

New Nature Economy Series

Chapter 1: Nature Risk Rising

Summary brief for business

The World Economic Forum's (WEF) "Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy" report, launched on 19 January, is the first of three chapters, part of their New Nature Economy Series that will be published in 2020. The report comes from the [Nature Action Agenda platform](#) that aims to catalyze a movement of businesses, governments, civil society, academics, innovators and youth to disrupt business-as-usual approaches. The Nature Risk Rising chapter highlights the materiality of nature-related risks for businesses, with the subsequent reports focusing on business opportunities and finance.

The report makes the need for action clear: 15% of global GDP (USD \$13 trillion) is generated in industries which are highly dependent on nature, with a further 37% (USD \$31 trillion) generated in industries which are moderately dependent on nature. Nature loss is already posing a huge risk to business today and will only be exacerbated under a business as usual scenario. Businesses who ignore this trend will be left behind while those who have embraced this transformation will be able to unlock new opportunities.

The New Nature Economy Series is one of two landmark publications to watch for in 2020. The second one is the Dasgupta Review led by the UK Government, that will assess the economic benefits, costs and risks of biodiversity globally, and identify a range of actions that can enhance biodiversity and deliver economic prosperity. The Review will report ahead of the Convention on Biological Diversity (CBD) COP15 which takes place in Kunming, China in October 2020.

This business summary highlights the main points from the Nature Risk Rising report relevant to business. This fits within the broader climate, nature, people global agenda for 2020, which will have a strong focus on both biodiversity and the opportunity of implementing nature-based solutions, as there is no pathway to 1.5°C without halting and reversing nature loss. At the same time, we need to ensure a just transition by putting people at the center.

WANT TO LEARN MORE?

This year WBCSD and WEF signed a Memorandum of Understanding (MoU) with a focus on climate, nature and people. WBCSD is a member of the Nature Action Agenda Steering Committee. We will be seeking nature-based solutions case studies for the next chapter of the New Nature Economy Series to be published alongside the IUCN World Conservation Congress, held from 11-20 June in Marseille, France.

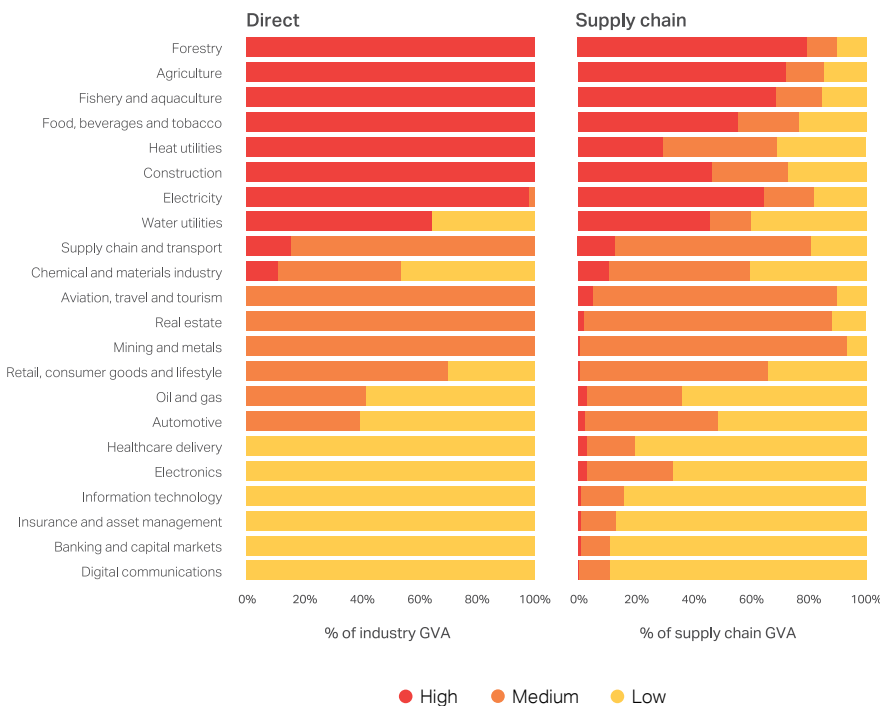
Participate in our workshop on Thursday 13 February to prepare for the CBD's second Open-ended Working Group held in Kunming, China, 24-29 February 2020.

Contact Susanne Kat for more information: kat@wbcspd.org.

Headlines you need to know from the Nature Risk Rising report

- Continuing with the current economic model is undermining the world's capacity to maintain current standards of living.
- Five drivers (changes in land/sea use, direct exploitation, pollution, climate change and invasive species), identified by the [Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services report](#), have accounted for over 90% of nature loss, with changes in land and sea use (led primarily by agricultural expansion) and direct exploitation of plants, animals and materials, accounting for 53% of losses observed.
- The world will not achieve the Paris Agreement or the Sustainable Development Goals (SDGs) if current trends on biodiversity continue. Climate change and nature are inextricably interlinked: if global warming reaches 2°C, one in 20 species will be threatened with extinction. Biodiversity impacts several of the SDGs and is directly linked to for instance SDG 1 (ending poverty) and SDG 8 (decent works and economic growth). Some rural communities account for 50-90% of their total livelihoods on broader ecosystem services.
- Approximately USD \$44 trillion of economic value generation by business that are moderately or highly dependent on nature.
- The WEF's [Annual Global Risks report](#) has highlighted biodiversity loss and ecosystem collapse risk as a mid-to-high global risk for both impact and likelihood for the last five years.
- Together, the three sectors that are most dependent on nature – construction, agriculture and food, and beverages and tobacco – have close to USD \$8 trillion of their gross value added (GVA) (approximately twice the size of the German economy), generated in activities which are highly dependent on nature. Companies need to recognize and respond to the value of nature-based capital as a critical driver for financial growth.

Figure 1: Percentage of direct and supply chain GVA with high, medium and low nature dependency, by industry



Source: PwC

Creating the enabling environment for change

2020 is set to be a turning point for the future. During this 'super year', governments will decide on the next set of targets, policy frameworks and financial mechanisms for the coming decade. With an increasing volatile world, business will need direction and clear guidance from governments on the direction of travel. Business leadership will be needed to advocate for a high ambition and to ensure a successful outcome. The nature agenda links to a number of important global political processes and events this year including the IUCN World Conservation Congress, the UN Nature Summit (New York, September), the CBD COP15 (China, October) and UNFCCC COP26 (9-19 November, Glasgow, UK).

What can business do?

To date, the loss of nature largely remained unaccounted for in standard business models and frameworks. No comparable coordinated action exists for nature loss related risks, yet. Businesses and investors are therefore not recognizing these risks and exposing themselves to the increasing threat of nature loss. This is demonstrated by the failure of many businesses to fully integrate ESG (and particularly nature related) risks into their enterprise risk management systems. On average there is only a 29% alignment between material topics from company sustainability reports and risks that are actively managed and disclosed in financial filings.

Organizations can benefit from closing this gap by understanding and being able to measure, anticipate and adapt to these risks. The Nature Risk Rising report broadly categorizes three ways in which loss of nature and biodiversity creates risks for businesses:

1. Business is dependent on nature – directly for operations, supply chain performance, real estate assets and physical security and business continuity.
2. Direct and indirect impact of business activities on nature loss, which can result in regulatory, market and reputational (including liability) risks.
3. The contribution of nature loss and biodiversity loss to the disruption of the society in which business operates, which in turn can create physical, regulatory and market risks.

There is a strong argument for nature-related risks to be regularly identified, assessed and disclosed by business, as is now routinely the case for climate risks, to avoid risk mis-pricing and inaccurate capital buffers to both short term nature-risk events and more chronic impacts. The [Task Force on](#)

[Climate-related Financial Disclosures \(TCFD\)](#) encourages companies to account for climate risk as other key business risks, making companies' top executives responsible for climate related assessments and disclosures. Nature-related risks can be assessed using categories that are broadly consistent with the climate risk categories as defined in the TCFD.

Nature-related risks can also be incorporated within core enterprise risk management processes, existing ESG processes, investment decision-making, and financial and non-financial reporting, as it is good practice for other environmental risks. The [WBCSD-COSO Guidance](#) is designed to support this process. Using a similar framework across environmental risk categories should enable more efficient and effective integration into business decision-making.

Figure 2: A fit-for-purpose nature-based risk management approach

	The basics	Mature approach
Governance	<ul style="list-style-type: none"> Identify management member responsible for nature-based risks; if possible, the same person should have responsibility for climate and nature Integrate nature considerations into existing environmental risk management, for example, within ERM and/or ESG functions, and the corporate sustainability team Educate key governance functions on interplay between nature and broader ESG risks 	<ul style="list-style-type: none"> Identify board and/or senior management level ownership of nature risk Establish governance structure and process to identify, manage and report nature-based risks and opportunities both to the board and across the organization Identify key board-level committee(s) for nature-based risks and process for informing these (including audit, risk and ESG committees) Integrate performance on nature and climate into incentives for key leadership
Strategy	<ul style="list-style-type: none"> Consider company ambition on nature and how the business wants to be positioned in the market Describe any nature-related risks and opportunities the organization has identified over the short, medium and long term Develop action plan to consider and mitigate key risks and opportunities 	<ul style="list-style-type: none"> Conduct forward-looking scenario planning for nature-related risks and impact on company growth strategy Have clearly defined position and communications about nature, including link to climate Identify and lead partnerships and initiatives in key markets or internationally
Risk management	<ul style="list-style-type: none"> Conduct a high-level assessment of risks to identify hotspots and overall risk level, and any material risks, if present Consider how to integrate material risks into ERM and risk processes, including linkages to climate risk management Decide timeline for risk review 	<ul style="list-style-type: none"> Embed nature risks fully into enterprise risk management processes, alongside climate Conduct detailed analysis of material risks and opportunities including, where possible, effects on impact statements and balance sheets Have a good understanding of organizational resilience and action plan for nature risk and opportunity management
Metrics and targets	<ul style="list-style-type: none"> Develop simple metrics to identify and track nature-related risks and opportunities to products and services, supply chain, and business continuity Integrate nature considerations into targets set for broader environmental impact ambition 	<ul style="list-style-type: none"> Develop and describe the targets used by the organization to manage nature-related risks and opportunities and your performance against these targets Disclose key metrics and targets
	Lower risk sectors	High risk sectors

Source: PwC

The rapidly-evolving need for business leadership

The business community has an opportunity to demonstrate leadership by supporting calls for a Taskforce on Nature-related Financial Disclosures (TNFD) to increase transparency of biodiversity loss and ecosystem collapse to business; to integrate nature-based solutions as a contribution to countries' Nationally Determined Contributions (NDCs) supported by policy and financial mechanisms. This will provide clear guidance to business on where to invest. Business leadership is also required in signaling greater maturity and responsibility by integrating ESG into company governance. WBCSD's resource, The state of corporate governance in the era of sustainability risks and opportunities, provides insight that supports this approach.

Working together to deliver solutions

WBCSD is working with members on solution areas to create and mobilize a collective voice of business and create solutions to deliver against these challenges through the [Climate & Energy Program](#) and the [Food & Nature Program](#), which includes the projects of [Climate Smart Agriculture](#), [FReSH](#), [Natural Climate Solutions](#), the [Soft Commodities Forum](#), and the sector projects [Forest Solutions Group](#) and [Global Agribusiness Alliance](#).

Participate in multi-stakeholder initiatives and business coalition like [Business for Nature](#), the [Natural Climate Solutions Alliance](#), and multi-stakeholder initiatives like the [Food and Land Use Coalition \(FOLU\)](#) and the [Food System Dialogues](#).

Additional resources

Download the full Nature Risk Rising Report and summary [here](#)

This report is consistent with other key reports published over the last year. Please see the UN's [IPCC special report on Land](#), with the business summary [here](#); the [EAT-Lancet Commission on Food, Planet, Health](#) with the business summary [here](#); the [World Resources Report: Creating a Sustainable Food Future](#); and the [WBCSD CEO Guide to Food System Transformation](#).

About the World Business Council for Sustainable Development (WBCSD)

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies. Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our Global Network of almost 70 national business councils gives our members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues. Together, we are the leading voice of business for sustainability: united by our vision of a world where more than nine billion people are all living well and within the boundaries of our planet, by 2050.

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