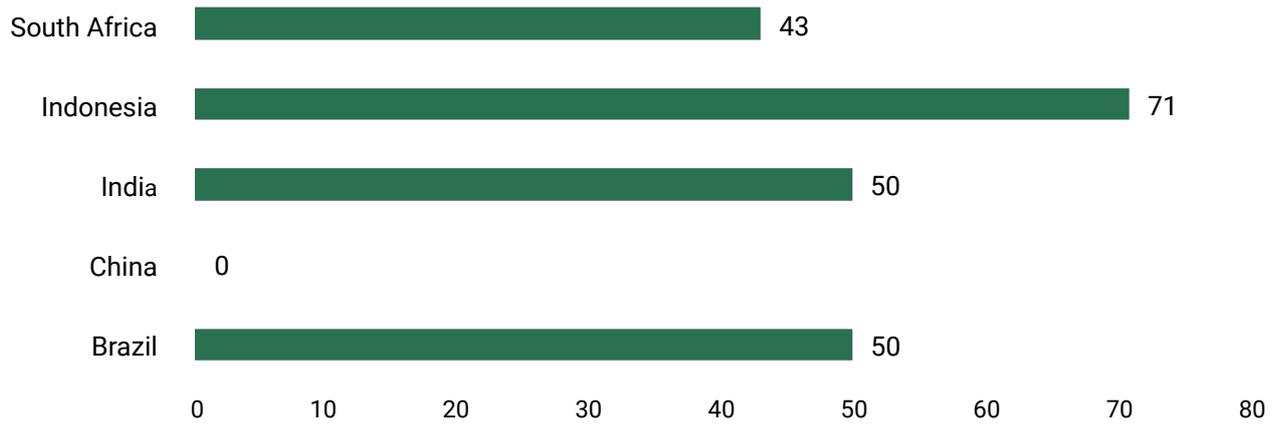
% companies have forest related risk assessment



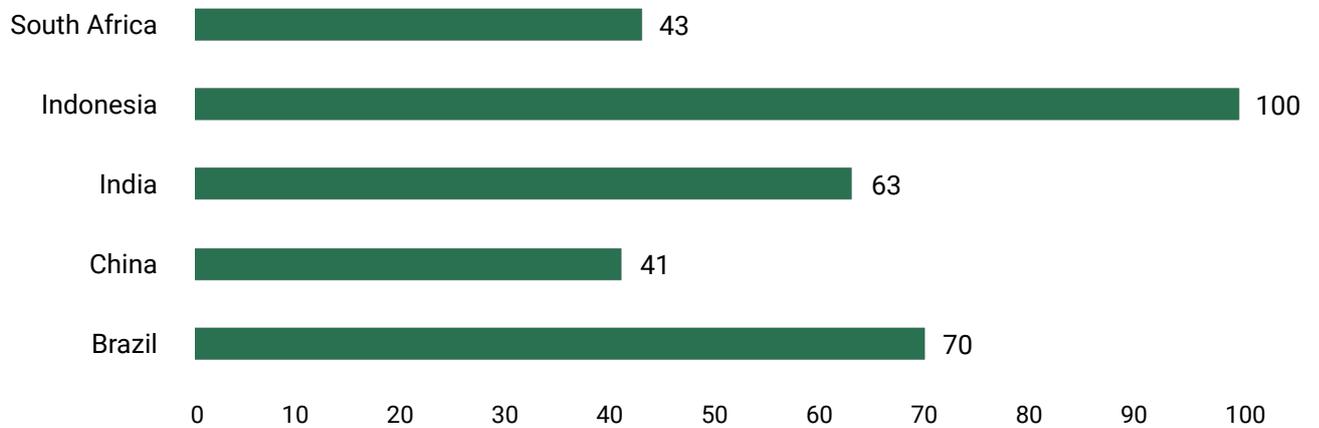
% companies have commitment publicly to reduce or remove deforestation



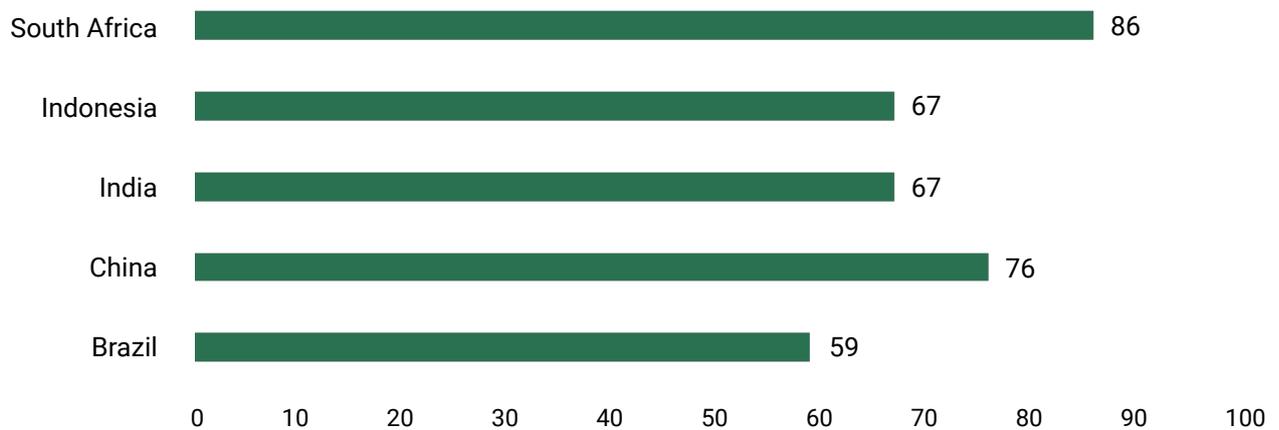
% companies working with smaller holders to support good agricultural practices



% companies supporting projects with focused on environmental restoration and protection



% companies with external activities to support forest related policies and commitments



Challenges and barriers identified by the reporting companies

Companies do face key barriers and challenges in eliminating deforestation and/or conversion of other natural ecosystems from their direct operations or from other parts of their value chain. These range from:

- ▼ Value chain complexities;
- ▼ High Cost of sustainably produced/certified products;
- ▼ Lack of adequate traceability systems (origin of the commodity) and
- ▼ Limited public awareness and/or market demand
- ▼ Limited value chain engagement
- ▼ Lack of regulatory control and enforcement from local governments
- ▼ Difficulty in identifying and addressing human rights issues
- ▼ Difficulty in identifying areas for landscape/jurisdictional engagement
- ▼ Inexistent or immature certification standards

Measures

Main measures that would improve an organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems include:

- ▼ Greater supplier awareness/engagement,
- ▼ Reduced cost of certification/certified products,

- ▼ Greater stakeholder engagement and collaboration,
- ▼ Greater transparency,
- ▼ Increased demand for certified products.
- ▼ Investment in monitoring tools and traceability systems
- ▼ Development of certification and sustainability standards
- ▼ Improvement in data collection and quality
- ▼ Greater enforcement of regulations
- ▼ Greater alignment between company goals and goals at landscape/ jurisdictional level
- ▼ Increased knowledge on commodity driven deforestation and forest degradation.



Decoding NbS through Biodiversity data

NbS support or enhance biodiversity, that is, the diversity of life from the level of the gene to the level of the ecosystem. Biodiversity underpins the societal benefits derived from NbS by supporting the delivery of many ecosystem services in the short term, reducing trade-offs among services (e.g. between carbon storage and water supply), and supporting the health and resilience of ecosystems in the face of environmental change, thus increasing their capacity to deliver benefits in the long term.

To sustain ecosystem health, other location-specific ecological aspects must also be considered, such as ecosystem connectivity. Therefore, successful, sustainable NbS are explicitly designed and adaptively managed to provide measurable benefits for biodiversity and ecosystem health.

CDP's theory of change implies that you cannot manage what you do not measure. Hence data collection – including its improvements and innovations – will be key in addressing biodiversity challenges. CDP therefore included a specific module on biodiversity in the Climate Change questionnaire in 2022.

Figure 1: Risks posed by biodiversity loss and ecosystem services to businesses.¹¹



CDP has incorporated a Biodiversity module into its Climate Change questionnaire. This module works to integrate issues on how companies are navigating and addressing biodiversity concerns with governance topics such as governance policies, initiatives, and oversight. **Only 9% of companies among all the companies reporting to CC questionnaire (in Brazil, China, India, Indonesia, South Africa) chose to respond to Biodiversity module¹².**

The Companies broadly report on the different aspects of Biodiversity that CDP takes into account. This module takes a staged, circular approach, aligned with the International Union for the Conservation of Nature (IUCN's) guidelines¹³ for the planning and monitoring biodiversity performance by companies.

▼ **Key Findings From corporates of emerging economies on Biodiversity KPIs¹⁴**

11 Source: CDP's own compilation based on <https://www.oecd.org/environment/resources/biodiversity/G7-report-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf>

12 More than 4000 companies responded to CDP on Climate Change Questionnaire from Brazil, China, India, Indonesia, South Africa

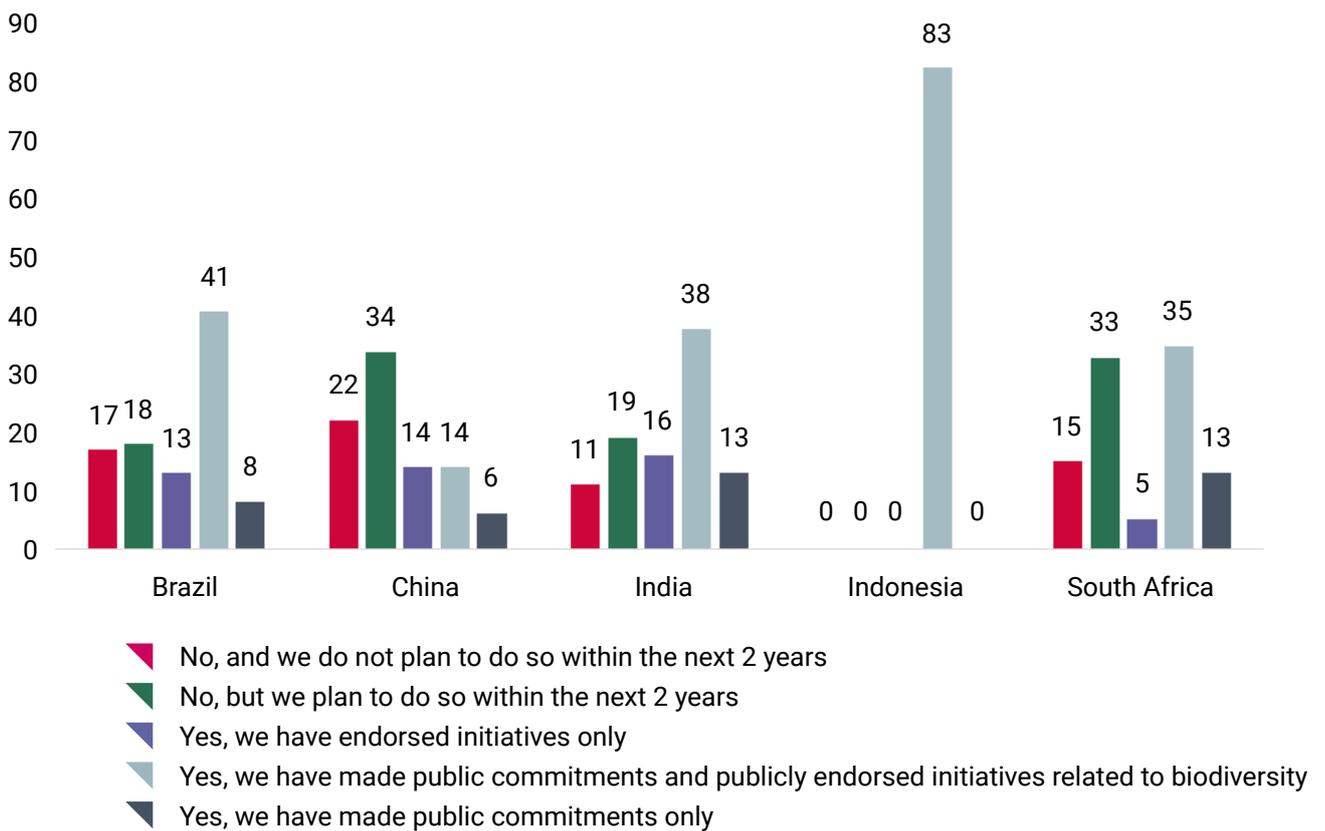
13 Guidelines for planning and monitoring corporate biodiversity performance | IUCN Library System

14 Source: Graphs compiled from CDP Government Dashboard

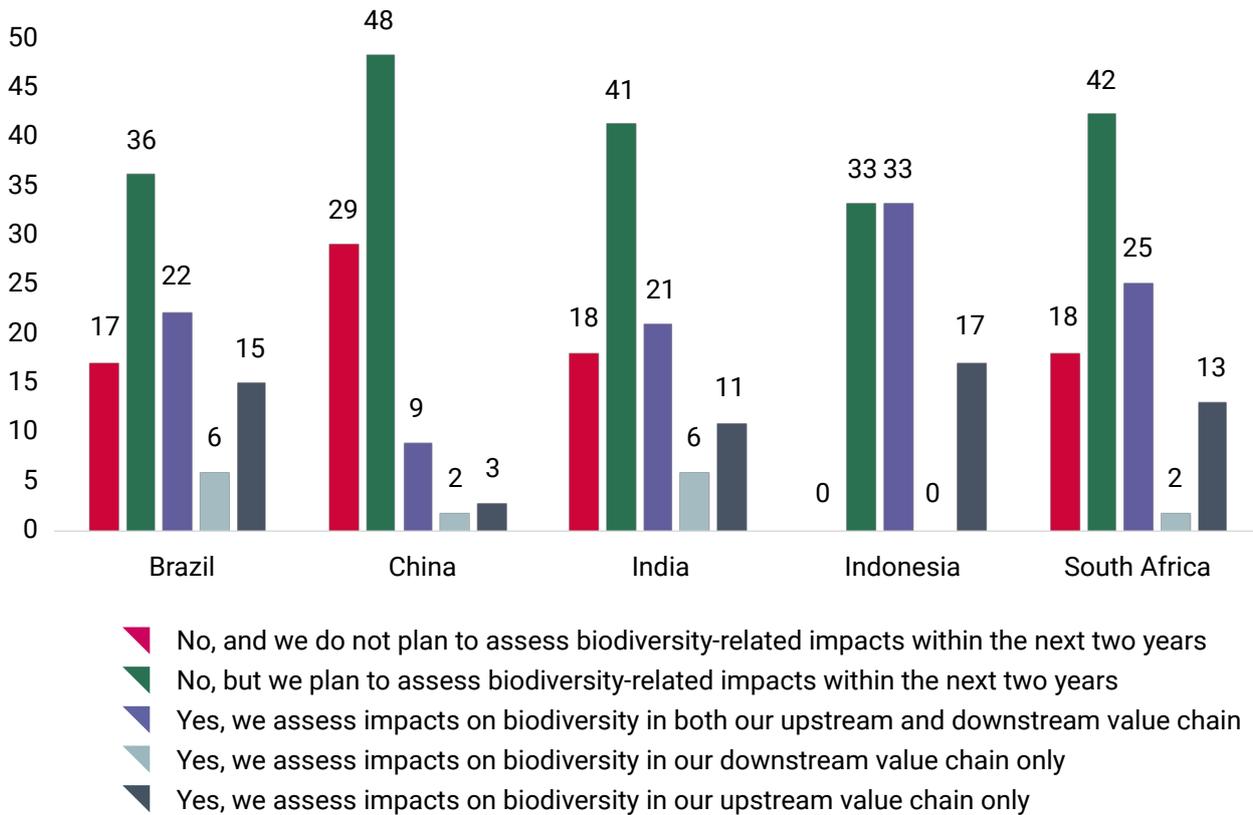
% of companies having Board level oversight for biodiversity-related issues



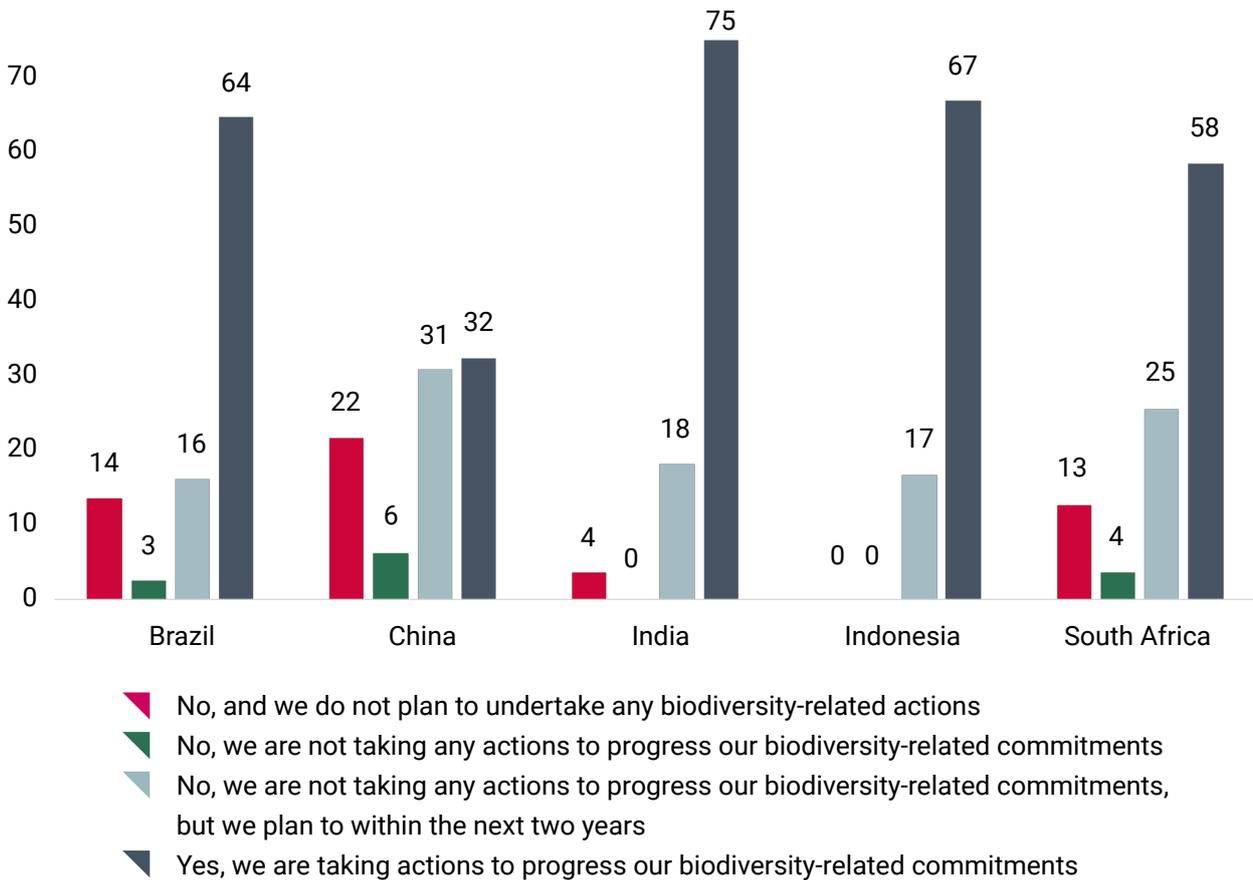
% of companies having public commitments/endorsed any initiatives related to biodiversity



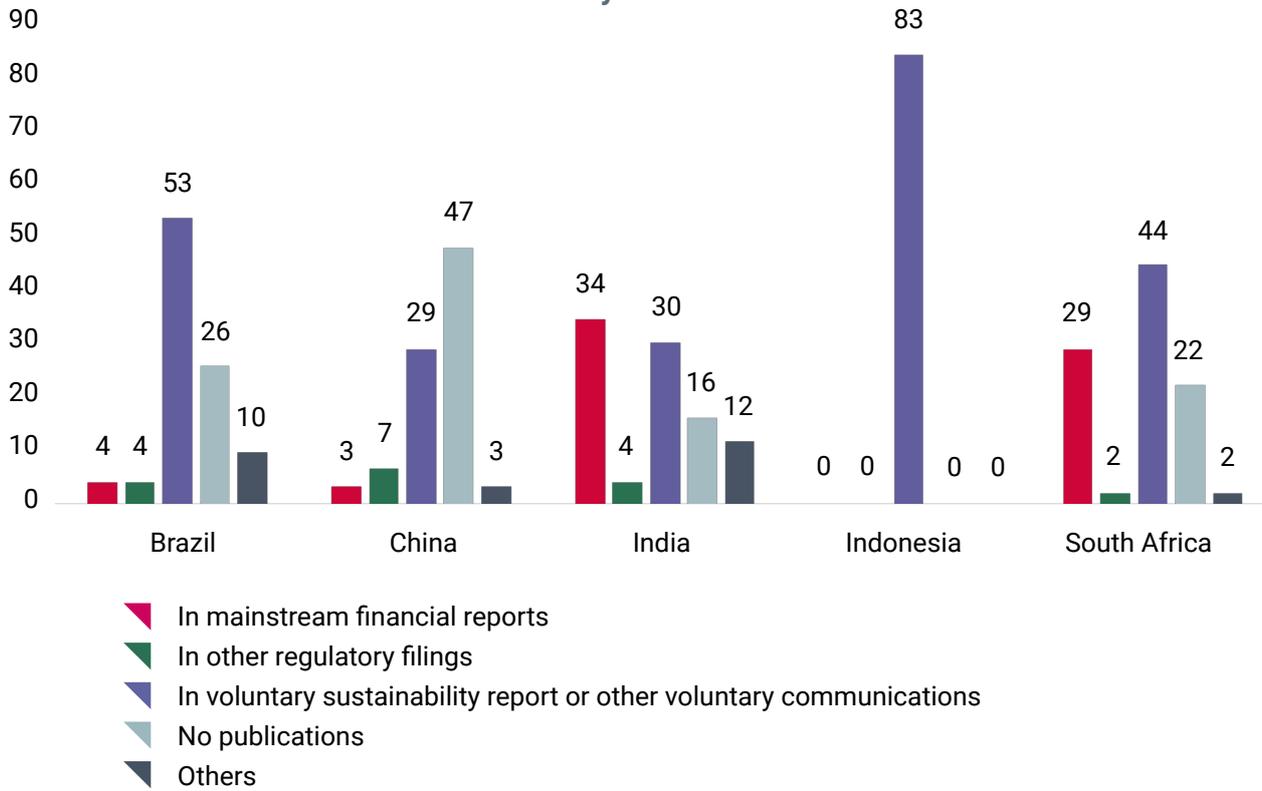
% of companies assessing the impact of their value chain on biodiversity



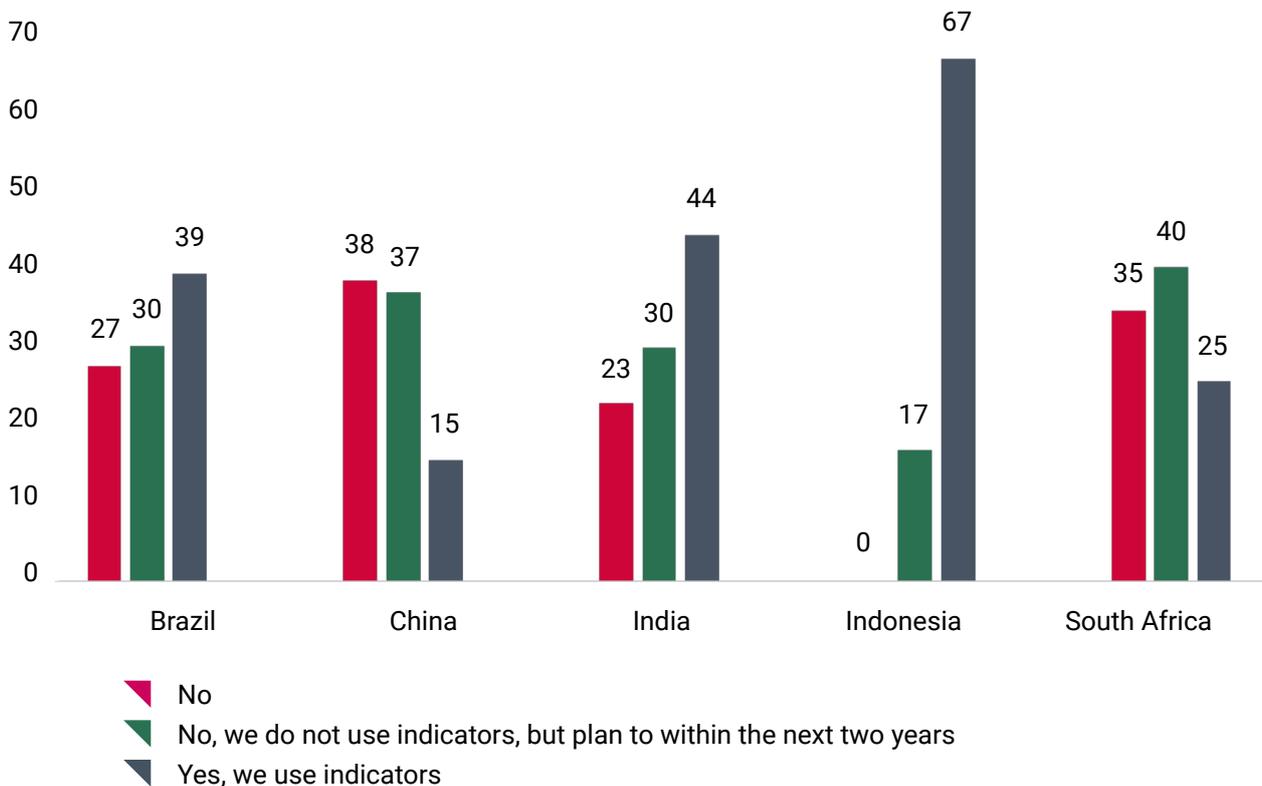
% of companies taking actions to to progress on their biodiversity-related commitments



% of companies publishing information about the organization's response to biodiversity-related issues



% companies using biodiversity indicators to monitor performance across its activities



Way Forward and Recommendations



CDP data is world's largest repository of self-reported private sector environmental data in the world. It provides tangible insights on how companies are currently involved in nature-based reporting and solutions thereof. To drive sustainable action through Nature based solutions, it is crucial that all stakeholders undertake ambitious action. In addition to the efforts of governments, the engagement of businesses and the investor sector is also important. The private sector's contributions must be incentivized and recognized, and there must be more transparency from the private sector's activities.¹⁵

As insights have emerged from the analysis, there remains ample potential to give NbS a push from policy-makers and regulators side since they are the key actors with the capacity to positively incentivize a broader and more ambitious implementation of NbS. Policymakers must provide strong signals, consistent guidance and outline the business case for companies to increasingly incorporate NbS in their responses to environmental and development challenges, with targets set using the best available science and appropriate safeguards. The recommendations that this input paper lays out are enlisted subsequently.¹⁶

More businesses need to take concrete steps now to put in place science-based, nature-positive, net-zero strategies

This will require policymakers to create incentives and enabling conditions for businesses to:

- ▼ Assess their impacts and dependencies on nature to ensure they are committing and acting on the most material ones;
- ▼ Commit to ambitious goals on both climate and nature, including by setting science-based targets that are aligned with internationally agreed goals; and
- ▼ Disclose their actions and progress against stated goals and invite independent third-party verification. Tracking progress in a transparent way will ensure that corporate promises are being translated into action in a credible manner.

¹⁵ Source: Nature-based_Solutions_Policy_Brief.pdf (cdp.net)

¹⁶ Source: NbS_brief_2022_FINAL.pdf (cdp.net)

- ▼ Reduction in the cost in certification can really help companies encourage buy more products from certified sustainable sources. Proper stimulus can emerge from policy makers side to implement this.

Stimulate corporate participation in Jurisdictional Approaches (JA) to foster structured collaboration between public and private sectors to implement NbS and achieve shared environmental goals

- ▼ Disclosing companies are yet to significantly engage in JA and governments must create conditions for companies to increase their engagement in such approaches.
- ▼ Individual companies can align corporate investment in NbS and JAs with governmental goals. The implementation of multiple business led NbS at the same jurisdiction can be harmonized, thus multiplying their benefits. Each implementer would pay for their individual NbS investments, while benefiting from most of or from all NbS in a jurisdiction, further straightening the economic case for NbS investment.
- ▼ Businesses may also be able to attribute the benefits generated by the individual NbS to their investments, while at the same time contributing to the overall benefits generated by the JA.
- ▼ Governments can set overarching standards for corporate NbS JA to avoid misuse, reduce transaction costs, align with policies objectives, and maximize the benefits of this approach for the region.
- ▼ Finally, companies and governments engaged in JAs can cooperate and coordinate better investments in the territory through the alliance of multistakeholder governance platforms that facilitate LA/JA and NbS implementation.

Mandate comprehensive nature-related disclosures that advance the nature agendas at the international, national and local levels

- ▼ Corporate action needs to be transparently disclosed, communicated and tracked to measure and manage risk across the economy.
- ▼ **Whilst corporate disclosure on climate is on the rise, disclosure on forests and biodiversity lags significantly behind.** Most companies disclosing to CDP's forests questionnaire are still failing to report on best environmental practices, an indication that they do not fully possess the organizational and institutional preconditions for the design and implementation of effective forest NbS.

- ▼ Voluntary action is not enough and needs to be supplemented by mandatory disclosure requirements based on TCFD recommendations requiring disclosure on risk and opportunities as well as impact on people and planet.
- ▼ Initiatives such as the European Commission's newly proposed Corporate Sustainability Reporting Directive (CSRD), aimed at the implementation of economy-wide mandatory disclosure requirements, are crucial steps toward expanding the number of companies disclosing on forest-related risks and opportunities and in strengthening the quality, consistency, and comparability of data.
- ▼ G20 nations must also step-up action in mandating disclosure beyond climate to ensure that the crucial benefits of disclosure play a role not only in averting the climate crisis but also in stemming biodiversity loss.

Ensure compatibility of disclosure standards

- ▼ Mandatory nature-related disclosure should be aligned with internationally agreed standards and frameworks, including the upcoming Global Biodiversity Framework.
- ▼ If national standards are developed, they also need to be compatible with these same standards. Corporate disclosure of comparable and consistent information is the foundation for transformative action to stem both the environmental and climate crises. Measuring and disclosing risks, opportunities, and impacts of economic activities is critical to supporting a nature-positive future.
- ▼ Policymakers should rely on existing standards and reporting practices and enter into a dialog with other jurisdictions to agree a common baseline, raising ambition at the national and international level.

Building Capacities

- ▼ Mobilizing finance for NbS can also be incentivized through public investment and technological transfer from developed nations can be helpful. Building awareness and capacities in the private sector is necessary and a strong push from policymakers and regulators to mainstream environmental targets will do the needful. This will not only foster awareness but also instil institutional stability across policy spaces, enabling companies to be more confident in their business planning.

Shaping High-Quality Mandatory Disclosure



Building on the experience and positive outcomes of voluntary environmental disclosure, mandatory disclosure regimes are an essential enabler of corporate action across all sectors of the economy and allows financial flows allocation toward the global environment policy agenda. It acts as an important stepping stone towards accountability.

National and regional disclosure regimes can keep the pace with the evolving international policy landscape and commitments regarding sustainability disclosure (SDGs 12.6 and Target 15 of the GBF), can build on market readiness and current level of ambition.

With this rationale in mind, in 2021, CDP published a report setting the recommendations for high quality mandatory climate disclosure¹⁷. Today, effective enabling environments – including policy and regulation – in driving accountability and action is a key focus in multilateral fora. The UN-convened High Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (UN HLEG) has signalled its intent for Parties to establish a Task Force on Net-Zero Regulation (TFNZR) to drive alignment to the goals of the Paris Agreement. This gives both signal and opportunity to advance ambition and scope beyond climate-related impacts.

Given the evolving landscape of disclosure regulation into other environmental realms, CDP intends to update these recommendations drawing from new policy and voluntary initiatives. Further, the CDP 2025 Strategy signposts the thematic expansion of CDP to cover the full range of planetary boundaries and earth systems. Such development necessitates an update of CDP's 2021 high quality mandatory environmental disclosure policy recommendations.

The updated principles for high quality mandatory disclosure will form a CDP global policy brief, due to be published in September 2023. The Principles aim to support policymakers to design comprehensive, high-quality and coherent mandatory environmental disclosure policies. These principles also serve as guidelines to assess the quality of current environmental disclosure requirements, and, depending on jurisdictional circumstances, progress towards them to establish High Quality Mandatory Disclosure regimes.

17 TCFD_disclosure_report_2021_FINAL.pdf (cdp.net)

Conclusion



NbS can generate multiple benefits for climate, biodiversity, forest, economies, health and people. Applied in conjunction with other solutions, they can help tackle the multiple environmental crises we are facing today. Companies have much to gain by tackling the nature and climate crises simultaneously. NbS and other approaches are tools companies have been increasingly applying, to both reduce their environmental impacts and mitigate the impacts of a changing environment on their operations. CDP is helping companies transparently track their progress and indicating directions of action for more sustainable business practices.

NbS can be achieved in tandem with ambitious corporate action to reduce overall GHG emissions and adhering to the best available environmental and social standards. It is also critical that companies have suitable internal accountability mechanisms in place, as well as inclusive local stakeholder engagement plans, **that take into consideration the local context in which they operate.**

In the face of the climate and biodiversity emergencies that are confronting humanity today, all actors have their part to play. There is an enormous opportunity for companies to become a powerful catalyst for change by systematically incorporating nature-related considerations within their supply chains and business strategies, and by effectively deploying NbS wherever possible to help address major societal challenges, such as climate change, water and food security, and disaster risk reduction.

Reducing impacts on nature and climate is a business imperative to ensure continued prosperity and wellbeing across the world. On their part, companies can and must raise their ambitions around nature and climate, in support of an inclusive net-zero and nature-positive world.

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