

Nature Disclosures – translating environmental impact to corporate transparency

The need for corporate transparency and accountability for environmental impact across all planetary boundaries is becoming increasingly important as industry and governments recognise the impacts of climate change, ecosystem degradation and biodiversity loss. HSBC hosted the CDP 2024 UK Member Roundtable in January, and one of the key areas of focus and further insight relates to Nature Disclosures and Strategies.

Demand is increasing for more information on environmental sustainability, including businesses' interactions with nature via strategy and transition plans. The recent World Economic Forum Global risk report highlighted that the top 5 highest risks in the next 10 years are related to extreme weather events, critical change to Earth systems, biodiversity loss and ecosystem collapse.

Nature Disclosures go beyond standard financial reporting to capture risks and dependencies on natural resources and ecosystems. Disclosures are designed to measure, manage, and make transparent impacts on biodiversity, land use, water, and GHG's and natural resources.

There is also growing regulatory focus to biodiversity; the UK's recent **Biodiversity Net Gain** (BNG) requirement means developers must now deliver a BNG of 10% under the updated Planning Act. This aims to tackle loss of habitats and pollution as a result of climate change, promoting better quality of habitats and land restoration. It is becoming increasingly critical to understand how these risks will translate to further disclosure requirements, this article explores current and upcoming disclosure requirements.

Closing thoughts:

"Net zero requires credible action on nature because the two are inextricably linked. This is a significant opportunity as nature is climate's greatest ally – absorbing half of our carbon emissions a year – and is the foundation of our economy and our lives."

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CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Under the EU corporate sustainability reporting directive (CSRD), **Sustainability Disclosures** will be mandatory for large and unlisted companies with over 500 employees in 2024, with expansion to cover listed SMEs by 2028. UK companies may fall in scope if, for example, they have EU subsidiaries or are listed on EU regulated markets. The European Sustainability Reporting Standards (ESRS) provide the roadmap for CSRD compliance and disclosure and include GHG emissions to circular economy and biodiversity systems. There are 12 Standards; General Requirements and Disclosures are mandatory and all other standards are subject to a materiality (financial & impact) assessment. ESRS E4 outlines specific disclosures for biodiversity and ecosystems, including a transition plan for net gain and recovery, risks, opportunities, actions and impact (European Commission). Companies will need to develop a thorough process to report relevant information to stakeholders, which is subject to an assurance report.

The ISSB also recently announced that it will develop guidance on nature and social issues, emphasising the need for standardised methods for holistic environmental assessment. Developments for UK reporting will be published in 2024 and are expected to align to the ISSB, current guidance has been provided by the TPT.

Reporting Methodology – below are two organisations that can support nature disclosure requirements.

The Taskforce on Nature-related Financial Disclosures (TNFD) has developed a set of disclosure recommendations and guidance that guides business and finance to assess, report and act on their nature-related dependencies, impacts, risks, and opportunities. This further asks companies to disclose on Governance, Strategy, Risk management & Target-setting actions in the context of nature. The guidance includes the LEAP assessment which, although not mandatory, enables an organisation to conduct due diligence to inform disclosure statements in line with TNFD recommendations.

The Science Based Targets Network (SBTN) builds on existing SBTi targets for corporate climate action. Within SBTN are technical hubs that cover four key action areas: freshwater, land, oceans, and biodiversity. By creating a unified approach across these issue areas, SBTN's methods, guidance and tools can enable companies to contribute to halting and reversing nature loss by 2030.

Further updates and guidance are expected later in 2024.



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March 2024

