Let’s Discuss Nature with Climate: Engagement Guide

The essential guide to portfolio client and investee company engagement on nature and climate

Designed for financial institutions to engage with real economy companies
Executive Summary

The Let’s Discuss Nature with Climate Engagement Guide has been developed by the University of Cambridge Institute for Sustainability Leadership (CISL) and members of the Banking Environment Initiative (BEI) and Investment Leaders Group (ILG). It seeks to support the market-wide transformation towards a net-zero and nature-positive economy by evolving the interaction between banks and investment managers and their portfolio clients and investee companies.

The current need for economic transformation, underpinned by the climate and nature crises, presents significant risks and opportunities for financial institutions and corporations alike (financial, operational, regulatory, litigation and reputational). This Engagement Guide focuses specifically on the relationship between the financier and financed and aims to empower client-facing staff at banks and investment managers to support portfolio clients and investee companies to act on the opportunities, risks and compliance demands associated with nature and climate.

This Guide is designed for (1) relationship managers of banks and (2) analysts/portfolio managers of investment managers. It aims to enable constructive, informative conversations between these financiers and the portfolio clients/investee companies about nature and climate transition plans and the associated financing needs.

The Guide presents a five-phase approach to integrate nature into existing engagements on climate. For each phase, this Guide provides details of the context and target outcomes, with helpful resources, guiding questions and ideas to support you and your colleagues with your research and preparation efforts.

Key to using this Guide successfully is understanding three foundational elements:

1. the need for economic transformation to address negative impacts on nature
2. the relationship between climate and nature and how action on climate can be leveraged towards action on nature, and vice versa
3. how engagement is defined within the context of this Guide, highlighting the interaction between banks and investment managers and their portfolio clients and investee companies.

Engagement informed by this Guide will be iterative and vary depending upon:

- your financial institution’s structure and strategy and the markets in which it has invested as well as research and product capabilities and offerings
- your client’s or investment’s size and geographical distribution and the extent to which they have, or have not, made progress towards their nature-positive, net-zero journey
- client dynamics, including the strength of relationships and common understanding of the nature- and climate-related risks and opportunities.

To fully operationalise the guidance provided, capacity building and internal support need to be provided within financial institutions to ensure that staff members are empowered to be critical friends to their portfolio clients and investee companies during an economic transformation to a net-zero and nature-positive future.
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview: Let’s discuss nature with climate</td>
<td>5</td>
</tr>
<tr>
<td>Why: the business case for action on nature with climate</td>
<td>6</td>
</tr>
<tr>
<td>How: using action on climate towards action on nature</td>
<td>8</td>
</tr>
<tr>
<td>What: evolving engagement approaches to enable client transformation</td>
<td>10</td>
</tr>
<tr>
<td>Let’s Discuss Nature with Climate Engagement Guide</td>
<td>11</td>
</tr>
<tr>
<td>1. Set the scene has to establish your financial institution as a close partner in your clients net zero and nature-positive journey.</td>
<td>13</td>
</tr>
<tr>
<td>2. Assess</td>
<td>15</td>
</tr>
<tr>
<td>3. Design</td>
<td>17</td>
</tr>
<tr>
<td>4. Support</td>
<td>19</td>
</tr>
<tr>
<td>5. Review</td>
<td>21</td>
</tr>
<tr>
<td>Conclusion and call to action</td>
<td>21</td>
</tr>
<tr>
<td>Appendices</td>
<td>24</td>
</tr>
<tr>
<td>Understanding material financial risk of nature loss</td>
<td>24</td>
</tr>
<tr>
<td>Operationalising nature action &amp; developing a biodiversity strategy</td>
<td>25</td>
</tr>
<tr>
<td>Ecosystem services classification</td>
<td>26</td>
</tr>
<tr>
<td>Integration into existing business practices</td>
<td>26</td>
</tr>
<tr>
<td>Overcoming barriers to progress</td>
<td>28</td>
</tr>
<tr>
<td>References</td>
<td>30</td>
</tr>
</tbody>
</table>
The University of Cambridge Institute for Sustainability Leadership

The University of Cambridge Institute for Sustainability Leadership partners with business and governments to develop leadership and solutions for a sustainable economy. We aim to achieve net zero, protect and restore nature, and build inclusive and resilient societies. For over three decades we have built the leadership capacity and capabilities of individuals and organisations, and created industry-leading collaborations, to catalyse change and accelerate the path to a sustainable economy. Our interdisciplinary research engagement builds the evidence base for practical action.

Publication details

Copyright © 2023 University of Cambridge Institute for Sustainability Leadership (CISL).

The Investment Leaders Group (ILG) is a global network of pension funds, insurers and asset managers with over USD 9 trillion under management and advice. The ILG's vision is an investment chain in which economic, social and environmental sustainability are delivered as an outcome of the investment process. The ILG is a voluntary initiative, driven by its members, convened by CISL and supported by academics in the University of Cambridge.

Acknowledgements

Without the dedication of these institutions and the individuals who participated in this programme, the insights presented here would not have been possible. These individuals include Afif Chowdhury (Deutsche Bank), Richard Kooloos (ANB AMRO), Andre Jakobs (ABN AMRO), Etienne Yves-Butruille (Santander), Chris Vernon (Santander), Regina Kahl (HSBC), Marine de Bazelaire (HSBC), Rhona Turnbull (NatWest), Sarah Wire (Lloyds), Oliver Withers (Standard Chartered), Daniëlle Brassel (Zurich), Devika Kaul (State Street Global Advisors), Stephanie Lavallatto (State Street Global Advisors), Erwin Houbrechts (Pensioenfonds PGB), Laura Bosch Ferraté (Robeco), Rashila Kerai (Robeco), Max Richardson (Investec), Mette Charles (Aon), Özgür Goker (Union Bancaire Privée), Victoria Leggett (Union Bancaire Privée) and Peter Mennie (Manulife).

We also thank our expert advisory group members Camille Maclet (Secretariat of the Convention on Biological Diversity), Jessica Smith (UNEP-FI), Claudia Gray (ShareAction), Christoph Baumann (State Secretariat for International Finance SIF Switzerland), Alessandra Melis (TNPFD), Josephine Quint (WWF-UK), Thomas White (The Biodiversity Consultancy / University of Oxford) and Lenka Moore (Capitals Coalition) for their invaluable guidance.

The Centre for Sustainable Finance

Through a unique combination of deep industry collaboration, high-calibre research and exceptional education programmes, the Centre for Sustainable Finance helps financial institutions to play a leading role in building a more sustainable economy. It does so by convening groups of leading firms across banking, insurance and investment to develop tools that address industry barriers and knowledge gaps, setting ambitious examples of best practices for the wider finance industry and equipping financial institutions to understand and improve their sustainability impact.

Disclaimer

The opinions expressed here are those of the authors and do not represent an official position of CISL, the University of Cambridge or any of its individual business partners or clients.

Reference

Overview: Let’s discuss nature with climate

CISL’s *Let’s Discuss Nature with Climate Engagement Guide* aims to prepare and empower portfolio managers, analysts and relationship managers to explore new economic opportunities for portfolio clients and investee companies, reconcile emerging portfolio risks and meet compliance demands associated with nature and climate.

Nearly one million animal and plant species are threatened with extinction, and since 1970, there has been a 69 per cent decline in studied animal populations. Global warming, which is altering the stability of climate systems, has had an influence but is not the sole cause. Other human-induced pressures, such as land use change, are significantly influencing the global biodiversity and climate crises. The first three weeks of July 2023 saw the hottest three-week period ever recorded. The consequences of such temperature rises are drastic for climate and nature alike. The record-setting heatwave on Canada’s Pacific coast, for example, killed more than one billion marine species in 2021.

As climate changes, the natural order of ecosystems and biodiversity becomes disrupted. Similarly, when biodiversity is lost, the Earth’s carbon storage capacity is reduced, which accentuates climate change. Globally, the loss of forests and coastal ecosystems contributes to around 4.8 and 1 billion tonnes of CO₂ emissions per year, respectively, while 30 per cent of global annual greenhouse gas (GHG) emissions originate from food systems.

Meanwhile, reforestation, habitat and species restoration and many nature-based solutions increase the absorption of carbon. Action to address climate change benefits nature, and action to protect and restore nature supports climate change mitigation and adaptation.

Finance is a key lever for change towards a sustainable economy. CISL’s Centre for Sustainable Finance brings together over 60 financial institutions across five continents to address three *Rewiring the Economy* tasks for finance through to 2030:

1. ensuring capital acts for the long term
2. pricing capital according to the true costs of business activities
3. innovating financial structures to better serve sustainable business (and therefore society more broadly).

The *Let’s Discuss Nature with Climate Engagement Guide* aims to support banks and investment managers implement all three tasks. By incorporating nature into existing climate engagements, banks and investment managers will be able to use existing climate-related efforts to promote action on nature – an international imperative made clear by the signing of the Kunming-Montreal Global Biodiversity Framework (GBF) in December 2022. By integrating the consideration of nature into existing climate engagements, capital can move more quickly towards activities that address climate change and restore and protect nature, preserving financial and natural capital for the long term.

Given their global reach, banks and investment managers are particularly well-positioned to catalyse systemic change through the flow of capital into the real economy. By utilising their global network of clients, financial institutions can increase awareness of the need and opportunity to address climate and nature as a combined challenge, increasing the positive impact of finance on the natural world. To this end, the publication builds upon three previous CISL publications: *Bank 2030*, *Let’s Discuss Climate Bank-Client Engagement Guidebook* and *Integrating climate and nature: The rationale for financial institutions*.

Effective engagement requires banks and asset managers to empower employees to upskill and engage firms on the dual climate and nature challenges. Client-facing staff of financial institutions are a vital link between finance and business action and, therefore, economic and environmental action. Backed by internal supporting structures, client-facing staff of banks and investment managers can empower and support portfolio clients and investee companies to explore new economic opportunities, reconcile emerging portfolio risks and meet compliance demands associated with nature and climate. This guidebook aims to prepare users to do just that.

The *Let’s Discuss Nature with Climate Engagement Guide* is motivated by the need to operationalise action that protects and restores nature for the benefit of the financier, business and global society. We encourage use of the Guide to accelerate nature action, in tandem with existing climate efforts, supporting the transition to an economy that nourishes and nurtures all.

---

ii It is important to note, however, that the environmental, social and economic challenges we face are interconnected. The effectiveness of nature restoration and protection and decarbonisation depends on and interacts with other global priorities, such as inclusive societies and just transitions.
Why: the business case for action on nature with climate

The global economy stands on the precipice of an interconnected nature and climate crisis, posing an existential threat to society. This situation is a result of extractive economic activity that has failed to account for the value of nature. With more attention, awareness and action regarding the value of nature and climate, the opportunity to change course remains.

Temperature rises, changes in precipitation patterns and extreme weather events have a range of impacts on nature that have caused interruptions to business processes globally. For example, the Panama Canal is the only major maritime route that is dependent on freshwater. However, the first half of 2023 was the second driest throughout the watershed in almost a century, causing restrictions to use of the canal and increasing the average cost of shipping 40ft containers from China to the US Gulf Coast by 36 per cent⁷.

Similarly, the way nature is managed has a range of impacts on the severity of climate change. The destruction of nature, often for commercial purposes of harvesting or repurposing the land, is a key driver of climate deterioration. As of June 2021, the Amazon rainforest began emitting more carbon dioxide than it absorbs as a result of land clearance, often through fires, for beef and soy production⁷.

Nature loss reduces our ability to adapt to climate change and therefore impacts the resilience of the economy. The need for action is further accentuated by economic risks and opportunities, growth in regulation and emerging sustainability standards, frameworks and taxonomies globally.

**Economic risks and opportunities**

Our economy is entirely dependent on the flow of services provided by nature. This truism has become increasingly visible in recent research from the financial community itself:

- The Network for Greening the Financial System (NGFS) sees nature-related risks as a source of risk for individual financial institutions as well as for broad financial stability⁷.
- Research from S&P Global Sustainable1 found that 85 per cent of the world’s largest companies that make up the S&P 1200, an index that measures the performance of large-cap stocks from around the world, have a significant dependence on nature within their direct operations⁸.
- The World Wildlife Fund (WWF) estimates that inaction on nature protection and restoration - business as usual today - could cost the global economy nearly USD 10 trillion by 2050⁹.

Addressing this risk is the significant opportunity for investment in nature protection and restoration. The World Economic Forum estimates that USD 10.1 trillion of economic activity, including nearly 400 million new jobs, may result from protecting and restoring nature¹⁰. Examples of delivering on this protection and restoration and resultant benefits are:

- The Nature Conservancy (TNC) and the Government of Belize completed a USD 364 million debt-for-nature swap in November 2021. This financial transaction reduced Belize’s debt by 12 per cent of GDP and solidified long-term funding for sustainable marine conservation. Belize repurchased USD 553 million from bondholders at a 45 per cent discount through a Blue Loan arranged by TNC. This debt conversion resulted in a USD 189 million reduction in principle outstanding, allowing these savings to go towards marine conservation funding over the next 20 years¹².
- HARA, a smart-farming solution in Indonesia, is providing data-driven insights to support the mitigation of pests and diseases, supply management and farm and field potential¹³. As a result, farmers have seen an average 60 per cent improvement in crop yields, 50 per cent reduction in farming inputs and 25 per cent reduction in crop failure rates.
- The Medes Islands Marine Reserve, a one-kilometre-square marine reserve in Spain, successfully helped fish biomass recover by up to 500 per cent within a decade. By year eight, the total annual profits (from tourism and fishing) were 13x higher than before the reserve was created¹⁴.
- Ucuuba, an important tree species in the Amazon, was nearing extinction in 1992. The tree was traditionally used for medicinal purposes by Amazonian peoples but was harvested at a high rate for the manufacturing of wood products. Natura, a Brazilian beauty and personal care product company, began using the seeds of this tree in their skincare products. As a result, the demand for seeds from the trees increased, leading to less tree harvesting and more seed harvesting. Not only have these activities multiplied the incomes of partner communities threefold, but the Ucuuba tree is no longer endangered¹⁵.

“The is not some kind of a flower power, tree-hugging exercise...this is core economics,” Frank Elderson, European Central Bank board member, said. “Even if I couldn’t care less about the planet, even if I couldn’t care less about biodiversity, I would say the exact same things.”

Frank Elderson, Member of the Executive Board of the European Central Bank in the Financial Times
Policy and regulatory pressures

In December 2022, the GBF was signed during the United Nations Biodiversity Conference of Parties (COP15). Comparable to that of the Paris Agreement for climate, the overarching international policy framework and roadmap of high-level targets provided by the GBF is aimed at politicians, corporations and financial institutions. It is expected that national targets made in alignment with the GBF will be established and presented at the next UN Biodiversity Conference in 2024. The GBF emphasises the important interlinkages between nature and climate action. Amongst various ambitious commitments, the GBF includes Target 15, the disclosure of nature-related risks, impacts and dependencies of large businesses and financial institutions by 2030.

Across Europe, momentum is building:

• In the UK, Biodiversity Net Gain (BNG) aims to ensure habitat for wildlife is in a better state than it was before a development starts, and the Financial Services Markets Bill adds nature to regulatory principles on net-zero emissions, requiring the Financial Conduct Authority to consider commitments that address climate change and biodiversity.

• In the EU, several regulatory initiatives will be coming into effect shortly, and these will impact the operations of financial institutions and corporations. For example:
  • The Corporate Sustainability Reporting Directive (CSRD), launched in early 2023, strengthens the social and environmental reporting requirement for companies, giving stakeholders access to better non-financial information on which to base investment decisions.
  • The Sustainable Finance Disclosure Regulation (SFDR) is a European regulation introduced to improve market transparency for sustainable investment products to prevent greenwashing and increase transparency around sustainability claims made by financial market participants.
  • The European Sustainability Reporting Standards (ESRS) set out the general requirements that corporations must comply with when preparing and presenting sustainability-related information under the Accounting Directive as amended by the CSRD. This information includes climate change, water and resource management, biodiversity, human rights, labour practices, diversity and anti-corruption measures. The ESRS also introduces double materiality (the impact of operations on nature and the dependency on nature for operations) and expansion of reporting to include companies’ value chains.
  • Lastly, the Corporate Sustainability Due Diligence Directive (CSDDD) aims to develop a framework for a more responsible and sustainable approach to global value chains for European companies in order to “ensure that businesses address adverse impacts of their actions, including in their value chains inside and outside Europe”.

Sustainability standards, frameworks and taxonomies

In tandem with the growing regulatory landscape, voluntary reporting and disclosure regimes are evolving at pace (see Figure 1). Because climate and nature are connected, financial institutions can apply and build on learnings from assessing and responding to climate-related risks and opportunities. For example:

• The Taskforce on Nature-related Financial Disclosures (TNFD), endorsed by the G20, is “developing and delivering a risk management and disclosure framework for organisations to report and act on evolving nature-related risks” and was released in September 2023. TNFD is harnessing synergies in framework design and stakeholder engagement from TCFD to avoid repetition and maximise achieving integrated climate-nature disclosures.

• Science Based Target Network (SBTN) released initial guidance for nature-positive target setting in May 2023 with plans for a full release in January 2024. The SBTN will complement and build upon science-based targets for climate published by the Science Based Targets initiative (SBT).

• International Sustainability Standards Board’s (ISSB) S1 and S2 reporting standards, which include general requirements for disclosure of sustainability-related financial information and climate-related disclosures, respectively, are now effective for reporting periods from 1 January 2024 onward. Within a month of its release, these ISSB standards were adopted by Nigeria and Singapore, making ISSB-aligned climate disclosures mandatory for both public and large private companies. At the time of writing, the United Kingdom, Canada, Japan, Chile, Malaysia, Brazil, Egypt, Kenya and South Africa were considering following suit.

Globally, over 30 countries have developed, or are developing, taxonomies about what economic activities can be considered as ‘sustainable’. This increased transparency helps direct investments towards economic activities that support transitioning to a nature-positive and net-zero economy.

The need for economic transformation is clear and urgent. Businesses from all sectors, regardless of their nature and climate transition journey, must be empowered to begin or accelerate action that protects and restores nature. This is key to shifting the global trajectory. Financial institutions have a pivotal role to play in supporting businesses to protect and restore nature for financial stability independently and globally. Given the interconnections between climate and nature, there is an opportunity to leverage net-zero transition planning with portfolio clients and investee companies towards nature protection and restoration.

High-level summary of biodiversity-related actions taken by central banks and financial supervisors

Categories of actions taken
- Initial research, assessment and policy signals
- Prudential policies and instruments
- Central bank portfolios
- Financial architecture
- Financial market conduct
- Policy liaison and coordination
- Monetary policy

Figure 1. Central banking and supervision in the biosphere: An agenda for action on biodiversity loss, financial risk and systemic stability. Final report of the NGFS-INSPIRE Study Group on Biodiversity and Financial Stability.

iii More biodiversity regulations globally can be found here: https://portals.iucn.org/offsetpolicy/
Following their recognition of the risks related to climate change, and in the context of increased regulation on climate-related disclosure, financial institutions have begun to mainstream climate-related risks and opportunities across their business. The inclusion of climate change in their engagement with clients and portfolio companies as part of climate strategies informed by stress-testing efforts, scenario analyses and assessments.

By responding to climate-related strategic and risk management implications, financial institutions and corporations have begun to better understand how climate change influences the reliability of the natural resources they depend upon. These resources are impacted by several nature-related risks that may be financially material to portfolio clients or investee companies’ ability to operate.

**How are nature and climate connected?**

GHG emissions are a key metric in climate assessments because they contribute to a warming atmosphere, which is of concern because it influences the weather patterns and is an indicator of how changing weather patterns will impact ecosystems and species. In fact, the emissions that contribute to climate change have disrupted temperatures and weather, growing intensity of weather events, changing weather patterns. Concern about climate stability is therefore a concern about the underlying ability of nature to provide benefits to people, also known as ecosystem services or ecosystem dependencies that corporations (and thereby financiers) are reliant on. Concern about climate stability is therefore a concern about the underlying ability of nature to provide goods and services that are essential to the business or operations of clients and investee companies. By responding to climate-related strategic and risk management implications, financial institutions and corporations have begun to mainstream climate-related risk and opportunities across their business. This includes involving climate change in their engagement with clients and portfolio companies as part of climate strategies informed by stress-testing efforts, scenario analyses and assessments.

**What are the five direct nature loss drivers?**

Five direct drivers of nature loss impact the reliability and availability of ecosystem dependencies:

- **Climate change:** Change in climate attributed directly or indirectly to human activity. When climate conditions are destabilised, ecosystem services are disrupted, and biodiversity is lost. GHG emissions are a key metric in climate assessments because they contribute to a warming atmosphere, which is of concern because it influences the weather patterns and is an indicator of how changing weather patterns will impact ecosystems and species. In fact, the emissions that contribute to climate change have disrupted temperatures and weather, growing intensity of weather events, changing weather patterns. Concern about climate stability is therefore a concern about the underlying ability of nature to provide benefits to people, also known as ecosystem services or ecosystem dependencies that corporations (and thereby financiers) are reliant on. Concern about climate stability is therefore a concern about the underlying ability of nature to provide goods and services that are essential to the business or operations of clients and investee companies. By responding to climate-related strategic and risk management implications, financial institutions and corporations have begun to mainstream climate-related risk and opportunities across their business. This includes involving climate change in their engagement with clients and portfolio companies as part of climate strategies informed by stress-testing efforts, scenario analyses and assessments.

- **Invasive species:** Introduction of materials into the environment that harm nature. For example, the brown tree snake has disrupted the natural balance of the ecosystem in Guam, affecting local birds and other wildlife. Invasive species are often introduced by humans through trade or tourism. Once an organisation understands the ecosystem dependencies highlighted from ecosystem services, as well as the impact of their operations on Earth, to fully understand the importance of those ecosystem services are influenced by the four other direct nature loss drivers, as shown in Figure 3. With this understanding, they can ensure that related risks are fully accounted within financial portfolios, providing confidence to the financial stability of both the corporation financed and the financial institution.

- **Land/lab use change:** The use or management of land by humans. For example, deforestation for agriculture contributes to climate change by releasing carbon dioxide into the atmosphere. This is known as deforestation. Other land uses, such as urbanisation or industrial development, can also contribute to changes in land use.

- **Overexploitation of natural resources:** Natural resources are often extracted from the environment to meet human needs. For example, overfishing of fish stocks can lead to declines in fish populations.

- **Pollution:** Introduction of materials into the environment that harm nature. For example, pollution from industrial waste can contaminate water bodies,影响ing aquatic life and ecosystems.

**Double materiality**

To better understand the reality and severity of direct nature loss drivers alongside climate change, both the impact of and dependency on key natural resources must be considered. This double materiality – a corporation’s reliance (dependency) and impact on nature – requires financial institutions to consider both the reality and severity of direct nature loss drivers, as well as their impact on the reliability and availability of ecosystem dependencies. By responding to climate-related strategic and risk management implications, financial institutions and corporations have begun to mainstream climate-related risk and opportunities across their business. This includes involving climate change in their engagement with clients and portfolio companies as part of climate strategies informed by stress-testing efforts, scenario analyses and assessments.

**Ensuring climate efforts are protecting and restoring nature**

Once an organisation understands the ecosystem dependencies highlighted from ecosystem services, as well as the impact of their operations on Earth, to fully understand the importance of those ecosystem services are influenced by the four other direct nature loss drivers, as shown in Figure 3. With this understanding, they can ensure that related risks are fully accounted within financial portfolios, providing confidence to the financial stability of both the corporation financed and the financial institution.
Nature action, alongside climate efforts, in practice – examples

Examples of organisations working on the climate–nature interconnection and wider ecosystem dependencies through monitoring and assessment of nature loss drivers are:

**Financial Institutions**

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Description</th>
</tr>
</thead>
</table>
| Robeco               | Robeco has been in an ongoing dialogue with an investee company. Mondelez, pushing them to integrate forest restoration efforts within their operating model. Mondelez is one of the world’s largest fast-moving consumer goods (FCMG) companies. With many of its products based on chocolate, the company is a major importer of cocoa, one of the five key forest-risk commodities.  
In 2023, under the company’s new sustainable cocoa sourcing models, Mondelez has, for the first time, included clear off- and on-farm restoration targets. While the problem itself is bigger than any one company, Robeco sees this as a first step to a more ambitious biodiversity approach. |
| Aviva Investors      | Aviva’s 2022 biodiversity report provides examples of steps taken by investees to rectify nature loss including: (1) engagement with Burberry and Science in Sport on their exposure to packaging waste and (2) two years of engagement events with a Brazilian beef exporter that ultimately led to Aviva selling its holdings. |
| BNP Paribas (Group level) | BNP Paribas has made several commitments centred on promoting and protecting biodiversity. From an engagement perspective, these include: (1) by 2025, assessing all its corporate customers on criteria linked to biodiversity, (2) dialogue with those of its clients who are active in raw materials and within sensitive countries by requiring them to demonstrate their commitment to combating deforestation and (3) deploying biodiversity-focused training programmes for its nearly 200,000 employees.  
The financial aims to support these commitments include: (1) a €3 billion financing target to protect terrestrial biodiversity (positive impact loans, green bonds, etc), (2) an investment package of €250 million by 2025 for start-ups mobilised in the ecological transition and (3) €55 million dedicated to new investments in the protection and restoration of natural capital. |

**Corporations**

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Description</th>
</tr>
</thead>
</table>
| AstraZeneca          | In 2020, AstraZeneca began a process to understand how physical climate-related risks could impact critical AstraZeneca sites including manufacturing, R&D Hubs and Information Technology Centres. This climate-related assessment included 61 critical sites with two climate scenarios and was then applied to 350 of AstraZeneca’s suppliers and highlighted the material importance of water. Consequently, AstraZeneca began a process to deepen its understanding of water risks through use of the WWF Water Risk filter.  
Following the initial climate scenario insights, made more robust through the subsequent water assessment, AstraZeneca held climate- and water-risk workshops at 12 sites during 2021. While the initial focus was on climate, expanding it to water risk demonstrated a more accurate view of risk and subsequently aided in building mitigation plans that followed suit. |
| Levi Strauss & Co.   | In 2021, Levi’s developed a preliminary biodiversity roadmap. It was identified that the biggest opportunity to mitigate and reverse biodiversity loss occurred upstream, where the raw materials for the products were grown (land use). As such, Levi’s is actively working to advance regenerative agriculture practices through the sponsorship of the U.S. Regenerative Cotton Fund and partnership with the Organic Cotton Accelerator. In addition, Levi’s will not source leather from the Amazon Biome, and leather derived elsewhere must provide credible assurance that there was no deforestation involved. |
| Holcim               | In 2021, Holcim published a sustainability-linked financing framework with two key performance indicators (KPIs) linked to the financing. KPI 1 focuses on climate change mitigation through reduction of carbon emissions per ton of cementitious material. KPI 2 focuses on the sustainable use and protection of water and marine resources. Because water is essential to cement production and 51% of Holcim’s sites are in medium- to high-risk water areas, working towards water withdrawal reduction will support the resilience of water available in the longer term.  
To meet this goal, Holcim is improving water use efficiency (optimising water use processes at sites), shifting to non-freshwater withdrawal (replacing with sea or treated wastewater) and maximising rainwater harvesting. |
| Coca-Cola            | In 2022, Coca-Cola completed an analysis of water-related risks among operating facilities, commercial regions, sourcing regions, watersheds and communities. This analysis allowed the corporation to prioritise those with the highest water-related risks – a key resource in the production of Coca-Cola products. As a result, Coca-Cola has set three central goals for its water security strategy:  
1. Achieve 100% regenerative water use across 175 of its facilities identified as facing high levels of water stress by 2030.  
2. Improve the health of 60 watersheds identified as most critical for its operations and agricultural supply chain by 2030.  
3. Return a total of 2 trillion litres of water to nature and communities globally between 2021 and 2030. |
What: evolving engagement approaches to enable client transformation

The need for economic transformation, driven by the climate and nature crises, means that environmental issues are material to core business and must be proactively discussed.

In this guidebook, engagement is defined as a proactive, iterative approach that sees the financier being a critical friend to portfolio clients and investee companies through their climate- and nature-positive transition. This relationship requires structured and informed dialogue between the financier and financed company that begins or accelerates action that protects and restores nature. Such dialogue ultimately aims to: (1) future-proof portfolios from the impending nature and climate crises, ensuring the resilience and longevity of clients by exploring new economic opportunities, (2) reconcile emerging material portfolio risks and (3) meet growing compliance demands. Ultimately, meeting these aims will enable financiers to generate the positive impact that leads to meeting the vision of the GBF that “by 2050, biodiversity is valued, conserved, restored and wisely used, maintaining ecosystem services, sustaining a healthy planet and delivering benefits essential for all people”

Engagement here is not narrowly defined around a reputational challenge but is about the core business of the portfolio client or investee company and, specifically, how it is impacted by or contributes to nature loss. Engagement as a concept is therefore better conceived of as engagement on material commercial issues – in this case the dual nature and climate crises – that touches all the ways the financier and financed company interact, including:

<table>
<thead>
<tr>
<th>For Banks</th>
<th>For Investment managers</th>
<th>Both Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>• exploring new financial products</td>
<td>• utilising share ownership through intentional activism</td>
<td>• the material risks and opportunities emerging</td>
</tr>
<tr>
<td>• refinancing existing products</td>
<td>• supporting the client or investment with financing or refinancing</td>
<td>• regulatory and reporting changes</td>
</tr>
<tr>
<td>• supporting the ability to execute on core business</td>
<td>• leveraging voting rights to steer the company direction towards action that protects and restores nature</td>
<td>• how the political landscape may be of influence</td>
</tr>
<tr>
<td>• creating a point of collaboration between the financier and the financed</td>
<td>• lens to support buy-side analysts</td>
<td>• emerging research and leadership within the sector</td>
</tr>
<tr>
<td>• lens to support sell-side analysts</td>
<td>• fulfilling the asset owner requirements on how investment capital is allocated</td>
<td>• disruptive technology and potential supply chain disruptions and risks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• research and leadership within the sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• implications for ongoing strategy and business models</td>
</tr>
</tbody>
</table>

Through active engagement across the various interfaces between financiers and companies, financial institutions become better equipped to make better informed financing decisions. This will result from dialogues that explore not only the impacts and dependencies associated with nature loss and climate change, but the regulatory and material drivers for doing so. By understanding how companies are managing risk and pursuing nature-related opportunities, financial institutions can incorporate these factors into financing decisions, improve the risk/return profile and enable portfolio clients and investee companies to be resilient and prosperous.

In summary, engagement on environmental issues needs to mainstream. These issues are highly material and can be brought into all aspects of the interface between the financier and the financed company. This guidebook defines how this engagement on nature can work by integrating nature into existing climate-related interfaces (conversations).

As a part of the evolution of engagement, escalation will still be required when portfolio clients or investee companies remain inactive on material nature issues, potentially leading to divestment.

The Let’s Discuss Nature with Climate: Engagement Guide details how banks and investment managers can accelerate the transition to a nature-positive economy and is focused on accelerating action on nature protection and restoration through existing climate mitigation efforts.

It is important to note, however, that the environmental, social and economic challenges we face are interconnected. The effectiveness of nature restoration and protection and decarbonisation depends on and interacts with efforts to address other global priorities, such as inclusive societies and just transitions.

The foundations of this Guide will not only help banks and investment managers align with the Paris Agreement and GBF but also set the foundation to expand into broader sustainability goals, with the ultimate aim of aligning finance with the full range of UN Sustainable Development Goals.
The Let's Discuss Nature with Climate Engagement Guide maps how banks and investment managers can proactively support their portfolio clients and investee companies to transition to nature-positive operations. It aims to support client-facing colleagues to have more strategic conversations with their portfolio clients and investee companies about the risks and opportunities posed by climate change and nature loss.

Who is this Guide for?
This Guide has been designed for immediate use by relationship managers, portfolio managers, analysts and client-facing staff. It will also be valuable for sustainability strategy teams and those who structure the remit and education of portfolio managers, analysts and relationship managers of large corporate clients, including the heads of business lines (see integration into existing business practices in appendices).

The Guide understands that portfolio and relationship managers are not specialists in nature loss and the climate–nature nexus. Therefore, it provides guidance on how collaboration can help to enhance engagement and signposts many useful resources. Portfolio and relationship managers are influential and can be important drivers of change. Client-facing staff can help raise awareness and highlight the advantages of nature-positive business practices by showcasing market and competitor dynamics, highlighting the growing body of nature risk scenarios and supporting clients to chart a path forward. These actions can help to build trust, strengthen relationships and create mutual benefit for the resilience of the client.

The Guide is currently sector-agnostic and primarily designed for collaboration with larger companies. Rather than waiting for sector transition plans around nature loss, the Guide aims to integrate nature topics into existing conversations with large companies. It therefore takes the view that major corporates have the resources and climate-related data to begin informing and implementing nature-positive strategies today.

How to use the Guide

- Use it as a reference guide to inform structured portfolio client or investee company conversations, construct questions and facilitate a client’s transition towards nature-positive business practices.
- Establish which phase is most relevant to you based on your existing knowledge and interactions with each client and investee company. The journey may not be linear, and you may have to spend more or less time on each phase depending on your client’s starting position.
- The Guide seeks to provide support relative to the stage your client is at with their nature-related strategies but prepare for their needs to change as expertise, sector pathways and information regarding nature protection and restoration and dependencies continue to emerge.
- Return to the Guide as your client’s transition journey progresses and the financing relationship evolves. You will be able to pick up more advanced elements in each phase as your portfolio client or investee company matures.

How the Guide was developed

The Guide has been researched, created and refined by CISL’s Centre for Sustainable Finance in partnership with Banking Environment Initiative and Investment Leaders Group members. Research included a literature review, interviews and consultations with those named in the Acknowledgements. The Guide builds on existing frameworks and tools, signposting these in the resources in relevant phases. It is informed by CISL’s expertise working with financial institutions and real economy business on decarbonisation strategies as well as nature risks and opportunities.

For more on these activities, please refer to the CISL website, the CSF, Nature-related Financials Risks publications, Insurance publications and past decarbonisation work.

What outcomes can you, as client-facing bankers and investors, expect from using the Guide?

- Clarity on how nature and climate are interconnected and how to leverage existing action on climate towards nature.
- Deeper understanding of your portfolio client’s or investee company’s business and financing needs, with clarity on where the bank or portfolio manager can innovate and derive commercial benefit in line with the GBF.
- Stronger strategic partnerships with your portfolio clients or investee companies and a wider support network built up around your organisation.
- Future-proofing your financial institution’s portfolio, mitigating risk, meeting growing compliance requirements and attaining market leadership through nature protection and restoration.

In the appendix, you will find important considerations for:

- understanding what nature-positive means
- integration into existing business practices (roles and responsibilities, education, bank climate commitments and culture, available resources and the importance of incentive alignment)
- overcoming barriers to progress (client’s climate maturity and willingness to engage, sectors, size and geographies, taking a systemic approach, banking regulation, capital requirements, data availability and collaboration across finance)
Assess

Assess your client or investment’s current position on nature and ambitions for the future.

Phase Activities:
2.1 Leveraging existing climate efforts,
2.2 Assess your portfolio client or investee company’s relationship with nature,
2.3 Expand nature assessment,
2.4 Value chain implications,
2.5 Existing actions or strategy.

Design

Support your client or investment to design a clear transition plan, highlighting financial implications and climate and nature related impacts.

Target outcomes:
3.1 Identify metrics and KPI needs,
3.2 Linking to expertise and support to create nature transition plan,
3.3 Identify financing needs,
3.4 Identify sector or collective efforts.

Support

Structure solutions, financing or otherwise, that support the nature-positive transition of your client or investment.

Phase Activities:
4.1 Identify current commitments,
4.2 Internal product design and innovations,
4.3 Embed metrics and targets,
4.4 Internal product offering evolution and scaling,
4.5 Identify potential syndication partners.

Review

Monitor progress, support your portfolio clients and investee companies, and further the nature-positive agenda within your financial institution.

Phase Activities:
5.1 Monitoring KPIs, goals and targets,
5.2 Expand institutional knowledge,
5.3 Review existing support,
5.4 Stay informed,
5.5 Provide updates and advocacy.

Set the scene

Open the dialogue by expanding climate-related conversations to include nature and establishing your financial institution as a close partner in your portfolio clients/investee companies’ net zero and nature-positive journey.

Phase Activities:
1.1 Financial institution position and (if available) understanding of exposure to nature-related risks and impacts,
1.2 General topic awareness,
1.3 Client/investment desk research,
1.4 Sector research,
1.5 Regulation and policy awareness.

Assess

Assess your client or investment’s current position on nature and ambitions for the future.

Phase Activities:
2.1 Leveraging existing climate efforts,
2.2 Assess your portfolio client or investee company’s relationship with nature,
2.3 Expand nature assessment,
2.4 Value chain implications,
2.5 Existing actions or strategy.
Set the scene

Open the dialogue by expanding climate-related conversations to include nature and establishing your financial institution as a close partner in your portfolio client’s/investee company’s net-zero and nature-positive journey.

The objective of this stage is to bring nature into existing climate-related engagements, expanding and growing these dialogues and establishing the climate–nature connection.

This stage entails building on how the portfolio client or investee company has integrated climate into its decision making and what awareness they have of how other ecosystem services are vulnerable through a climate change scenario analysis. This analysis will provide a starting point for understanding how those same ecosystem services may be vulnerable to other nature loss drivers (land and sea use change, overexploitation, pollution and invasive species – see How are nature and climate connected? for further details).

Ecosystem services or dependencies, are “nature’s contributions to people”\(^4\). Biodiversity underpins the flow of benefits that people obtain from natural capital, such as air and water purification services, crop pollination and the breaking down of waste.

Ecosystem services have been classified by CISL into five categories:

1. air quality and local climate (eg the regulation of temperature, humidity and pollutants)
2. food and other goods provisions (eg pollination enabling agricultural output)
3. habitat intactness (eg intact habitats reduces the risk of disease)
4. hazard regulation (eg natural resilience, such as mangroves protecting coasts and wetlands and soils locking up pollutants)
5. water security (eg the availability of freshwater).

This is a simplification of a classification by the Swiss Re Institute; it should be noted that other classifications exist (see Ecosystem services classification in the appendix). The purpose of creating five clear, simple categories is so the financial community can begin to relate to how the economy connects to the natural world. See Handbook for Nature-Related Financial Risks for more information.

Some companies may have already expanded their climate efforts by incorporating nature, some may have nature and climate currently siloed, and others may be thinking through nature-related strategies for the first time. Depending on the initial conversations weaving nature (dependencies and impacts) into existing climate efforts, you may need to adapt your engagement to position your financial institution as a key partner in the client’s nature-positive journey.

High-trust conversations will raise opportunities to develop a closer partnership and critical friendship to support your portfolio client or investee company through the changing landscape. A lack of confidence in present-day knowledge of nature need not hold back conversation – exploratory questions can provide the starting point, complemented by existing resources.

Target outcomes of this phase

- Establish your financial institution as a close partner and critical friend in your portfolio client’s/investee company’ nature-positive journey.
- Begin bridging nature-related risks and opportunities into climate-related engagements, building high-level understanding of what ecosystem services are most relevant from a business resilience perspective.
- Increase awareness of the nature-related risks and opportunities facing the portfolio client/investee company and their sector and the imputus for action.
- Reduce perceived complexity and bring clarity as to what ‘action on nature’ means, that is, not ‘only’ investing in conservation and restoration but also working on reducing pressures related to business activities.
- Portfolio client or investee company is now more open to further conversations about how your financial institution can support them in their nature-positive journey.

Wider financial institution collaboration

Examples of how other areas of the financial institution can support relationship managers, portfolio managers and analysts in this phase:

- consistent messaging from C-suite and across the organisation
- understanding of exposure to nature-related risks, impacts and dependencies (typically sectoral/geographical/by asset class)
- internal nature-related strategy that has integrated existing climate efforts (ensuring climate efforts are not harming nature protection and restoration)
- client workshops and outreach
- education courses, materials and regular feedback loops for internal capacity building
- knowledge hub and good organisational signposting of who can help
- case studies on nature-related financing
- aligning incentives for staff
- internal knowledge of participation in collective action groups (eg ClimateAction100, NatureAction 100, Business for Nature).

Key partners for this phase:

- strategy, investment teams, sustainable finance specialists, sustainability and sector research, risk team, credit team, learning and development.
Set the scene

Open the dialogue by expanding climate-related conversations to include nature and establishing your financial institution as a close partner in your portfolio client’s/ investee company’s net-zero and nature-positive journey.

1.1 Financial institution position and (if available) understanding of nature-related risks and impacts: understand your financial institution’s climate and nature commitments and strategy. Locate climate- and nature-related knowledge hubs, policies, products, services and client case studies of relevant nature-positive transactions or strategies. If your financial institution has developed risk assessments related to climate and nature risks across the lending or investment portfolios, familiarise yourself with them.

1.2 General topic awareness: read the nature-positive topic. Engage with colleagues and expand your understanding of nature loss, how it interacts with climate change, and how corporations are responding, both strategically and operationally.

1.3 Client/investment desk: review the investor company’s net-zero and nature-positive journey.

1.4 Sector research: Review how the sector of the company is responding to the strategic analysis. This will help you pitch the case to management’s climate-change, and how corporations are responding, both strategically and operationally.

1.5 Regulation and policy awareness: read the relevant regulations. Your portfolio client or investee company may be subject to in the short, medium and long term. These regulations may include international and national policies, and disclosures as well as thematic campaigns and policies within your financial institution.

HOW can you best prepare?

WHAT impactful questions can you ask your client?

WHERE can you find supporting resources with examples of what good looks like?

1.1

- Climate Action 100
- Nature Action 100
- Capital Coalition: High-level business action on nature
- Assess, Commit, Transform, Disclose (ACT-C) case studies: Demonstrating Business Action for Nature
- Finance Sector Deforestation Action (FSDA) Initiative

1.2

- Into the wild: from nature to investment strategies - AXA Investments
- The Economics of Biodiversity – The Dasgupta Review
- Biodiversity Loss and Land Degradation: An Overview of the Financial Materiality
- NGFS Statement on Nature Related Financial Risks
- Global Assessment Report on Biodiversity and Ecosystem Services by the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) and Intergovernmental Panel on Climate Change (IPCC) co-sponsored workshop report on biodiversity and climate change
- Komming Montreal Global Biodiversity Framework
- THPD - Taxonomy on Nature-related Financial Disclosure
- State Our World Atlas (Flora: Role of the financial sector in the nature translation) - WRI-IPBES and Natural Trust
- Living Planet Report 2022 - WWF
- ShareAction have a lot of content on “what good looks like” for biodiversity (and climate) policies for (tories, Insurers and asset managers)
- Responsible Investor’s: 2019 Biodiversity Report
- Three ways financial institutions can step up to tackle biodiversity loss today: – ShareAction

1.3

- Nature Guide – Green Finance Institute
- Making nature count in Global Finance – The Global Biodiversity Forum
- Nature Action 100 – ShareAction
- The case for action on nature-related financial risks – Global Biodiversity Foundation, biodiversity-making in a nature positive world – CSL
- Nature Benchmarks – World Benchmark Alliance
- GRI 304: Biodiversity 2012 – GRI Standards

1.4

- Banks 2030: Accelerating finance for a low carbon economy – CSL
- The Global Biodiversity Framework – Convention on Biological Diversity
- Integrating Nature: The case for action on nature-related financial risks – CSL
- Finance Sector Supplement – Capital Coalition
- Biodiversity (Environmental, social and governance (ESG) issues)
- Principles for Responsible Investment
- Biodiversity Target setting – 2020 Biodiversity Guidance.pdf (unepfi.org)
- Principles for Responsible Banking

1.5

- Nature for Climate – Nature-based Solutions in action globally
- 2030 Vision Europe Business Case Studies on Nature Realisation
- For the future: how agri-food and climate co-benefit can deliver for nature and climate, 2023 report - Woodland Trust
- ACT-D Case Studies Demonstrating Business Action for Nature – Capital Coalition
- Net Positive Case Studies – Net Positive Nature

Industry Evolution (see resources listed in 1.2 in addition)

- Biodiversity Taxonomy
- Capital Coalition
- Principles for Responsible Investment
- Biodiversity Target setting – 2020 Biodiversity Guidance.pdf (unepfi.org)
- Principles for Responsible Banking

Examples

- Nature for Climate – Nature-based Solutions in action globally
- 2030 Vision Europe Business Case Studies on Nature Realisation
- For the future: how agri-food and climate co-benefit can deliver for nature and climate, 2023 report - Woodland Trust
- ACT-D Case Studies Demonstrating Business Action for Nature – Capital Coalition
- Net Positive Case Studies – Net Positive Nature

- See regulatory pressures and sustainability standards, frameworks and taxonomies sections for more.

Biodiversity regulations globally can be found here: https://portals.iucn.org/
Assess
Assess your portfolio client’s or investee company’s current position on nature and ambitions for the future.

This stage of the engagement process is likely to vary the most amongst portfolio clients and investee companies. Some may have made progress on their nature-related assessments – for example, piloting the TNFD framework – while others may be creating and implementing their climate-related strategy and are not yet considering nature at all.

Regardless of the maturity, this stage seeks to support informed and structured dialogue so you and your portfolio client or investee company can baseline nature-related risks, opportunities, dependencies and impacts. The foremost objective in this stage is to understand the ecosystem dependencies that climate-related scenario analysis conducted by (or about) the company has already highlighted and therefore how strategy and operational adjustments related to climate provide a starting point for assessments related to nature-related dependencies and impacts.

The Leveraging action on climate towards nature section of this Guide can be used to support and explore the relationship between climate and nature and how to leverage the work in the former towards the latter.

The questions and resources presented at this stage are designed to prompt stimulating and ambitious conversations with your portfolio client or investee company. Doing so can allow a more strategic and forward-looking partnership to develop, establishing a baseline about climate and nature action upon which to build. For this reason, data collection and collation from existing climate efforts (TCFD, SBTi) can be considered to support emerging definitions and reporting frameworks (TNFD, SBTN, ISSB). It is also worth noting that the latter nature-focused bodies are actively considering (1) their connection with their climate counterparts and (2) how they connect with one another.

As the process is iterative, you will likely need to return to the Guide to assess the portfolio client or investee company as data, strategies and plans evolve and are revised over time.

**Target outcomes of this phase**
- You and your portfolio client or investee company both understand their baseline position of nature-related risks, opportunities, dependencies and impacts and/or the plans to enhance and grow this assessment – and use existing climate insight to inform this baseline understanding. (Look at existing efforts with assessments catalysed by TNFD and CSRD.)
- Relevant and reliable information is collected to support the direction of the portfolio client’s or investee company’s nature-positive strategy, including existing climate-related risk assessments and data.
- You and your portfolio client or investee company start iterating forward-looking strategic and operational aspirations for their nature-positive journey – from the standpoint of both reducing risks and impacts (‘greening the investment’) and investing with a view to generating positive impacts for nature (‘financing green’).

**Wider financial institution collaboration**

**Examples of how other areas of the financial institution could support relationship managers, portfolio managers and analysts in this phase are:**
- access to databases, methodologies and tools that support the gathering of data and assessments of ecosystem dependencies/services and nature loss drivers at borrower and sector level
- co-ordination of digital solutions that optimise client interaction, for example, a common nature data file that clients prepare to be used by their financiers
- alignment of systems that bring together client onboarding, relationship management (CRM platforms), credit approval processes and TNFD or CSRD reporting
- collaboration with sector specialists and climate and biodiversity specialists to explore related efforts that may have occurred within your financial institution.

These points of collaboration can facilitate the consistency and efficiency of nature-related data collection, sharing, analysis and communication across the bank.

**Key partners for this phase:**
- sustainability team, sustainable finance specialists, credit risk teams, system architects, regulatory and impact reporting teams.
Assess your portfolio client’s or investee company’s current position on nature and ambitions for the future.

2.1 Leveraging existing climate efforts

Assess your problematic or threatening by climate-related risks, have you assessed your dependence or impact on natural resources such as clean water or air?

- What challenges would your company face from climate change? How would they influence existing business processes?
- How might your business be impacted by droughts or flooding? Heatwaves? Poor air quality? Legislated support for suppliers, factory closures and reduced productivity?
- To what extent does your company rely on value chains that are dependent on nature, e.g., agricultural, agro-industrial and food and beverage value chains and those relying on fresh water and/or the aquatic environment?

Are these steps that your company has taken to try and mitigate how access to natural resources or natural supply chains might be impacted by climate change?

2.2 Assess your portfolio client’s or investee company’s relationship with nature

Has your company considered how the decline in biodiversity might impact the future of the business? How is your company exploring nature-related risks and opportunities? Is the approach integrated with climate or in isolation?

Does your company have a biodiversity strategy and, if not, what would it take for your company to develop one? (See CDP’s Developing a Biodiversity Strategy: A pathway for the fashion sector for more).

Does your company have targets related to nature protection and restoration?

Has your company considered your operation’s or supply chain’s impact on the natural world?

Have you considered how your operations depend on the natural world?

2.3 Expand nature assessment: gain more detail on the portfolio client or investee company’s relationship with nature

Consider the five nature lenses that may be present in your company’s direct operations.

- What does your production process of goods negatively impact the natural world?
- How is water sourced and disposed of by your company? Has your company, or your supply chain, experienced challenges regarding erosion, mudslides, flooding, contamination of soil or other disasters? If so, what happened? Were solutions implemented to ensure the company can adapt to/mitigate future impacts?

2.4 Understand value chain implications: evaluate the portfolio client’s or investee company’s awareness of and influence on their supply chain dependencies and impacts on nature-related themes.

Are there processes in place within your company to manage risks related to nature? If so, what are they?

Does your company set KPIs on climate? On nature? If not, do you expect that it will set KPIs in the near future?

Does your company have visibility over the supply chain and whether it is reducing its impact on the natural world?

Does your company have influence over whether your supply chain is reducing its impact on the natural world?

2.5 Assess existing actions or strategy identify the existence of a credible evidence-based transition plan. If this is lacking, it will develop through this engagement process and will expand the portfolio client or investee company matures in their nature-positive strategy and operations.

Are your portfolio client’s or investee company’s relationship with their organisation to connect with the teams and individuals responsible for sustainability and nature-positive transition plans. Familiarise yourself with any escalation strategies your financial institution may have for engagement activities.

2.6 Obstacles: assess the obstacles your portfolio client’s or investee company may face in establishing relationships with their organisation to connect with the teams and individuals responsible for sustainability and nature-positive transition plans.

- Might there be obstacles to reducing your company’s impacts on the natural world?
- Might there be challenges to map and manage your company’s dependencies on the natural world?
- How might your company’s impact and dependence on nature be integrated into operations and capital investment decisions?
- How might your company measure progress towards targets and commitments related to (a) reducing impacts on nature and (b) effectively managing any dependencies on increasingly fragile natural world?

WHERE can you find supporting resources with examples of what good looks like?

- UN Guiding Principles and Framework for Identification – CSIA
- WWF Nature in Transition Plans – WWF
- TCFD (PFES) Reporting and SEI Reporting – These climate assessment tools can be used to start understanding what ecosystem services are critical to a business’s operations (see More on action on climate-related nature section for more information)
- Guidance on biodiversity impact and dependencies (Istanbul) – Partnership for Biodiversity Accounting Financials

LEAP - the risk and opportunity assessment framework – WRI and Nature-related Financial Disclosures
- Resilience and Guidance – Science Based Targets Initiative
- Biodiversity and Ecosystem Services Index – measuring the value of nature – SustainAbility
- Business and Biodiversity – European Commission
- Biodiversity Guidance – CapitalCoop
- Natural Capital Protocol – CapitalCoop
- Capital Approach– CapCo Coalition
- Biodiversity and the circular economy – The Ellen MacArthur Foundation

LEAP – the risk and opportunity assessment framework – WRI and Nature-related Financial Disclosures
- Resilience and Guidance – Science Based Targets Initiative
- Biodiversity Guidance – CapitalCoop
- Natural Capital Protocol – CapitalCoop
- Capital Approach – CapCo Coalition
- Biodiversity and the circular economy – The Ellen MacArthur Foundation

Decision-making in a nature positive world – CSIA

- How will soil degradation amplify the financial vulnerability of particular companies in the food and agriculture value chain?
- How will climate-related risks impact the natural world?
- How might your company’s immediate and future activities impact the protection and restoration of nature?
- Is the company involved in any industry initiatives to measure the value of nature?
- Is the company involved in any industry initiatives to measure the value of nature?
- How do you or your suppliers manage water use, water quality and disposal of liquid waste?
- Has your company, or your supply chain, experienced challenges regarding erosion, mudslides, flooding, contamination of soil or other disasters? If so, what happened? Were solutions implemented to ensure the company can adapt to/mitigate future impacts?
- How is your company exploring nature-related risks and opportunities? Is the approach integrated with climate or in isolation?
- Does your company consider biodiversity strategy
- Has your company, or your supply chain, considered the five nature lenses that may be present in your company’s direct operations?
- What does your production process of goods negatively impact the natural world?
- How is water sourced and disposed of by your company? Has your company, or your supply chain, experienced challenges regarding erosion, mudslides, flooding, contamination of soil or other disasters? If so, what happened? Were solutions implemented to ensure the company can adapt to/mitigate future impacts?
- How is your company exploring nature-related risks and opportunities? Is the approach integrated with climate or in isolation?
- Does your company consider biodiversity strategy
- Has your company, or your supply chain, considered the five nature lenses that may be present in your company’s direct operations?
- What does your production process of goods negatively impact the natural world?
- How is water sourced and disposed of by your company? Has your company, or your supply chain, experienced challenges regarding erosion, mudslides, flooding, contamination of soil or other disasters? If so, what happened? Were solutions implemented to ensure the company can adapt to/mitigate future impacts?
- How is your company exploring nature-related risks and opportunities? Is the approach integrated with climate or in isolation?
- Does your company consider biodiversity strategy
- Has your company, or your supply chain, considered the five nature lenses that may be present in your company’s direct operations?
- What does your production process of goods negatively impact the natural world?
- How is water sourced and disposed of by your company? Has your company, or your supply chain, experienced challenges regarding erosion, mudslides, flooding, contamination of soil or other disasters? If so, what happened? Were solutions implemented to ensure the company can adapt to/mitigate future impacts?
- How is your company exploring nature-related risks and opportunities? Is the approach integrated with climate or in isolation?
- Does your company consider biodiversity strategy
- Has your company, or your supply chain, considered the five nature lenses that may be present in your company’s direct operations?
Design

Support your portfolio client or investee company to design a clear transition plan, highlighting financial implications and climate- and nature-related impacts.

Building on climate- and wider nature-related assessments, you can now determine the best way to support your portfolio client or investee company as they design or enhance their nature-related strategy. Key to this phase is offering the critical support required to enable the company to set a strategy that increases resilience and generates the positive impact needed to overcome the twinned nature loss and climate change crises.

Every portfolio client or investee company will need to design their own nature action plan, which may build upon existing climate action and be part of a wider sustainability and commercial strategy (see example with Nespresso below). The engagement and support you and your financial institution offer will inform the strategy and guide it towards delivering positive outcomes for nature and climate. While designing the strategy in full sits outside the financial institution’s remit, it remains within the relationship manager’s, portfolio manager’s and analyst’s sphere of influence. Your role may include showcasing how existing climate, green and sustainability KPI-linked finance may be supportive of the client’s nature strategy, even if not yet formalised. It may also include highlighting the need for the strategy and signposting useful resources and examples and potential strategic partners. For example, the Mitigation and Conservation Hierarchy can be a useful framing to help identify actions that can mitigate impact and contribute towards nature-positive outcomes (see more in the understanding nature-positive section of appendix).

The key objective of this phase is for the portfolio clients or investee companies to develop a nature strategy that complements and reinforces existing climate-based targets while also ensuring those very climate targets are not at the expense of nature protection and restoration. Critical to the success of action on nature is harnessing the momentum the company has already developed through climate-related efforts. This includes, for instance, considering existing financing and action towards climate change mitigation. Consequently, there will be greater clarity about where associated support will be needed over the short, medium and long term.

Once there are clear nature targets and a strategy in place, you can bring your colleagues together to establish where your financial institution can add value and best support over the short, medium and long term. Actions taken by Nespresso demonstrate how nature goals can build upon existing climate efforts. In 2019, Nespresso partnered with the International Union for Conservation of Nature (IUCN), and published its first biodiversity report in 2021, building upon climate change mitigation efforts. Nespresso identified that the land use change (loss, modification and fragmentation of forest habitats and neighbouring waterway) and pollution from agro-chemicals (pesticides, herbicides, fertilisers) and washing/processing beans were two high-priority pressures negatively impacting ecosystem services upon which the company’s success also depends. Identifying these factors aided the prioritisation of action, culminating in two key goals focused on (1) regenerative and organic agriculture (including agrochemical controls, wastewater management and zero offtake) and (2) conserving natural landscapes (conservation and habitat restoration). This highlights how a nature transition plan can build upon climate change mitigation and adaptation efforts.

Target outcomes

- Portfolio client or investee company has a robust science-based nature-positive strategy that is both complementary to and reinforcing of existing climate-based targets and integral to business operations.
- The strategy of the portfolio client or investee company is approved by the Board, clearly communicated within the organisation and publicised.
- Appropriate metrics and targets have been established to address nature-related strategic and operational implications, which can be embedded into financial structures.
- Any existing climate-, green- or sustainability-focused financing of the portfolio client or investee company has been identified.
- Associated financing requirements towards the nature-positive strategy have been identified over the short, medium and longer term.

Wider financial institution collaboration

Examples of how other areas of your financial institution could support in this phase are:

- giving examples of existing financial support aligned to nature-related targets and strategies within your financial institution (which may include climate-, green- and sustainability-related financing)
- building a network of trusted internal and external partners
- creating a knowledge hub and organisational signposting of who can help, including individuals who may have been part of developing financing around climate-related strategies and subject matter experts on biodiversity and nature
- undertaking transition pathway research and relevant market updates for key sectors.

Key partners for this phase:

- Internal products teams, such as advisory, capital markets, structured finance and sustainability strategy specialists, to design a comprehensive and informed strategy to support the client in their transition. External partners (eg consultants, technology solutions experts, peer comparisons and academia).
## Design

Support your portfolio client or investee company to design a clear transition plan, highlighting financial implications and climate- and nature-related impacts.

<table>
<thead>
<tr>
<th>HOW can you best prepare?</th>
<th>WHAT impactful questions can you ask your client?</th>
<th>WHERE can you find supporting resources with examples of what good looks like?</th>
</tr>
</thead>
</table>
| **3.1 Identify metrics and KPI needs:** build data considerations into your financing plan that consider existing climate-related metrics and KPIs (and relevant financing that may already exist). | Further to conversations in previous phases, what level of KPIs could be embedded into existing sustainable financing solutions to support enhanced action towards nature-related objectives? | - [Sustainability-linked bonds and loans](#) – KPIs – Environmental Finance  
- [Principles for using evidence to improve biodiversity impact mitigation by business](#) – Business Strategy and the Environment, Willey Online Library  
- [Guidance on biodiversity impact and dependency assessments](#) – Partnership for Biodiversity Accounting Financials |
| **3.2 Link to expertise and support to create a nature transition plan:** ensure your client has the expertise and support they need to set, measure and understand objectives, progress and impacts as they build their nature-positive strategy into existing climate-related efforts. | Has your company sought advice in creating a credible nature or biodiversity strategy with science-based targets, metrics and ambitious KPIs?  
What external providers are supporting you?  
Can we help you by connecting you with trusted partners? | - [Resources and Guidance](#) – Science Based Targets Network  
- [LEAP – Risk and Opportunity Assessment Approach](#) – TNFD  
- [Raising the ambition for nature – a fashion, textile and apparel sector primer on the first science-based targets for nature](#)  
[Overview of the SBTN steps: (1) Assess, (2) Interpret & Prioritise, (3) Measure, Set & Disclose, (4) Act and (5) Track through example] – CISL  
- [Decision Making in a Nature-Positive World: Nature-based Solutions for sectors](#) (Water, Food and Beverage, Built Environment and Linear Infrastructure, Finance) – CISL  
- [The Mitigation and Conservation Hierarchy](#) – Conservation Hierarchy |
| **3.3 Identify financing needs:** as your portfolio client or investee company designs their nature-positive strategy, begin identifying what financing needs may be required to successfully deploy the strategy.  
Begin looking into a financing plan over the short, medium and longer term that links to expected investments and working capital flows in support of nature-positive objectives.  
It is key to ensure that financing or support aligned with the nature-positive strategy includes and complements existing financing related to green, climate or wider sustainability efforts. Refinancing with terms relevant to the nature-positive strategy may be needed.  
Every portfolio client or investee company will need to design its own nature action plan, which may build upon existing climate action and be part of a wider sustainability strategy. | Has your company received financing or support related to climate or wider sustainability strategies (circular economy, pollution, waste management, chemical usage, etc)?  
What does that finance look like today? Has it been useful? Have there been positive/negative implications?  
How might financing support your company’s plans in relation to nature – either reducing impacts or managing dependency on the natural world?  
Do you use any current financing to reduce your company’s impact on the natural world, or manage the company’s dependence on key services and resources provided by nature? | - [Natura & Co raises](#) US $1 bn sustainability-linked loan  
- [Maple Leaf Foods Extends Existing $2 Billion Sustainability-Linked Credit Facility](#)  
- [Chile issues](#) World’s first sovereign sustainability linked bond  
- [Fund for Rainforest Restoration - The Wildlife Trusts](#)  
- [UPM signs](#) a EUR 750 million revolving credit facility with a margin tied to long-term biodiversity and climate targets  
- [Burberry signs](#) £300m sustainability-linked loan  
- [Gabon](#) $436 million debt-for-nature swap to fund marine conservation |
| **3.4 Identify sector or collective efforts:** support provided by your financial institution does not need to be all finance-based. Research coalitions, sector initiatives or collective efforts that are happening or could be formed to advance nature protection and restoration. | | - See resources mentioned in [Set the Scene](#) sections 1.2 and 1.4. |
Support

Structure solutions – financing or otherwise – that support the nature-positive transition of your portfolio client or investee company.

At this stage, a forward-looking nature-related strategy has been prepared in collaboration with you and your portfolio client or investee company, perhaps drawing upon additional support from your institution or external expertise. You can now support their financing, liquidity and others needs in line with the nature objectives.

The World Economic Forum estimates that the economic opportunity of nature protection and restoration has a market size of USD 10.1 trillion\(^{43}\). This presents an opportunity to collaborate and innovate with colleagues on a new category of nature-related financial finance/products. For example, Natura & Co, a global cosmetics, fragrance and toiletries company, successfully completed a USD 1 billion bond issue aligned to their Sustainability Vision for 2030 to address climate change and nature loss in an interconnected fashion. The transaction is tied to two environmental performance indicators to be met by the end of 2026: (1) reduction of relative GHG emissions intensity by a further 13 per cent (across scopes 1, 2 and 3) and (2) reaching 25 per cent of post-consumer recycled plastic in packaging\(^{44}\).

Investment strategies and relationships can also provide non-financial support in alignment with nature protection and restoration. For example, BNP Paribas engaged with the Pharmaceutical Supply Chain initiative to urge its 75 members to reduce or stop the use of horseshoe crab eggs, as they are in decline and threatening species within the food chain. While not financial in nature, this effort can support the pharmaceutical portfolio and the financier to meet nature protection and restoration goals\(^{45}\).

Establishing a long-term transition finance partnership may also require the restructuring of old financial facilities that do not serve the nature-related targets and strategy. This phase sits predominantly within your financial institution or the portfolio client’s or investee company’s banking group for syndication consideration.

**Target outcomes**

- Portfolio client/investee company is well supported with their transition plans and setting strategic objectives, (eg through the provision of new financing facilities, restructuring existing products or forming new partnerships and collaborations).
- Portfolio client or investee company is enabled for/committed to addressing nature-related risks, dependencies, impacts and opportunities.
- Parties involved agree on structure and pricing.
- Mandate is awarded and deal is signed.

**Wider financial institution collaboration**

Examples of how other areas of your financial institution could support in this phase are:

- range of solutions across advisory, loan syndication, debt capital markets, foreign exchange, derivatives, cash management, trade finance, leasing, project and asset-based finance
- legal frameworks to support innovation and structuring
- credit risk management and strategy alignment with net-zero direction
- ESG and ratings advisory.

**Key partners for this phase:**

- Product specialists, sustainable finance specialists, credit risk managers, M&A advisory, debt advisory, syndication with other financial institutions.
Support

Structure solutions – financing or otherwise – that support the nature-positive transition of your portfolio client or investee company.

<table>
<thead>
<tr>
<th>HOW can you best prepare?</th>
<th>WHAT impactful questions can you ask your client?</th>
<th>WHERE can you find supporting resources with examples of what good looks like?</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Identify current commitments: identify the current financing and non-financial commitments of your portfolio client or investee company, including those that may be climate or sustainability linked. Determine what remains in scope of the nature-positive strategy and what may need to change to service its updated strategy.</td>
<td>In what ways does your existing financing structure create barriers to achieving nature-positive operations? What non-financial support may be required to meet your nature-positive targets? What issuance or reissuance of financing could support your nature-positive strategy? Bearing in mind nature-related opportunities identified, do you require additional financing?</td>
<td>• See resources shared in the Design phase (3.1, 3.2 and 3.3).</td>
</tr>
<tr>
<td>4.2 Internal product design and innovations: bring together specialist colleagues to innovate financial solutions for the client's transition needs, as determined in the Design phase. Take a customer-centric approach to enhance alignment and create realistic, evidence-based solutions, reimagining the ways your financial institution's activities can help drive positive change.</td>
<td></td>
<td>• Investors ramp up engagement on nature loss – Responsible Investor • Sustainability Linked Bonds Database – Climate Bonds Initiative • Green Bond Principles – The International Capital Market Association • Sustainability-Linked Bond Principles – The International Capital Market Association • Bank 2030: Accelerating the transition to a low carbon economy (CISL, 2020); Section 5 (Financial Instruments) and 6 (Opportunities). • Financing Green – Unlocking Finance for Nature and People – WWF • Seeing the Forest for the Trees – A practical guide for financial institutions to act against deforestation and conservations risks - WWF</td>
</tr>
<tr>
<td>4.3 Embed metrics and targets: embed KPIs or Use-of-Proceeds metrics based on sector-relevant science-based benchmarks. External verification is recommended. Ensure that covenants are not lower than the client’s own targets and that they demonstrate ambitious science-based commitments and additional action that go well beyond business as usual.</td>
<td>Further questions will be driven by the specifics of your financial institution, portfolio client, investee company and product offering.</td>
<td>• Sustainability-linked bonds and loans – KPIs – Environmental Finance • Sustainability-Linked Bond Principles – The International Capital Market Association • Database of Global Data Sources for Biodiversity Conservation Monitoring – IUCN SSC Species Monitoring Specialist Group</td>
</tr>
<tr>
<td>4.4 Identify internal product offering evolution and scaling: your financial institution will need to overcome its own barriers to unlock financing opportunities with clients, such as pricing, creating new products and services and, at sector level, advocating for updated regulation to support a level playing field for a nature-positive economy. There is an opportunity for relationship managers to feed insights into product development, research and policy teams to support a stronger offering.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.5 Identify potential syndication partners: identify potential syndication partners for the transition plan to be fully financed, for example, public/private blended finance. Engage credit risk, legal and any other stakeholders needed to structure appropriate solutions.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Review

Monitor progress, support your portfolio client or investee company and further the nature-positive agenda within your financial institution.

This phase involves reviewing the progress of your portfolio client or investee company in their nature-positive strategic objectives and targets, building upon their existing climate- and sustainability-related efforts. These efforts may include regenerative agricultural practices, recycling and reuse programmes, waste and litter prevention initiatives, increasing energy efficiency, water conservation, circular economy and improved management of chemicals and potential pollutants.

This stage can act as an important means of deepening the relationship with your portfolio client or investee company. It can also be an opportunity to highlight areas for further action and signpost new developments given the rapidly evolving landscape of regulations, data sources, metrics and reporting standards.

It is not expected that this is the conclusion of the portfolio client’s or investee company’s need for support related to their nature strategy. This phase provides a point for pause in the iterative process of engagement that allows space for reflection on (1) the portfolio client’s or investee company’s nature journey, distinguishing where more or less support may be needed over the longer term, and (2) the progression of your financial institution in meeting its own nature protection and restoration targets.

This stage is also about consolidating learnings and sharing ideas about financing solutions or investment opportunities with colleagues. You can also apply your knowledge to other clients that would benefit from your insights and support. In this way, you can continue to work with your client base to monitor their transitions and re-evaluate their financial needs where necessary, revisiting the phases as part of a continuous improvement process.

Target outcomes

- Finance is deployed successfully, and the client invests to deliver the agreed outcomes.
- Negative impacts and biodiversity-related dependencies in the financed activities or assets are reduced; positive impacts and co-benefits are enhanced.
- Tools have been established to monitor progress, measure impact and ensure methodologies and financing remain relevant to the portfolio client’s or investee company’s needs and objectives.
- The financial institution and client have explored avenues for unlocking barriers that could support systemic change and the commercialisation of nature-positive business models.
- Learnings have been consolidated and shared within the financial institution to scale nature-positive action.
- Increased data collection regarding nature protection and restoration.

Wider financial institution collaboration

Examples of how other areas of your financial institution could support in this phase are:

- Ensure high-quality service, monitoring and feedback.
- Ensure reporting structures align with latest requirements to support both bank and client disclosure.
- Policy and sustainability teams update the wider bank with developments relevant to client interactions.
- Group strategy can iterate in response to, and support of, updated client and market needs.
- Centralised knowledge hub is updated to support others as they set the scene and move through the phases of the Guide with other clients.

Key partners for this phase:

Implementation team, sustainability and sustainable finance specialists, credit and risk teams, policy and research teams and senior management.
## Review

Monitor progress, support your portfolio client or investee company and further the nature-positive agenda within your financial institution.

<table>
<thead>
<tr>
<th>HOW can you best prepare?</th>
<th>WHAT impactful questions can you ask your client?</th>
<th>WHERE can you find supporting resources with examples of what good looks like?</th>
</tr>
</thead>
</table>
| 5.1 Monitoring KPIs, goals and targets: ensure monitoring is established so that implementation, progress and impact can be measured and integrated into your financial institution’s reporting. | What more does your company need to improve access to nature-related data? | • Tracking Economic Instruments and Finance for Biodiversity – OECD 2021  
• Global nature-related public data facility – TNFD scoping study  
• In search of impact – Measuring the full value of capital – CISL |
| 5.2 Expand institutional knowledge: consolidate learning and insights that you and your client/investment have gained about the nature-positive transition and associated financing. | How effective has our partnership been in supporting your goals in relation to nature? What have you found beneficial and/or challenging? | • See resources shared in Set the Scene, section 1.2. |
| 5.3 Reviewing existing support: review the financing plan, including existing climate goals and supporting initiatives, at regular intervals to integrate updates in methodologies and financing. Stay in contact with internal and external partners to learn about new sources of finance that would help your portfolio client/investee company to deliver on their nature strategy. | How has the support we provided enabled the company to take advantage of new opportunities? | • Little Book of Investing in Nature examples of keeping up to date with market.  
• European Business & Biodiversity Platform - European Commission provides a forum for dialogue and policy interface to discuss the links between business and biodiversity at EU level.  
• BIOFIN Finance Resource for Biodiversity (FIRE) compiles biodiversity conservation finding opportunities globally. |
| 5.4 Staying informed: as awareness of nature loss and subsequent action for remediation grows, it will be key to remain aware of how climate and nature goals become integrated. In addition, stay abreast of any material controversy that might have adversely impacted your portfolio client or investee company, as this could trigger some internal reviews or repositioning. Understand your organisation’s policies on non-compliance with agreed KPIs or escalation strategies, and inform your client of the consequences if they do not deliver the agreed outcomes. | What further information would it be helpful for us to provide in terms of insights and updates related to nature? | • See resources shared in Set the Scene, section 1.2. |
| 5.5 Providing updates and advocacy: find ways to update your portfolio client or investee company with relevant updates that could help them accelerate nature action at their organisation and advocate for wider changes across their sector. | Do you have sufficient understanding of how your peers and the wider sector are responding to nature-related risks and opportunities?  
Have you thought about joining initiatives and schemes to support broader action and unlock some of the systemic market barriers that may be hindering your progress towards delivering on your nature-positive transition plan? | • Refer to resources in Set the scene.  
• Participation in initiatives can lead to powerful advocacy for change. Look to the We Mean Business coalition, Science Based Targets, B-Corp, World Benchmarking Alliance and World Business Council for Sustainable Development (WBCSD), Business for Nature. |
Conclusion and call to action

The Let’s Discuss Nature with Climate Engagement Guide is motivated by the need to operationalise action that protects and restores nature for the benefit of the financier, business and global society. The Guide aims to empower financiers by emphasising that action on nature is already happening through action on climate. Building on the momentum from existing climate-related engagements, the Guide aims to build capacity and capability for relationship managers and portfolio managers to have meaningful nature protection and restoration conversations with portfolio clients and investee companies.

Financial institutions have taken many steps to mainstream climate action and engagement. This Guide seeks to harness the momentum and expertise developed through existing climate efforts and bridge them into broader action around nature. Indeed, work conducted to understand climate change means financiers are already building knowledge about how portfolio clients and investee companies rely on nature (ecosystem services). Financiers now need to understand how those ecosystem services are influenced by the four other direct nature loss drivers (see figure below). This understanding will ensure that nature-related risks are fully accounted for within financial portfolios, providing confidence in the financial wellbeing of both the corporation financed and the financier. Effective engagement is key to this integration of nature alongside climate into financial decision-making. Defined by a proactive approach, this Guide sees the financier being a critical friend to portfolio clients and investee companies throughout their climate- and nature-positive transition.

The Guide is based around an engagement wheel that includes the resources, questions and methods to open a strategic dialogue with portfolio clients and investee companies. It is intended to be a practical tool to enable financiers to take meaningful action on nature when discussing climate.

We encourage immediate application of the Guide to accelerate nature action in tandem with existing climate efforts. In the coming years, we expect sector roadmaps to provide more specific detail on nature-positive transitions, yet the urgency of the dual climate and nature crises requires immediate action. The Guide shows how action today is possible through building upon climate knowledge and efforts, thus enabling more resilient and future-proofed portfolios that recognise economic opportunity and emergent risks, meeting growing compliance demands.

This Guide supports financial practitioners to act now on the twinned nature loss and climate change crises. Given their global reach, banks and investment managers are ideally positioned to systemically change how finance flows around the real economy and, by extension, what behaviour is valued. Relationship managers and portfolio managers, as the connection points between the financial and real economies, play a critical role in enabling this systemic change. They have the power to disseminate globally the urgency of action on nature and climate and the means to then support action, driving the transformation to an economy that nourishes and nurtures all.

The Let’s Discuss Nature with Climate Engagement Guide is motivated by the need to operationalise action that protects and restores nature for the benefit of the financier, business and global society. The Guide aims to empower financiers by emphasising that action on nature is already happening through action on climate. Building on the momentum from existing climate-related engagements, the Guide aims to build capacity and capability for relationship managers and portfolio managers to have meaningful nature protection and restoration conversations with portfolio clients and investee companies.

Financial institutions have taken many steps to mainstream climate action and engagement. This Guide seeks to harness the momentum and expertise developed through existing climate efforts and bridge them into broader action around nature. Indeed, work conducted to understand climate change means financiers are already building knowledge about how portfolio clients and investee companies rely on nature (ecosystem services). Financiers now need to understand how those ecosystem services are influenced by the four other direct nature loss drivers (see figure below). This understanding will ensure that nature-related risks are fully accounted for within financial portfolios, providing confidence in the financial wellbeing of both the corporation financed and the financier. Effective engagement is key to this integration of nature alongside climate into financial decision-making. Defined by a proactive approach, this Guide sees the financier being a critical friend to portfolio clients and investee companies throughout their climate- and nature-positive transition.

The Guide is based around an engagement wheel that includes the resources, questions and methods to open a strategic dialogue with portfolio clients and investee companies. It is intended to be a practical tool to enable financiers to take meaningful action on nature when discussing climate.

We encourage immediate application of the Guide to accelerate nature action in tandem with existing climate efforts. In the coming years, we expect sector roadmaps to provide more specific detail on nature-positive transitions, yet the urgency of the dual climate and nature crises requires immediate action. The Guide shows how action today is possible through building upon climate knowledge and efforts, thus enabling more resilient and future-proofed portfolios that recognise economic opportunity and emergent risks, meeting growing compliance demands.

This Guide supports financial practitioners to act now on the twinned nature loss and climate change crises. Given their global reach, banks and investment managers are ideally positioned to systemically change how finance flows around the real economy and, by extension, what behaviour is valued. Relationship managers and portfolio managers, as the connection points between the financial and real economies, play a critical role in enabling this systemic change. They have the power to disseminate globally the urgency of action on nature and climate and the means to then support action, driving the transformation to an economy that nourishes and nurtures all.

The Let’s Discuss Nature with Climate Engagement Guide is motivated by the need to operationalise action that protects and restores nature for the benefit of the financier, business and global society. The Guide aims to empower financiers by emphasising that action on nature is already happening through action on climate. Building on the momentum from existing climate-related engagements, the Guide aims to build capacity and capability for relationship managers and portfolio managers to have meaningful nature protection and restoration conversations with portfolio clients and investee companies.

Financial institutions have taken many steps to mainstream climate action and engagement. This Guide seeks to harness the momentum and expertise developed through existing climate efforts and bridge them into broader action around nature. Indeed, work conducted to understand climate change means financiers are already building knowledge about how portfolio clients and investee companies rely on nature (ecosystem services). Financiers now need to understand how those ecosystem services are influenced by the four other direct nature loss drivers (see figure below). This understanding will ensure that nature-related risks are fully accounted for within financial portfolios, providing confidence in the financial wellbeing of both the corporation financed and the financier. Effective engagement is key to this integration of nature alongside climate into financial decision-making. Defined by a proactive approach, this Guide sees the financier being a critical friend to portfolio clients and investee companies throughout their climate- and nature-positive transition.

The Guide is based around an engagement wheel that includes the resources, questions and methods to open a strategic dialogue with portfolio clients and investee companies. It is intended to be a practical tool to enable financiers to take meaningful action on nature when discussing climate.

We encourage immediate application of the Guide to accelerate nature action in tandem with existing climate efforts. In the coming years, we expect sector roadmaps to provide more specific detail on nature-positive transitions, yet the urgency of the dual climate and nature crises requires immediate action. The Guide shows how action today is possible through building upon climate knowledge and efforts, thus enabling more resilient and future-proofed portfolios that recognise economic opportunity and emergent risks, meeting growing compliance demands.

This Guide supports financial practitioners to act now on the twinned nature loss and climate change crises. Given their global reach, banks and investment managers are ideally positioned to systemically change how finance flows around the real economy and, by extension, what behaviour is valued. Relationship managers and portfolio managers, as the connection points between the financial and real economies, play a critical role in enabling this systemic change. They have the power to disseminate globally the urgency of action on nature and climate and the means to then support action, driving the transformation to an economy that nourishes and nurtures all.
Understanding the material financial risk of nature loss

Leading companies recognise that a prosperous business relies upon nature and the ecosystem services it provides. They also recognise that the ‘E’ in ‘ESG’ is about protecting our biodiversity and natural capital, as well as our climate, and that the two are interlinked. Nature’s health is under pressure from global trends in consumption, structural inequalities and economic growth. These pressures create long-term risks to business, citizens and the wider society who depend on nature, which, in turn, poses nature-related financial risks to financial institutions.

The CISL Centre for Sustainable Finance has been working closely with member banks and asset managers to (1) determine a common language and framework, (2) identify and assess the financial risks of nature loss and (3) measure and manage such risks.

CISL’s applied research programme (demonstrated in Figure 5) on financial nature and risk began by mapping the financial materiality of biodiversity and land degradation, underlining why action is needed. The next step saw CISL work with academics and financial institutions to create the Handbook for Nature-related Financial Risks. The Handbook explains key concepts linked to nature loss and financial risk and provides a framework for risk identification. It is designed for financial practitioners with limited prior knowledge of how the decline of nature can put their institution at financial risk. Using the Handbook, member financial institutions of the Banking Environment Initiative and Investment Leaders Group collaborated with CISL on use cases that quantify and assess specific nature-related financial risks. These five use cases provide further evidence of the materiality of financial risks, answering the question of why and how to integrate nature into financial decision-making:

- How soil degradation amplifies the financial vulnerability of listed companies in the agricultural value chain (Robeco)
- Impact of water curtailment on the credit rating of heavy industry companies in East Asia (HSBC)
- The EU Farm to Fork Strategy and Fertiliser Companies (Deutsche Bank and Union Bancaire Privée (UBP))
- Land degradation, UK farmers and indicative financial risk (NatWest Group)
- Mapping exposure to nature-related risks across financial indices (Aon)

The purpose of these use cases is to enable and galvanise further assessments of nature-related risk across the financial system. Detailing the risk assessment process aims to show ways in which the wider financial industry can make such assessments of its own. All financial firms are vulnerable to nature-related financial risks, and the financial materiality of nature loss evidenced constitutes an urgent call to action. To accompany the use cases, CISL published Integrating Nature: The case for action on nature-related financial risks. Bringing together key evidence from research, the report was designed to support senior management at financial institutions in understanding and acting to address nature-related risk, deploying resources and building resilience for their portfolios and institution.

Now is the time for the financial sector to lead in integrating nature into decision-making, managing nature-related risks and catalysing capital reallocation that protects and restores nature. The integration of nature into financial decision making can refresh the relationship between people and planet. Identifying and assessing nature-related financial risks are key steps for creating an economy with nature at its heart.
Operationalising nature action & developing a biodiversity strategy

In January 2020, CISL released *Developing a Corporate Biodiversity Strategy: A Primer for the Fashion Sector*, which focuses on the practical steps (as shown in Figure 6) a fashion company can take immediately in order to develop a biodiversity strategy. It draws on a new approach called the Conservation Hierarchy, a flexible framework that can be used to develop strategy and guide decisions about how a company interacts with biodiversity.

This document sets out eight steps to developing a biodiversity strategy. It aims to outline how a company should inform its actions on and restore biodiversity. In particular, the paper provides guidance on:

- how to engage key decision makers within a company to develop and deliver a biodiversity strategy
- what tools are available to enable the conversation and deliver and develop a biodiversity strategy
- how to structure the decision-making processes
- what types of data are required
- how to reach decisions about biodiversity using available data.

This step-by-step process is designed to support sustainability professionals within fashion brands to develop their own corporate biodiversity strategy.

To ensure that ambitious goals are within the realm of possibility, organisations may consider the mitigation and conservation hierarchy, which "helps all levels and sectors of society to contribute towards such goals, by providing a step-by-step framework to guide identification, implementation and monitoring of specific actions that contribute to overarching biodiversity goals". The framework is structured around four steps: first, avoid impacts; then, minimise impacts as far as possible; then, restore/remediate impacts that are immediately reversible; and finally, offset any residual impacts to achieve a desired net outcome (usually no net loss (NLL) or net gain). This is actioned through the "Four steps for the Earth" process shown in Figure 7.

### Sectoral focus

Nature Action 100, a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss, has identified eight key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030 – a critical threshold scientists say is necessary to avoid more catastrophic climate change and the attendant economic consequences. The eight sectors are (1) biotechnology and pharmaceuticals, (2) chemicals, such as agricultural chemicals, (3) household and personal goods, (4) consumer goods retail, including e-commerce and specialty retailers and distributors, (5) food, ranging from meat and dairy producers to processed foods, (6) food and beverage retail, (7) forestry and paper, including forest management and pulp and paper products, and (8) metals and mining. While it will be key for all corporations to act towards nature protection and restoration, these eight identified sectors are major drivers of nature loss due to their large impacts on habitats and use of natural resources.
Ecosystem services classification

This is a simplification of a classification by the Swiss Re Institute; it should be noted that other classifications exist. The purpose of creating five clear, simple categories is that the financial community can begin to relate to the connection of the economy to the natural world. See Handbook for Nature-Related Financial Risks for more information.

<table>
<thead>
<tr>
<th>Five categories</th>
<th>Swiss Re Institute</th>
<th>ENCORE</th>
<th>IPBES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Air quality and local climate</td>
<td>• Air quality and local climate</td>
<td>• Ventilation</td>
<td>• Regulation of air quality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Climate regulation</td>
<td>• Regulation of climate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Filtration</td>
<td></td>
</tr>
<tr>
<td>• Food and other goods provision</td>
<td>• Food provision</td>
<td>• Fibres and other materials</td>
<td>• Pollination and dispersal of seeds</td>
</tr>
<tr>
<td></td>
<td>• Timber provision</td>
<td>• Soil quality</td>
<td>• Regulation of ocean acidification</td>
</tr>
<tr>
<td></td>
<td>• Pollination</td>
<td>• Genetic materials</td>
<td>• Formation, protection and decontamination of soils</td>
</tr>
<tr>
<td></td>
<td>• Soil fertility</td>
<td></td>
<td>• Energy</td>
</tr>
<tr>
<td>• Habitat intactness</td>
<td>• Habitat intactness</td>
<td>• Maintain nursery habitats</td>
<td>• Food and feed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Genetic materials</td>
<td>• Materials and assistance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Medicinal, biochemical and genetic resources</td>
</tr>
<tr>
<td>• Hazard regulation</td>
<td>• Erosion control</td>
<td>• Buffering and attenuation of mass flows</td>
<td>• Regulation of hazards and extreme events</td>
</tr>
<tr>
<td></td>
<td>• Coastal protection</td>
<td>• Mass stabilisation and erosion control</td>
<td>• Formation, protection and decontamination of soils</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Flood and storm protection</td>
<td>• Regulation of organisms detrimental to humans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Disease control</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mediation of sensory impacts</td>
<td></td>
</tr>
<tr>
<td>• Water security</td>
<td>• Water security</td>
<td>• Ground water</td>
<td>• Regulation of freshwater quantity, location and timing</td>
</tr>
<tr>
<td></td>
<td>• Water quality</td>
<td>• Surface water</td>
<td>• Regulation of freshwater and coastal water quality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Water quality</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Filtration</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Water flow maintenance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Bioremediation</td>
<td></td>
</tr>
</tbody>
</table>

Integration into existing business practices

This section highlights the main areas that will create the enabling conditions within financial institutions to both optimise this Guide and progress its own nature-positive, net-zero journey. For further practical guidance on aligning and integrating the corporate purpose and strategy with the transition to a sustainable economy, see Leading with a Sustainable Purpose and Leadership for a Sustainable Future.

Implementation into banking and asset management systems:

Variations in banking and asset management business models and sustainability strategies mean that the Let’s Discuss Nature with Climate Engagement Guide will require interpretation by banks and asset managers. To ensure effective use of the Guide, organisations should adapt it to align with their strategy and purpose, business structures and own maturity in nature- and climate-related topics.

For most financial institutions, staff education and enhancement will be needed. Tangible examples include setting the financial institution’s own nature-positive milestones and action plan that build upon and consider existing efforts, targets and goals related to climate. Doing so will likely mean enhancing climate-related knowledge hubs and data management to include nature.

The Guide might act as a catalyst for banks and investment managers to review and align working practices, such as product development, engagement processes and client relationship management processes.
Roles and responsibilities:

The Guide offers suggestions about where relationship managers, portfolio managers and analysts are best placed to:

- influence – making the case for nature-positive action that builds upon climate efforts, asking challenging questions and steering product innovations
- guide – signposting actions and resources mapped in this Guide
- control – relationship/portfolio management strategy, financing plans and expanding knowledge and networks.

While the ultimate users of the Guide are client-facing staff, the responsibility for orienting staff on how to use this Guide in the context of each financial organisation will sit with management, such as group sustainability teams and business line heads.

Education:

Education is an essential enabler. Effective client engagement will require client-facing staff to understand key environmental and social challenges and their commercial implications.

This Guide has been designed to be as streamlined and user-friendly as possible. The reality, however, is that client-facing staff may not be able to invest the necessary time to absorb and act on the themes and materials laid out in this document without additional support. Specific training on how to engage with the Guide, coupled with a deeper dive into specific examples, can be very valuable for individuals who do not feel sufficiently empowered to bring their clients along on the sustainability journey and to assess their performance in meaningful ways.

The financial institution’s nature and climate commitments and action plan:

Nature-positive and net zero commitments by banks and asset managers will be essential to engaging with clients meaningfully. A well-thought-out purpose, strategy and action plan will be increasingly important as it will allow all areas of financial institutions to channel resources and mobilise capital towards action in line with nature-positive action, decarbonisation and broader sustainability objectives. Further, financial institutions will be able to better mitigate risk by acknowledging clients or sectors that may be particularly vulnerable to the nature loss and climate change crises.

For example, HSBC Asset Management has published a global approach to Stewardship and Engagement that prioritises biodiversity and nature-based solutions. It focuses on engaging with companies on mitigating and then reversing the negative impacts on biodiversity through key topics, including but not limited to deforestation, regenerative agriculture, responsible husbandry, animal welfare, water management, plastics and pollution and circularity by design. The approach with investee companies includes:

- those with high biodiversity exposure having a biodiversity policies and assessment of the company’s nature-related impacts, dependencies, risks and opportunities
- the company’s plans to mitigate and reverse negative impacts of operations and in the supply chain
- the company’s science-based, time-bound targets to achieve its objectives of mitigating and reversing its negative impacts on biodiversity
- comprehensive reporting on progress towards biodiversity-related targets through existing reporting frameworks and keeping informed of developing frameworks.

Putting these actions into practice will be key to understanding the success of engagement and ultimately driving the impact needed to mitigate and adapt to the twinned nature and climate crises.

Internal culture:

Transforming a business requires a strong commitment and consistent messaging, not only from the C-suite but from all layers of management. This need has been highlighted in CISL research, including The Future of Boards and Banking Beyond Deforestation. Interactions with other departments, whose priorities may differ from those driving the nature-positive and net-zero initiative, may be characterised by friction. Risk management, finance, product lines, IT and HR will all need to be part of the nature-positive and sustainability strategy. It will take organisational commitment for financial institution staff to be trained and empowered, so they need supportive managers to allocate time for these objectives beyond short-term revenue targets. Governance and incentive structures, as well as the distribution of sustainability expertise and partnerships supported by the financial institution, will be vital to effective client interactions as mapped in the Guide and in Bank 2030.

Available resources at your financial institution:

Financial institutions will have different abilities to rise to this challenge, and the value a financial institution can add to the nature-positive and broader sustainability agenda will form a part of the institution’s competitive positioning as the market evolves. There will be trade-offs and investment requirements to innovate and develop skills and solutions. Different governance structures are evolving to address sustainability. Sustainability advisory roles are likely to grow and be adapted to clients’ sustainability maturity types, sizes and sectors, with specialisms in certain topics, such as decarbonisation, nature-based solutions, ending deforestation and social equality. This could take the form of a Sustainability Advisory Group, supporting relationship and portfolio managers to prepare, understand and assist in client meetings, or third-party partnerships with specialist sectoral or geographical knowledge (some of which are included in the resources for each phase). Shared resources or a knowledge hub that staff can access to help with education, including examples of ESG successes, opportunities and failures, testimonials, sectoral benchmarks, academic research, analytical papers and thought leadership. Inclusion of examples of best practice and positive case studies in client engagement can also play a role in developing the dialogue and raising the standards/knowledge of relationship and portfolio managers.

Incentive alignment:

Commercial strategies and incentive structures still lack meaningful links to sustainability and the longer-term perspective that is required for implementation of nature and climate aspects into financial institutions. In both finance and business, C-suite compensation is starting to connect with sustainability performance, but this development is yet to be institutionalised throughout organisations in a way that is easy to measure and reward. Relationship and portfolio managers’ shorter-term goals, incentives and performance agreements will need to encompass sustainability objectives to ensure these outcomes are prioritised, though further work is required on the details to ensure they are effective.
Overcoming barriers to progress

In order to ensure the Guide is fit for use for its target audience, the scope is limited to the most important areas of nature positive and net zero that a typical relationship manager or portfolio manager has the ability to influence, guide or control. The consequence is that some characteristics of the client relationship are not addressed in their entirety in the Guide.

Here, we address some of the main barriers to progress that financial institutions might come across when navigating portfolio client or investee company nature-positive dialogues, financing and action. We hope that users of the Guide can support and advocate for systemic change that removes obstacles.

Client’s or investment’s maturity and willingness to engage:

Navigation of the Guide will depend on your counterpart’s knowledge of nature and climate action and their motivations to act. The Guide will help you determine how advanced your client is and understand the journey you will go on together. This Guide signposts materials you can share with clients that might open up the discussion. In some cases, the financial institution may lack influence over the portfolio client or investee company, and you may meet resistance when trying to engage on this potentially complex topic.

Securing engagement can be challenging, particularly in sectors that have yet to see significant progress or alternative viable solutions. Some sectors are much more challenging because of the nature of their business or the cultures within them. The aim of this Guide is to encourage partnership and proactivity in taking urgent and necessary action at company level, which can quickly drive nature protection and restoration (including decarbonisation) across the economy. Should a client not be willing to recognise the risks or importance of nature loss and climate change and fail out of line with a financial institution’s sustainability policy and targets, the financier should consider the viability of the relationship and the strength of the company’s management and its forward-looking prospects. Financial institutions will begin to recognise the consequences of client inaction in managing their portfolio. In the event of a lack of progress or if engagement does not lead to the desired results, relationship and portfolio managers can take various escalation steps to increase pressure, such as limiting further financing facilities and relocating resources.

The maturity maps below provide an indication of the time and effort spent in each phase as your client transitions to become nature-positive. The actual numbers will vary depending on the portfolio client’s or investee company’s maturity on nature- and climate-related topics and their transition progress. The figures shown are for indicative purposes only.

At the outset

Starting point: you and your client have yet to engage on nature- and/or climate-related topics. Your client is unaware of nature- and climate-related risks and opportunities for their business and does not have a net-zero transition plan.

Outcome: your client understands the need to address nature loss and climate change and the role your financial institution can play in supporting them. They know their starting position and what gaps they have. They get initial guidance from the financial institution to kickstart designing their transition plan.

Where the client is by the end: working to create a robust transition strategy for their business.

Where the financial institution is by the end: has built up a relationship with the client to talk about these complex topics that are new to the client. Established as a preferred partner to support their nature protection and restoration (including decarbonisation) journey.

After this, you and your client work towards developing a robust transition plan and the resulting financing opportunities.

As the client develops their sustainability strategy and transition plans

Outcome: a robust nature-positive and net-zero transition plan backed with science-based metrics is developed, and financing solutions are identified to support the plan. KPIs, Use-of-Proceeds metrics and covenants are embedded in all financing facilities. No metrics are lower than the client’s targets, and they demonstrate ambitious commitments and additional action that go well beyond business as usual.

Where the client is by the end: an ambitious nature-positive and net-zero transition plan with appropriate science-based metrics is developed.

Where the financial institution is by the end: financial solutions are structured for the client to turn their transition strategy into a financed reality. Financial institution-wide innovation may be necessary to develop new solutions to meet your client’s needs.

After this, you and your team work towards monitoring your client’s progress and accelerating their transition.

Monitor your client’s progress and accelerate their transition

Starting point: financial institution and client are in advanced dialogue about the identified financing structures.

Outcome: mandate is awarded and deal is signed. The relationship with your client is deeper, providing an opportunity to explore how ambitions can be scaled and what innovations may be required to enable future rounds of financing.

Where the client is by the end: deploying capital to invest in and deliver on their nature protection and restoration (including decarbonisation) and broader sustainability objectives. The client provides periodic reports on their identified KPIs.

Where the financial institution is by the end: if the client is in line with the nature protection and restoration (including decarbonisation) targets, identifying ways to accelerate their progress. If the client does not deliver the agreed results, taking appropriate actions in line with the covenant’s structure and legal agreements.

You and your client look for avenues to unblock barriers that could support systemic change and the success of nature-positive business models.
Company sector, size and geography

The Guide is currently sector-agnostic and primarily designed for financial institutions’ collaboration with larger corporates, that is, those with the resources to collect nature- and climate-related data and design a transition plan. This population will grow as disclosure, policy and supply chain initiatives expand to encompass more companies. As it is specifically for banks, the Guide does not currently cater for SME client engagement due to different bank coverage models, data and resourcing considerations. However, the BEI is working with partners through the SME Climate Hub to research and develop net-zero finance for the SME market (see Financial innovations for SME net-zero transition: Role of banks and buyers). Policy support for sector nature protection and restoration is likely to increase and to include mandatory nature disclosures by large companies and more stringent regulations (as noted in the Regulatory pressures section). Financial institutions can monitor these and support clients with navigating the financial implications.

Taking a systemic approach that includes broader social economic and environmental considerations

This Guide is focused specifically on nature and climate as they are strong drivers for corporate action in this space, for example, growing pressures from investors, regulators and citizens. This narrow focus provides simplicity as banks and investors build up their capacity to respond to broader sustainability-related risks and opportunities and some of the complex interactions. Users of this Guide need to remain aware of the key interdependencies between nature loss, climate change and wider social and economic themes. For example, social inequalities can hinder progress on climate action, and the clearing of old growth forest for timber or agriculture can provide short-term food and employment but can contribute to climate change and the significant loss of biodiversity\(1\). As these interdependencies require considerable breadth and specialism, client-facing staff would do best to work with specialists — internal and external — to ensure a holistic approach is taken, where externalities are minimised and the full range of UN Sustainable Development Goals are considered\(2\).

Cash and liquidity concerns will be relevant along the nature protection and restoration journey, particularly where there are conflicting priorities in light of macroeconomic conditions, global politics, competition within sectors, a client’s jurisdiction, Covid-19 recovery needs and many other issues. Balancing these factors is not easy and, as noted above, education can be one means of helping client-facing staff and sector specialists to understand some of the key social and environmental limits that we face (see Figure 8)\(3\).

A key role of relationship managers and portfolio managers will be to collaboratively and constructively challenge clients to demonstrate how their business is responding to these various issues. It is easy for many clients to provide stock answers to difficult questions and suggest that potential trade-offs are valid excuses for not taking action on social or environmental issues. If banks and investors are to minimise their exposure to these risks, they will have to work with their clients at scale to deliver systemic, economy-wide change.

Data availability and alignment with other tools and frameworks

The improving scope and quality of data are helping companies and financial institutions develop customised transition plans and financing strategies. It is expected that initiatives including TNFD and SBTN will begin the process of developing harmonised approaches with which to design and execute transition plans, assess decisions and monitor progress.

Though these initiatives are in their infancy, this should not stop progress. The structure of this Guide supports proactivity and ambition despite the continued need for wider-scale and higher-quality data collection, collation and analysis. Fragmentation of approaches is one obstacle to progress, so this Guide aims to help financial institutions align with what their clients might be using and reporting. Where possible, this Guide has taken into consideration leading methodologies and frameworks that are gaining traction in the market, as referenced in the resource column of each phase.

Collaborating across finance:

Client engagement is also highly relevant for other financial actors including asset owners, investment managers and insurance companies that interact with the corporate sector. Understandings and definitions of client engagement vary, and different approaches will be taken due to variation in the levers of change available. For examples, see The ClimateWise Principles Independent Review 2022.

While this Guide has been developed for application in the banking and investment contexts, we hope it can inspire action in the broader business, policy and finance communities, such as the member organisations of the Centre for Sustainable Finance and Corporate Leaders Groups.

---

Figure 8. The Doughnut of social and planetary boundaries. Retrieved from: https://doughnuteconomics.org/about-doughnut-economics
References


6. www.brookings.edu/wpcontent/2019/05/4-360-1959-13769709-4a4


