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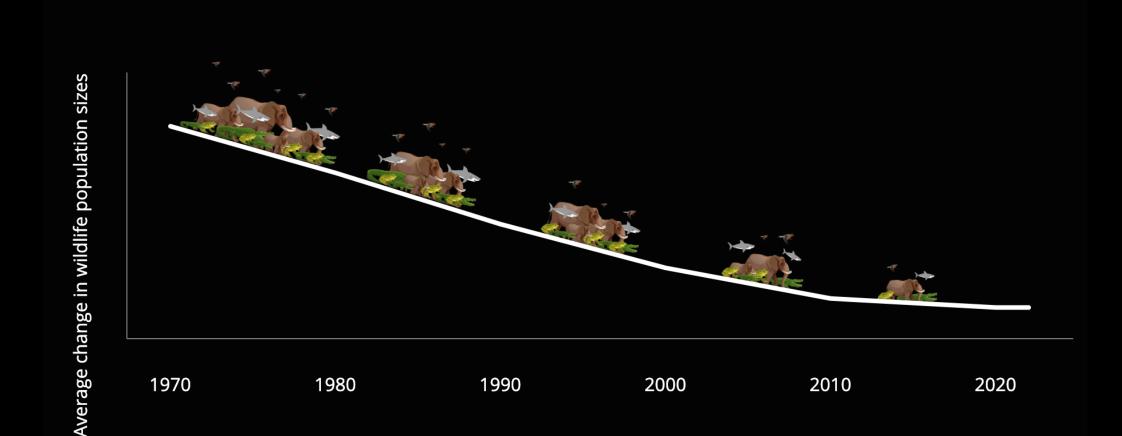


Nature reporting
The new financial frontier



NATURE IS DISAPPEARING: THE AVERAGE SIZE OF WILDLIFE POPULATIONS HAS FALLEN BY A STAGGERING 73%

The Living Planet Report 2024 highlights the average change in observed population sizes of 5,495 vertebrate species. It shows a decline of 73% between 1970 and 2020.



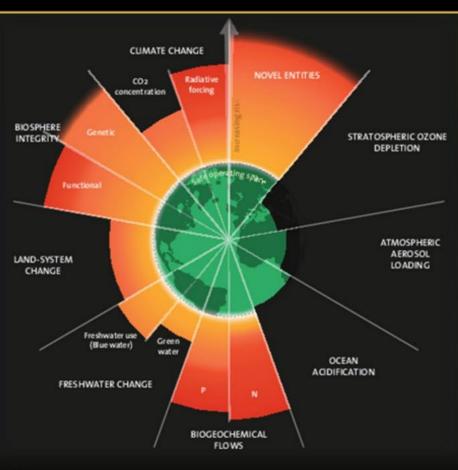
Why Nature and biodiversity matters to investors

Investors rely on well-functioning economies for the continuation of stable markets. Investors will predominantly be impacted by the degradation of nature through their underlying investments.

Where are we now?

In September 2023, Scientists quantified all nine of the planetary boundaries that 'regulate the stability and resilience of the earth's system', finding that six of the nine barriers had already been transgressed.

The boundaries are interrelated processes, which means that focusing on climate change alone will not be sufficient for increased sustainability.



Source: Planetary boundaries - Stockholm Resilience Centre

How might investors be impacted?



The investment required each year to reverse biodiversity decline by 2030 is estimated as \$700-967 billion USD.



Over 50% global GDP is moderately or highly dependent on nature.



Of UK financial exposures, <u>56%</u> of the total upstream financial exposures have a High or Very High dependence on Ecosystem services



Deterioration of the UK's natural environment could lead to an estimated **12% loss in GDP** which will carry shocks for financial institutions.



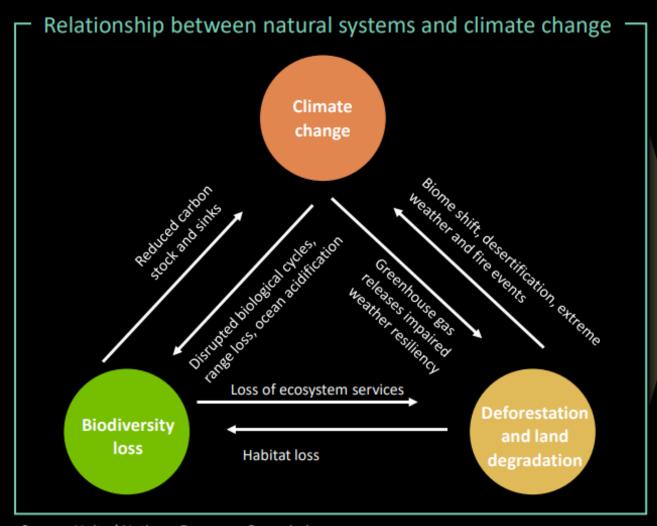
1st Extreme weather events 2nd Biodiversity loss and ecosystem collapse 3nd Critical change to Earth systems 4nd Natural resource shortages 5nd Misinformation and disinformation 6nd Adverse outcomes of Al technologies 7nd Inequality 8nd Societal polarization 9nd Cyber espionage and warfare 10nd Pollution

Source

World Economic Forum Global Risks Perception Survey 2024-2025.

Leveraging synergies between Nature and climate

The intertwined climate and nature crises are increasingly recognised as equally urgent and interconnected. Nature-based solutions for climate change offer a prime example of innovative market tools reaching maturity.



Leveraging synergies between nature and climate —

Ocean Acidification: a 40% increase in CO2 concentration above the pre-industrial level has resulted in a 15% increase in surface sea water pH, threatening marine life.¹

Land's absorption of CO2: Terrestrial ecosystems have absorbed an estimated third of human-caused emissions since 1750.²

Forest Fires: CO2 emissions from forest fires have surged by 60% globally since 2001, with an extra half a billion tonnes of CO2 per year linked to fire-favourable weather and increased rates of forest growth.³

- 1 European Environment agency (2024), Ocean Acidification
- 2 The Royal Society, Climate change and land: the science of working with nature towards net zero
- 3 Global rise in forest fire emissions linked to climate change in the extratropics | Science, (2024)

Source: United Nations, European Commission

Financial Services impacts and dependencies on Nature

Financial services have a multifaceted relationship with nature and biodiversity, impacting and being impacted by ecological systems through direct investments and indirect economic activities.

Impacts

Investment and Lending to Industries

Financial institutions provide funding to various industries (e.g., mining, agriculture, manufacturing) that contribute to the degradation of natural ecosystems, like forests, soils and water, as well as to biodiversity.

Supply Chain Financing

Providing finance to companies without scrutinising their supply chains can indirectly support practices that are harmful to biodiversity and damage ecosystems, such as illegal logging or overfishing.

Energy Sector Financing

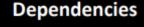
Financial services fund many energy projects and lend to fossil fuel-based industries which contribute to pollution and climate change and adversely impact nature and biodiversity. Financing renewable energy projects can also create negative impacts for nature.

Climate Change

Financial activities that support carbon-intensive industries contribute to climate change, which in turn impacts biodiversity by altering habitats and weather patterns. These nature-related impacts in turn often exacerbate climate change, creating a dangerous feedback-loop.

Green Financing

On the positive side, financial services can support natural capital and biodiversity through green financing, such as green or blue bonds, investing in projects that are designed to protect, restore and regenerate natural ecosystems in addition to wider-community benefits.



Agricultural Investment

Investments in the agricultural sector require healthy ecosystems and biodiversity to ensure sustainable production, impacting commodity markets and related financial products.

Operational Stability

Financial services depend on nature for stable access to vital resources (e.g., water, energy), which are crucial for operational continuity and risk mitigation.

Physical Asset Risk

Climate change and environmental degradation, influenced by biodiversity loss, pose risks to the physical assets of financial institutions, potentially leading to significant economic losses.

Sector Vulnerability

Loans to sectors heavily reliant on biodiversity (e.g., forestry, fisheries) carry increased credit risks in the face of ecological decline due to potential disruptions in operations and profitability.

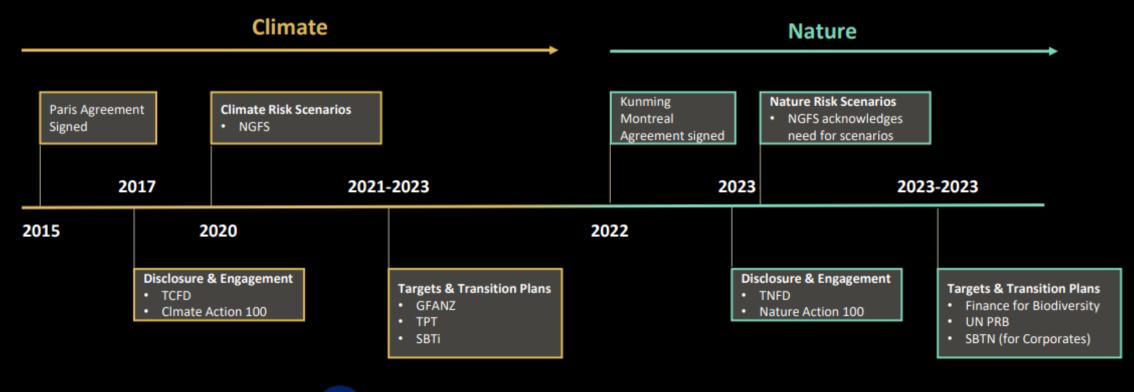
Market Stability

Disruptions to ecosystems and biodiversity can alter market conditions (e.g., commodity prices), affecting the repayment capacity of clients involved in natural resource-dependent industries, thereby elevating credit risk.



The development and interoperability of Climate and Nature Regulations

While action on nature-based solutions trails climate efforts, momentum is building. Governments, policymakers, and civil society are increasingly leveraging existing climate approaches to incorporate nature into frameworks, regulations, and strategic action.



TNFD and ISSB interoperability -

T N F D

The ISSB published its sustainability standards for companies in June 2023, IFRS S1 and IFRS S2, building on the same four pillars as TCFD. The IFRS Foundation and the Taskforce on Nature-related Financial Disclosures (TNFD) have <u>committed</u> to build upon the TNFD's framework in the standards development work of the International Sustainability Standards Board (ISSB). ISSB is undergoing work to explore nature and human capital related standards ("S3 and S4"), due to report in 2026.

Nature Frameworks and Standards for Investors

Set out below are some of the key regulations and standards that investors should consider.

Standard / Framework	Outreach	Level of application	Alignment	Direct Operations and value chain	Materiality
ESRS2 & E2- E5/CSRD ¹	EU	Entity level	ISSB, TCFD, TNFD	х	Double Materiality
SFDR	EU	Product level	-	x	Impact Materiality

Voluntary Frameworks

Mandatory

Regulatory

Requirements

TNFD	Global	Entity level	ISSB, TCFD	х	Double Materiality
SBTN	Global	Entity level	GHG protocol, TNFD	х	Impact Materiality
ISSB S1 ²	Global	Entity level	ESRS, TNFD, TCFD	x	Financial Materiality
TPT Transition plans	UK	Entity Level		х	n/a

Key Nature Investor initiatives





Global investor-led engagement initiative focused on supporting greater corporate ambition and action to reverse nature and biodiversity loss.

Global investor-led effort to engage companies with a large water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.





Pledge signatories commit to protecting and restoring biodiversity through their finance activities and investments by:

(i) Collaborating and sharing knowledge, (ii) Engaging with companies, (iii) Assessing impact, (iv) Setting targets (v) Reporting publicly on the above

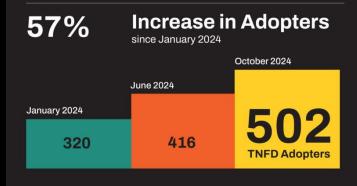
Organisations which intend to start making disclosures aligned with the TNFD Recommendation in their corporate reporting by the financial year 2024 (or earlier) or 2025

¹ ESRS2 are General disclosure requirements. ESRS E2 cover Pollution, E3 – Water and marine resources, E4 – Biodiversity and ecosystems; and E5 – Resource use and circular economy.

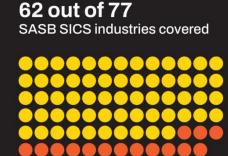
² ISSB S1 does not provide specific guidance on the topics related to nature risks. However, themes such as climate change, pollution, land/fresh water/sea-use change, direct exploitation, and invasive alien species could all be considered, and therefore included, as part of sustainability-related information.

TNFD Adopters

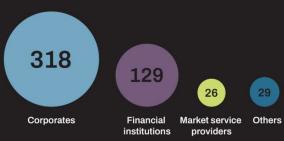




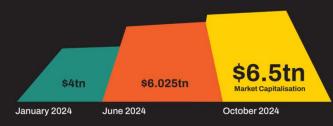










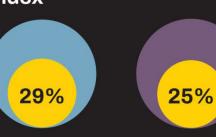


Adopters by region

43.23%





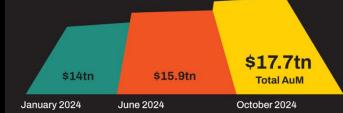


of Adopters are listed in the MSCI ACWI Index

of the Global Systemically Important Banks (G-SIBs) are TNFD Adopters

G-SIBs







47.01% Asia & the Pacific breakdown 36.45% Europe Latin America & the Caribbean

FY 2025

5.58% North America Africa & the Middle East

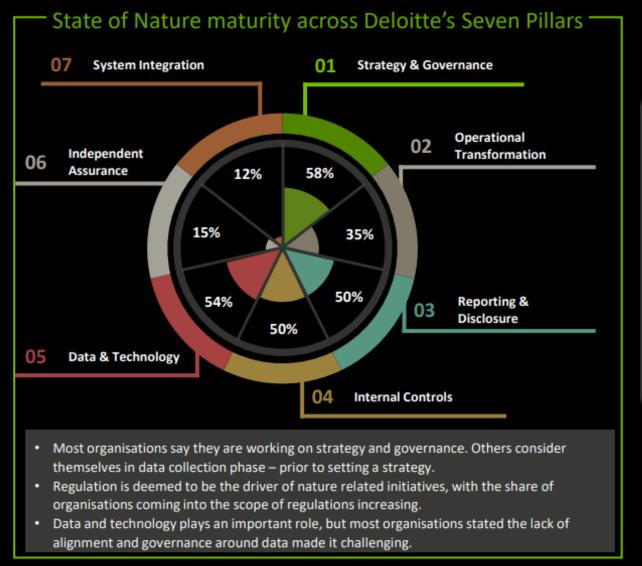


Adopter HQ of Adopters located in jurisdictions emerging economies



Organisations are at different stages of nature maturity, each bringing its own challenge

In June 2024, Deloitte hosted the inaugural Nature Client Greenhouse, bringing together 33 participants from across the real economy and finance, representing £10 trillion AUM, to share knowledge and experience.





Where can you start? Actionable next steps

IOM FSA Guidance Note on Managing the Financial Risks of Climate Change and Nature Loss

The Business Case for Board Engagement in Nature







Join the Climate Collective



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