

Beyond Buzzwords: Master These 5x Concepts.

1. Your business both impacts and depends on nature.

Think of your business as a two-way street with nature. On one side, you have **dependencies**—the ways your company relies on nature to operate. These are the invisible yet critical services that nature provides, from pollinators enabling food production to wetlands protecting assets from floods.

On the other side, your business **impacts the natural world**, for better or worse. These impacts might degrade ecosystems, such as deforestation or water pollution, or enhance them through practices like restoration and conservation. Imagine your business as a two-way street with nature.

Many businesses are now using tools like **ENCORE** (Exploring Natural Capital Opportunities, Risks, and Exposure) to identify and understand these dependencies and impacts, making nature's role in their operations more visible.

Take a food company for example that produces packaged snacks using almonds, fruit purees, and wheat sourced from farms across the United States. Their critical dependencies might include:

- **Pollination:** The almond industry in California wouldn't exist without bees. Animal pollinators like honeybees are essential for more than 75% of global food crops, including fruits, vegetables, and nuts.
- **Water Supply:** Farming depends on irrigation, and clean water is vital for food processing. The food sector accounts for approximately 70% of global freshwater withdrawals, making it the largest consumer of this essential resource.

The ENCORE framework classifies these dependencies as '**Ecosystem Services**,' with pollination categorized as a '**Regulating and Maintenance Service**' and water supply as a '**Provisioning Service**.' Both are rated as having '**Very High**' materiality for food production.

As much as food companies depend on nature, they also significantly impact it:

- **Land Use Change:** Agricultural expansion drives 90% of tropical deforestation. In the Amazon, forests are cleared for cattle ranching or soy farming, leading to biodiversity loss and ecosystem degradation.
- **Soil Degradation:** Over-farming erodes soil health, undermining agriculture's foundation. Already, 40% of the planet's land is degraded, impacting half the global population and putting half of global GDP at risk.

ENCORE classifies these impacts as '**Pressures**,' categorized under areas like '**Land Use**' and '**Soil Disturbance**.' Many of these pressures are rated '**High**' or '**Very High**' materiality for food production.

2. Nature's Triple Threat: Physical, transition, and systemic Risks.

The nature crisis brings three distinct types of risks to businesses: physical, transition, and systemic.

Physical risks are the direct impacts of damaged ecosystems. When wetlands are destroyed, flooding increases. When mangroves are removed, coastal protection weakens. When pollinators decline, crops fail. These risks disrupt supply chains, damage infrastructure, and escalate costs.

Transition risks come from the world's response to addressing the crisis. New policies like mandatory nature reporting, shifting consumer demands for sustainable products, and innovative competitors can leave unprepared companies exposed. The result? Higher costs, shrinking market share, and reputational damage.

Systemic risks are the most far-reaching, arising from the collapse of interconnected systems. If ecosystems fail, industries fail—fisheries collapse without coastal marshes, agriculture suffers from degraded soil, and financial markets wobble under the strain. As Bloomberg notes, systemic risks affect both ecosystem stability and financial stability, creating challenges that ripple through entire economies.

Take coastal marshes as an example. When these natural buffers are removed for industrial development, storm damage becomes more severe and costly—a **physical risk**. The loss of wetlands during Hurricane Katrina, for instance, contributed to \$125 billion in damages and displaced millions¹. Developers behind such projects may face **transition risks** like lawsuits and reputational fallout. And if enough marshes disappear, entire coastal economies could collapse—a **systemic risk**—causing fisheries, tourism, and flood protection systems to crumble in a devastating chain reaction.

3. Nature risks are also opportunities.

Evaluating your company's exposure to nature-related risks can feel overwhelming, but they also present a clear path for innovation and opportunity. From cutting costs and boosting brand value to improving access to capital or driving revenue through premium pricing strategies, the benefits are tangible.

For example, General Mills discovered that for every \$1 invested in regenerative agriculture, \$5 could be delivered in social, environmental, and economic value. Meanwhile, 111 financial institutions managing over €16.3 trillion in assets have committed to setting nature-related targets through the Finance for Biodiversity Pledge. This means companies with strong environmental strategies are reaping rewards like access to green bonds and sustainability-linked loans—often with more favourable terms. These are examples of converting transition risks to opportunity.

On top of this, forward-thinking companies are turning physical risks into opportunities. Investments in resilient systems—like storm-resistant buildings, efficient water management, or diversified supply chains—are transforming risk into long-term stability. For them, preparing today means fewer disruptions and greater savings down the line.

4. Double Materiality Assessment: Your starting point.

Okay - so now you've mastered impacts, dependencies, risks, and opportunities. But how do these come together, and how to make sense of it all in your own context? This is where the Double Materiality Assessment (DMA) comes in.

¹ NOAA National Centers for Environmental Information (NCEI)

The DMA is an approach that brings together two perspectives: how your business impacts the world (impact materiality), and how the world impacts your business (financial materiality).

Imagine you work for a mining company. An **impact materiality** assessment might highlight habitat destruction and soil pollution caused by mineral extraction, particularly in or near biodiversity-sensitive areas. Meanwhile, a **financial materiality** assessment could reveal the risks of legal action, reputational damage, or the high costs of remediating contaminated land.

The goal of the DMA is to identify the most critical issues for your business. For a mining company, this might mean focusing on habitat destruction and pollution. Once identified, these insights provide a foundation for creating strategies to mitigate risks and seize opportunities. In this way, the DMA is a **starting point, not an endpoint**, for sustainability planning.

And it's no longer optional. The DMA is now mandatory under the **Corporate Sustainability Reporting Directive (CSRD)**, the EU's new standard for sustainability disclosures. Businesses must use the DMA to determine which issues to report on, ensuring their efforts are both focused and aligned with global standards.

5. Nature Positive: Build your own

The term "nature positive" is rapidly gaining traction, driven by the Kunming-Montreal Global Biodiversity Framework (GBF), but its practical application remains complex and evolving.

At its core, "nature positive" envisions a future where nature- land, freshwater, ocean, atmosphere - is better off than it is today. The Kunming-Montreal Global Biodiversity Framework (GBF) outlines ambitious, time-bound targets: halting and reversing nature loss by 2030 (using a 2020 baseline) and achieving full recovery by 2050. This vision is grounded in a hierarchy of action: first, avoid and reduce harm, then focus on regenerating, restoring, and transforming ecosystems.

Given the heterogeneity and complexity of nature, establishing universal metrics and targets is impractical. Unlike carbon emissions, which can be measured using a standardized approach to set global reduction targets, nature's diversity requires more flexible frameworks that can account for characteristics like context-specific goals, and dynamic and non-linear ecosystem processes.

In this context today, many companies are defining "nature positive" in ways that align with their operations and goals. For example: **Ørsted** aims to achieve a net-positive biodiversity impact from all new renewable energy projects commissioned from 2030. **Teck Resources** commits to conserving or restoring at least three hectares for every hectare affected by its mining activities.

While the overarching goal of improving nature's health is widely embraced, the "how" and "what" of nature positive continue to evolve.

Organizations like the **Taskforce on Nature-related Financial Disclosures (TNFD)** are developing frameworks to measure and disclose nature-related impacts, while the **Science-Based Targets Network (SBTN)** is guiding companies in setting science-backed goals for nature restoration and protection. For businesses, the path to "nature positive" may currently require building their own definition, but emerging frameworks and standards will soon provide clearer guidance.