

NATURE STARTER

Practical steps to integrate
Nature into business strategy

Written by CEOs for CEOs
November 2023



An initiative of
THE B TEAM ▶
Australasia


CLIMATE
LEADERS
COALITION



The Climate Leaders Coalition (CLC) acknowledges and pays our respects to Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia, whose ancestral lands and waters we work and live on.

We honour the wisdom of and pay respect to Elders past and present and acknowledge the cultural authority of all Aboriginal and Torres Strait Islander peoples across Australia.

Foreword

Each year, in line with our purpose of sharing knowledge, testing, collaborating and learning together, we progress practical projects to accelerate decarbonisation of our 50 coalition member organisations.

In 2023, our CEOs recognised the profound importance of embracing the cause of Nature. Why is this important?

Businesses rely heavily on Nature for the raw materials that form the backbone of our products and services. These resources are finite.

Businesses also depend on Nature for essential services such as water, pollination, shade, soil nutrients, and carbon sinks. Their value does not sit on our balance sheets. And just like other business resources, Nature's services are not inexhaustible.

What makes this realisation even more compelling is that Nature isn't merely a vital component of our credible decarbonisation strategy; it also holds the key to our most promising solutions. It's a dual opportunity.

Like scope 3 emissions, addressing natural resources is not a straightforward task, but it is entirely achievable. It requires the same level of value chain transparency and collaboration, and offers the same opportunity for innovation, value creation and cooperation.

Our experience in carbon measurement, climate resilience action plans and modern slavery risk assessment, all of which require value chain transparency, gives us a head start. Recommendations for Nature-related risk management and disclosure through the

Taskforce on Nature-related Financial Disclosures (the TNFD) is a clear signal that expectations of global capital markets, regulators, governments and other stakeholders are shifting. Global mandatory disclosure is likely within 2–5 years.

As CEOs, we must do the heavy lifting now. When we started this work earlier this year, many of our members had completed some form of TNFD pilot and were seeking to take and share pilot learnings to build a business case on Nature.

Seeing an opportunity to get there faster, we designed the Nature Starter Tool (NatSTART) – a digital tool that enables you to prioritise likely material aspects of your exposure to Nature impacts and to build a credible business case for Nature-based assessment. NatSTART is an adjunct to existing Nature Risk Assessment frameworks and does not duplicate or replace the assessment guidance in the TNFD, Science-Based Targets for Nature (SBTN) or similar.

As most companies are just getting started, it was very valuable to have diversity in our working group through companies that have a high reliance and/or bigger impact on Nature involved. While we did not fully realise our ambition, many lessons have been learnt. And while our work is led by Australian CEOs, our value chains and Nature dependencies are global.

We have much more to do. For now, we hope our practical experience, NatSTART tool and roadmap will help you to get started.



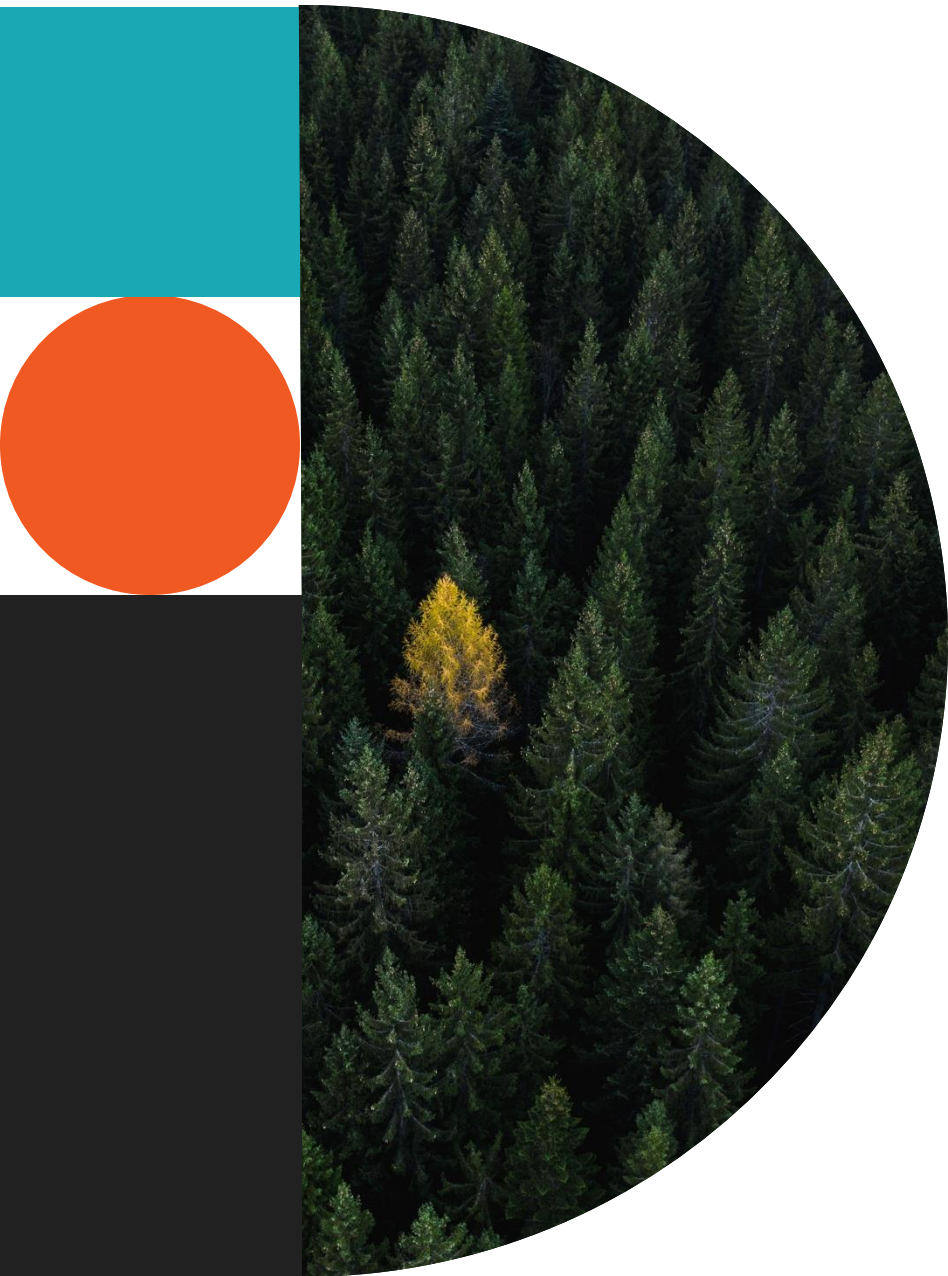
Alastair Symington
CEO Blackmores

'If the CEO is not championing Nature Positive as part of credible transition, who will? It's our biggest opportunity – progressing Nature Positive, delivering circular solutions and addressing scope 3 emissions – all accelerating our net zero progress.'

David Thodey
Climate Leaders
Coalition Co-Chair

John Lydon
Climate Leaders
Coalition Co-Chair

Lynette Mayne
Climate Leaders Coalition
Executive Chair B Team
Australasia



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Executive summary

- Get started on Nature now to understand business risk, future growth and plan for your credible transition.
- Nature connects and amplifies the work many CEOs have already started on scope 3 emissions reduction, modern slavery, circularity and climate. All involve value chain transparency, understanding diverse non-financial indicators and strengthening governance. You already have a starting point.
- The mandatory disclosure for TNFD will be a game changer. What took 15 years with climate is expected to unfold in 2–5 years for Nature.
- Identify the most material areas of Nature risk and develop a cross-functional business case for a Nature-based assessment (such as TNFD LEAP) that will inform your strategy. We've collaboratively designed the NatSTART* tool to help companies get started.
- Nature will have its tension points. Traditional return on investment, value and time indicators may not remain applicable.
- Companies are already positioning for Nature strategies and opportunities.

Now

Incorporate Nature into business strategy and sustainability planning conversations.

6 months

Use NatSTART to narrow down a focus and build a business case for a Nature-based assessment using approaches such as TNFD LEAP.

6 months +

Complete a Nature-based assessment and **set key Nature-based targets** in preparation for disclosure and reporting.

*NatSTART was developed by members of the Climate Leaders Coalition Nature working group. It enables you to prioritise your most material areas of Nature risk and build a business case for Nature-based assessment. It does not replace Nature-based assessments such as TNFD LEAP and/or similar. See page 13.

Nature is the foundation of our business



55% of GLOBAL GDP is moderately or highly dependent on Nature – some US \$58 trillion*

Nature is your number one supply chain partner

As CEOs, we've predominantly focused on assessing our organisations' environmental and social impact through a climate-centric lens. Nature forces us to broaden our perspective and consider the dependence and impact of our operations on soil, air, water and all living things.

Until now, we've enjoyed the benefits of natural resources and ecosystem services such as crop pollination without measuring their true value. The changing model will create significant challenges to business continuity, access to capital and consumer preferences.

Currently, 55 per cent of global GDP is moderately or highly dependent on resources in decline. Determining where your business falls into that 55 per cent is a priority, because understanding our dependency on Nature represents a fundamental shift in perspective.

CLC members involved in our Nature working group are working to prioritise Nature to enhance supply chain resilience and protect income streams threatened by resource depletion. See examples in our Casebook on page 14.



'Nature isn't an additional burden, it's synergistic to your net zero strategy.'

Akanksha Khatri

Head of Nature Action Agenda,
World Economic Forum.

*Source: PwC, Managing Nature Risks: From understanding to action, 2023
<https://www.pwc.com/gx/en/strategy-and-business/content/sb-pwc-2023-04-19-Managing-nature-risks-v2.pdf>

**Source: World Economic Forum & McKinsey & Company, Nature and Net Zero, 2021,
https://www3.weforum.org/docs/WEF_Consultation_Nature_and_Net_Zero_2021.pdf



30% of CLIMATE MITIGATION needed to meet the goals of the Paris Agreement can be provided by Nature-based solutions**

Nature holds the key to solving your climate challenge

While it may seem complex, Nature offers a more straightforward path compared to decarbonisation because it inherently provides solutions. It stands as our primary ally in the battle against climate change, with Nature-based solutions consistently ranking as the most effective way to mitigate against climate impacts.

When Nature becomes an integral part of our business strategy, it has potential to serve as a powerful tool for carbon abatement, safeguard the natural resources vital to your operations, and foster Indigenous employment and a stronger connection to the land. Failing to align our focus on Nature and decarbonisation means missing out on significant opportunities and potentially exacerbating future challenges. See examples in our Casebook on page 14.

Assessing Nature-related dependencies and impacts covers familiar ground. The existing efforts in mapping value chains for addressing scope 3 emissions, environmental assessments and approvals, human rights concerns and modern slavery disclosures, developing reconciliation action plans, pursuing B Corp and cradle-to-cradle certifications, serve as the foundation for formulating Nature strategies. Ultimately, these strategies should aim to restore more natural resources to the planet than we extract. Welcome to the Nature positive movement.

Our business foundations are shifting

Economic value will be assigned to Nature

Agents of change – regulators, capital owners, companies, politicians, NGOs and unions – are moving fast to attach an economic value to Nature.

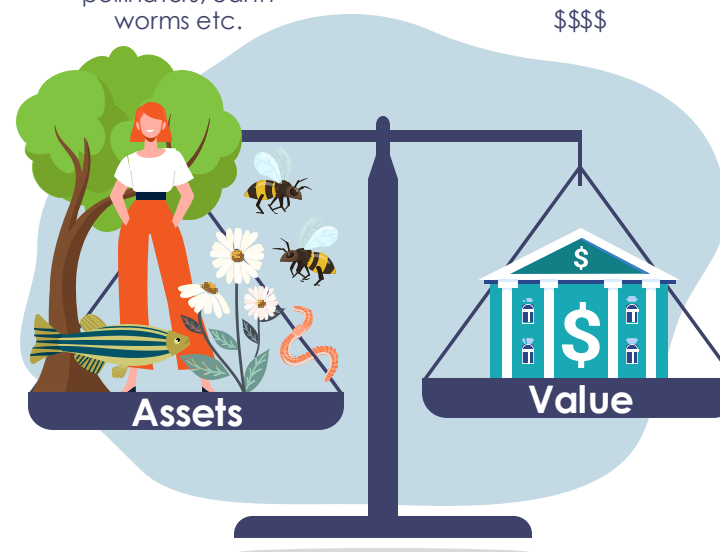
The prevailing view is that the TNFD framework introduced in September 2023 is likely to become incorporated into the International Financial Reporting Standards (IFRS) through the International Sustainability Standards Board (ISSB). This transition is likely to happen more swiftly than with the Task Force on Climate-related Financial Disclosures (TCFD). What took 15 years in the realm of climate has potential to unfold in 2–5 years for Nature.

This acceleration heralds the emergence of an entirely new approach to value creation. Leading jurisdictions like Europe are already attributing economic value to natural resources and ecosystem services, which companies heavily rely on for profitability. As time progresses, government and business are expected to develop a comprehensive 'bio balance sheet' encompassing categories of natural assets monitored and appraised by capital markets, governments, communities and employees.

Simultaneously, a new industry is emerging to help identify dependencies on Nature, and new partnerships are forming as companies devise mitigation strategies.

USD \$150 trillion is the estimated annual worth of ecosystems from biodiversity that businesses exploit for profit, largely for free.*

People, fish, water, shade, trees, pollinators, earth worms etc.



The bio balance sheet



Getting this right will create competitive advantage

As CEOs, we're growth-oriented. This creates a tension with the reductive challenge at the heart of the Nature movement. Current production methods and consumption patterns are breaching planetary boundaries.

Viewed from an efficiency standpoint, we can reduce the resource intensity of products and services and promote the repeated use of each natural resource through circular or regenerative methods. This shift will gradually reshape industrial and manufacturing processes, leading to both winners and losers.

Climate challenged us to find ways to decouple growth from CO² emissions. The next iteration of change will be a multi-criterial economy focused on better community and Nature outcomes.

Let's get started!



'The challenge is to transform our economy from a linear industrial machine that consumes resources relentlessly for growth, to one that is circular and regenerative. This is the First Regenerative Revolution.'

Dermot O'Gorman, CEO, WWF

* Blackrock, "Our Approach to engagement on Nature Capital", <https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-natural-capital.pdf> (original source Boston Consulting Group, "The Biodiversity Crisis Is a Business Crisis." 02 March 2021.)

Reaching net zero is intertwined with Nature

Natural systems play three essential roles in decarbonisation and climate mitigation:

1. They **exacerbate** climate change issues through factors like fires and volcanic eruptions which increase CO₂ emissions.
2. They're **vulnerable** to climate change impacts such as coral reef damage and biodiversity loss.
3. They offer **solutions** to climate change through mechanisms like Nature-based flood protection and enhanced carbon sequestration.

The influence of human decisions significantly impacts Nature. However, this influence is evolving, evident in the rise of sustainability frameworks like TNFD.

New business opportunities have emerged from understanding the connection between climate change impacts and Nature-based solutions.

- Northern Australian Pastoral Company has achieved premium pricing for carbon-neutral beef by integrating sustainable land management with new technologies.
- Climate change is increasing wave energy as a consequence of stronger, more prevalent cyclones.
- Mangroves can be used as a replacement solution for typical concrete sea walls, providing a natural alternative that is more cost-effective and sustainable.
- Nature-based solutions in floodplains act like 'sponge-cities' and work to reduce risks and costs, as well as yield multiple other benefits.



'Recognising the intricate connections between human and natural systems can enhance sustainability, profitability, co-benefits, and social licence to operate.'

Professor Mark Howden

Vice-Chair, Intergovernmental Panel on Climate Change

Nature-based solutions for agriculture*

Decarbonisation	✓	✓	✓		
Climate resilience	✓	✓	✓	✓	✓
Waste reduction and circularity			✓		✓
Good yields	✓		✓	✓	✓
Nature services	Crop pollination and soil health	Carbon sinks	Water purification and regulation	Abundant species	Severe weather protection

Decarbonisation	✗	✗	✗		
Climate resilience	✗	✗	✗	✗	✗
Waste reduction and circularity			✗		✗
Good yields	✗		✗	✗	✗

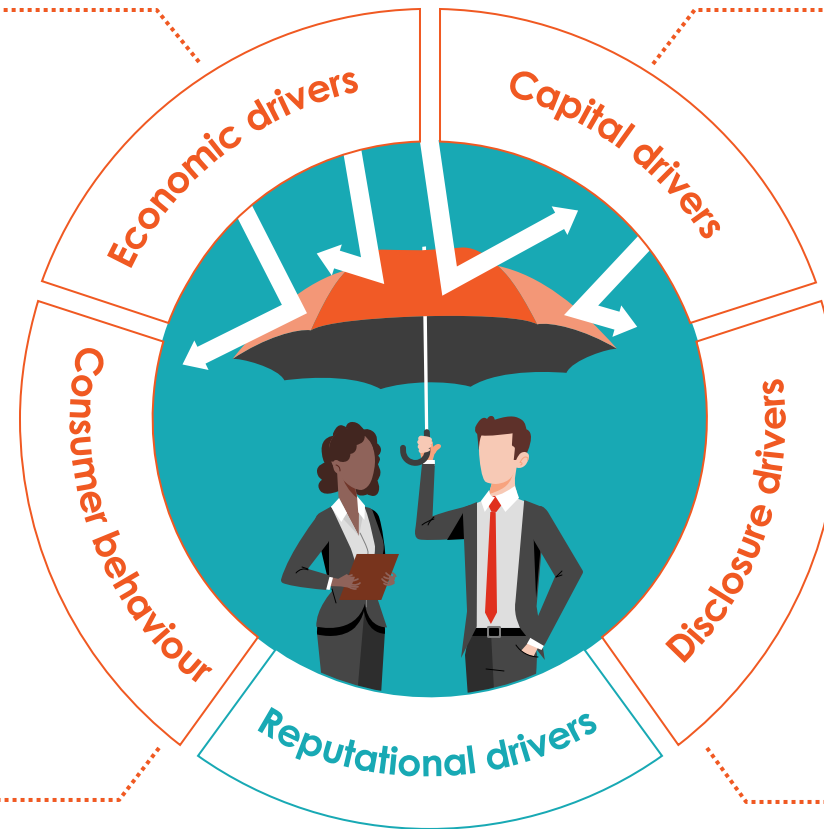
Traditional clearing for agriculture*

*Illustrative example.

How resilient is your business?

Economic value is being attached to natural resources and ecosystem services (flood control, air and water filtration, crop pollination, recreation and more) through mechanisms like Europe's Corporate Sustainability Reporting Directive. We're already seeing companies being denied access to global markets if they're unable to demonstrate Nature positive credentials.

Nature is becoming a social licence to operate for businesses as customers demand higher environmental standards, impacting both business-to-business and business-to-consumer sectors. Governments are introducing Nature-repair clauses in tenders, forcing contractors to upskill their teams in biodiversity and keep their access to government business. Similar clauses will emerge for companies that will play a key role in driving changes in consumer behaviour.



Capital markets seek to finance Nature preservation and are distancing themselves from habitat-harming companies. New sustainable investment criteria in Australia (Sustainable Finance Taxonomy) could affect CEOs' future access to discounted capital. The Australian Government expects the private sector to play a larger role in Nature and biodiversity projects through a revised Nature Repair Market Bill due in late 2023.

The TNFD, released in September 2023, is expected to become mandatory across all jurisdictions within 2–5 years. Your customers are going to start asking for Nature data to satisfy their disclosure requirements. Reporting natural capital statistics will be considered crucial to understanding supply chain risks related to Nature.



'Stakeholders including capital providers will seek to understand credible Nature strategies. That's a significant driver for me, alongside reputation.'

Mark Collette
CEO, EnergyAustralia

'I have critical ingredients exposed to the impacts of biodiversity loss. It's catalysing thinking around new sources of key nutrients that are more climate resilient and how we not only access them sustainably but also influence consumer adoption to successfully transform our access to potent medicines for generations to come.'

Alastair Symington
CEO, Blackmores



The Australian Senate inquiry into greenwashing, due to report on 5 December 2023, will be a litmus test of community and policymaker tolerance around climate and Nature claims and disclosures.

Legal action by the Australian Securities and Investments Commission for greenwashing has made CEOs and boards reluctant about making Nature claims. 'Green hushing' could backfire as consumers demonstrate a growing intolerance towards companies that keep quiet about sustainability goals.



Workbook

Collaborative insights
to get you started

Strategy building blocks: What are your Nature SWOT considerations?*

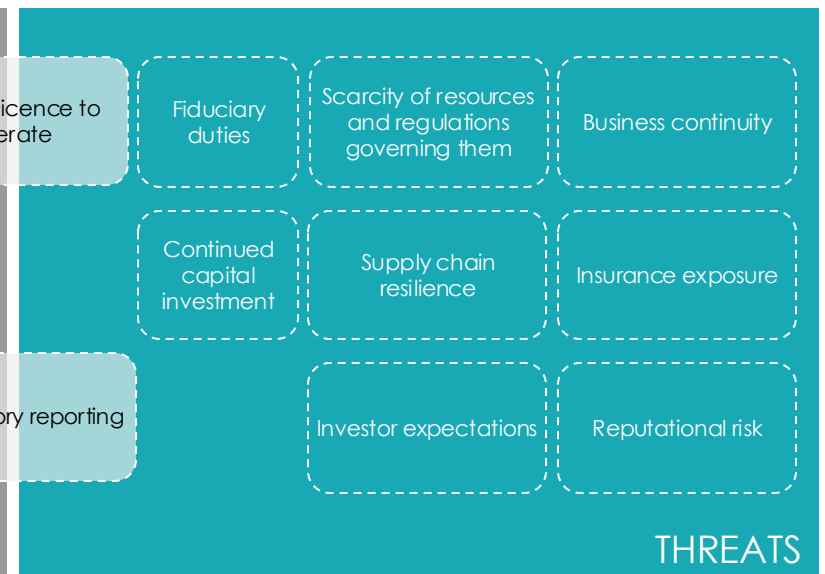
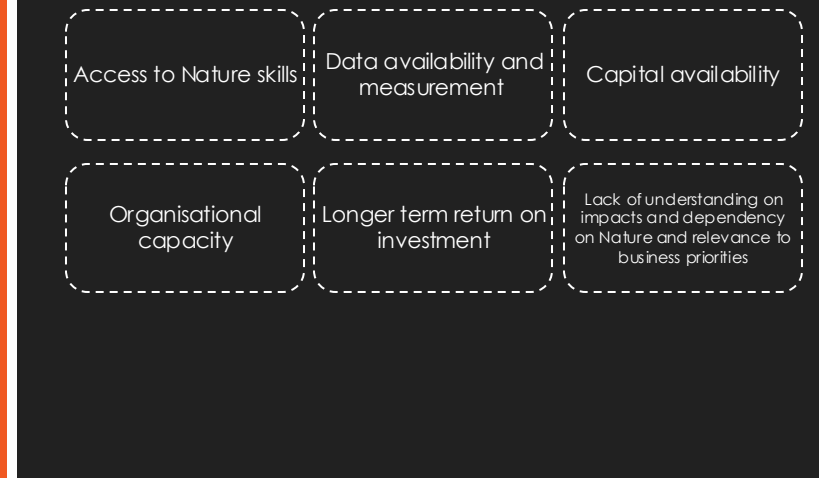
Have you completed your Nature checklist?

- Fiduciary obligations to address and disclose
- Regulatory compliance on Nature
- Exposure to investors with interest in Nature
- Bank financing adjusted for Nature risk
- Insurers evaluating our Nature strategy and risk
- Exposure to customers / buyers / clients with Nature disclosure requirements
- Employee alignment to climate action, environmental and social responsibility
- Community impact and partnerships
- Social licence to operate relies on demonstrating a responsible approach to Nature
- Licence to operate relies on demonstrating a responsible approach to Nature

STRENGTHS



WEAKNESSES



*example SWOT considerations only

Get ready for complex trade-offs



'You can't let perfect stand in the way of good. Sometimes you just have to roll up your sleeves and get started on something.'

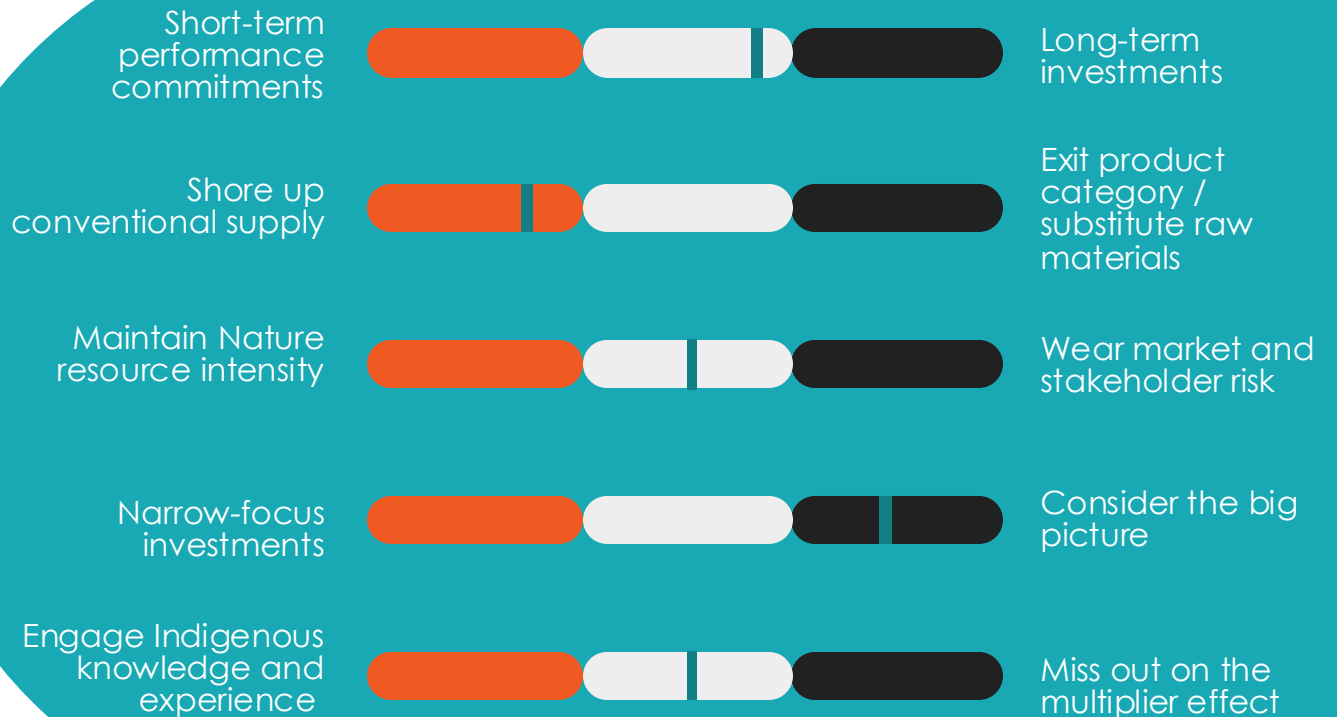
Meg O'Neill
CEO, Woodside

Nature-related financial disclosures will build transparency over your Nature impacts and dependencies.

New approaches to risk management and strategic decision making will be required. For example, you may need to make choices now between short-term performance and long-term value creation.

Exposure to Nature risk will require new approaches and strategic trade offs.

Example Nature strategic trade offs*



*Example trade-offs only

Let's start building a Nature-positive business

The 5 steps to measure, report and reduce Nature impacts and dependencies.



Assess Nature dependency and impact

Education is key. We have a very low awareness of Nature, the increasing value that's being assigned to it, and the impact of this shifting landscape on our businesses. Our sustainability teams are pushing more Nature alerts up to us than our board sends Nature inquiries down. However, the TNFD is a game changer. Already this reporting season, the number and sophistication of institutional investors interrogating Nature strategy and resilience has increased. Gain an understanding of your material Nature dependencies, risks and opportunities, and in parallel, identify skill gaps and ways to address them.



Revisit your strategy

Embed Nature into your business strategy and architecture. CEOs have an incredible opportunity to look at the interrelated issues of carbon mitigation/scope 3 emissions reduction, circular economy, human rights and community engagement together to get a multiplier effect. This also avoids creating bigger problems down the track from operating in silos.



Build a case for transformation

Getting a grip on Nature requires skills that don't currently exist in your organisation. It takes time that your sustainability teams don't have because they're overwhelmed with reporting and can't develop transformation strategies. And it demands investment in field research and data gathering on a scope so broad it feels unmanageable. This is the genesis of **NatSTART** – to help narrow down a focus to get started on Nature assessment as an on-ramp to Nature strategy development, target setting and reporting.



Start building alternative value

Look for other ways of creating value as you develop Nature strategies to counteract the view that everything Nature-related is a balance sheet cost for the first 3–5 years. Some CEOs are doing this through new partnerships, adjacent products and services, or investing ahead of the curve to increase the value of their natural capital portfolio.



Measure and report

Resist the temptation to measure straight away. Find out what your material risks are first. Once you know what to measure, you can figure out how you're going to measure it to establish a baseline and show improvement due to your interventions. Consistency in data gathering and reporting is crucial. You need a credible time series to create an evidence base for uplift. There's no need to be reluctant about market-facing Nature claims, but you should be careful. Only claim it if you can prove it. And be very transparent about qualifiers attached to your claims so they can't be misinterpreted.



Suggested Resource:
Nature Capital Measurement Catalogue
Click [here](#)

NatSTART: Accelerate your Nature journey

How exposed to Nature-related risks are you? Within 2–5 years we will need to answer this question. Very few of us can today.

Organisations will need to report, disclose and manage Nature-related risks potentially within 2-5 years, as the TNFD framework is integrated into IFRS standards through ISSB.

Determining where and how to initiate the TNFD process can at times feel overwhelming.

CLC members have taken proactive steps to get their organisations ready for Nature Assessment (such as TNFD LEAP) through development of a NatSTART tool.

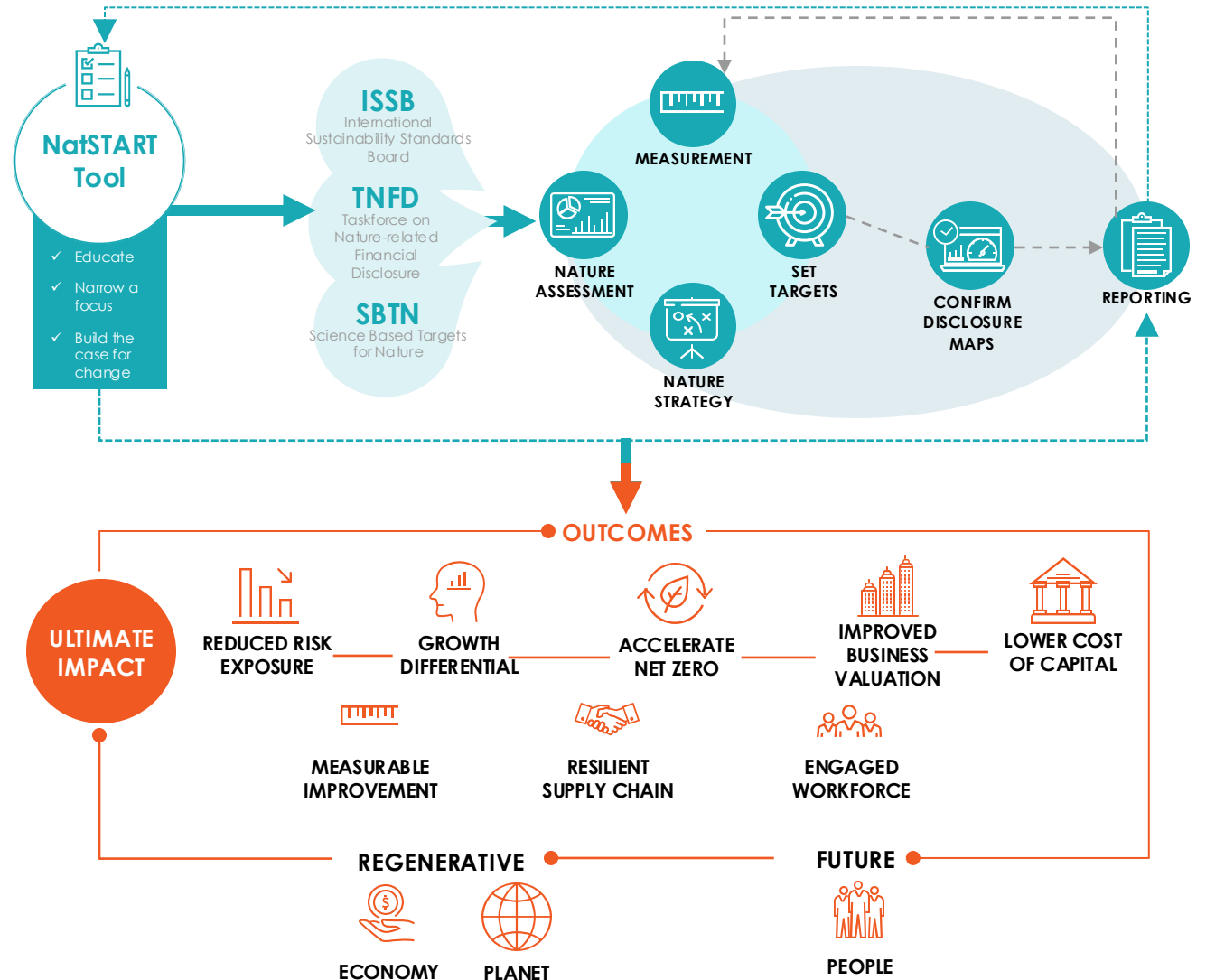
NatSTART empowers CEOs to:

- Prioritise key drivers for embarking on a Nature-focused journey, encompassing high-level risks and opportunities.
- Focus on the most critical value chains, suppliers, assets, and operations.
- Construct a compelling business case for Nature assessment and strategy, securing the necessary resources for skills, capacity, reporting, data, and technology enhancements.



NatSTART*
Climate Leaders Coalition tool to accelerate Nature risk assessment and business case
[Click here](#)

Using NatSTART to inform your Nature assessment and strategy



*NatSTART is available to CLC members only at time of publication.



Casebook

Early learnings from
CLC members getting
started on Nature

Balancing Nature and business

Addressing 5 universal challenges

It's early days, skills are emerging and there are clear data gaps. Based on insights from 8 CLC members embarking on the Nature journey, we've identified key challenges that all businesses will need to address.

Nature is a risk

Nature is having its 'peak oil' moment. The scarcity of natural resources our corporations count on poses a business continuity risk. Zeroing in on the most acute pressure points is complex and will require new skills internally. Gathering the data to inform Nature strategies will call for deeper collaboration with value chain partners than for scope 3 emissions.

Creating alternative value

Nature can be an impact multiplier. The bid to reduce natural resource intensity gives businesses licence to try new things – strike partnerships, substitute ingredients, adopt new farming and industrial practices, or start a different conversation with consumers and communities. This can create value beyond efficiency gains, especially if combined with other sustainability strategies. Businesses are also weighing up the tradeable value of Nature assets on their books.

Driving behavioural change

Reductive and restorative efforts in relation to Nature will be rewarded by consumers, but only if they're doing more than what's expected. Cost of living pressures may see the cost of transition borne mostly at the B2B level. Companies will need to play a leading role in changing consumer behaviour.

The cost of transformation

It's important to identify what other returns you can build in as part of a Nature-related investment case. The investment and return profiles of Nature initiatives are typically longer and lower than CEOs are used to. Nature returns may not align with quarterly reporting cycles or average CEO tenure. As a result, Nature opportunities may not materialise as quickly as they did with decarbonisation.

Collaboration and cooperation

There is enormous scope for collaboration with competitors and those outside your current sphere to reduce the burden of data gathering and arrive at Nature solutions faster and more efficiently. These must be considered and actioned in line with anti-competition regulations. Credibility will be a key component of these partnerships. Reservations about cooperating with rivals may need to be sidelined to crack the Nature nut.





Balancing Nature and business

Nature opportunities

What are the big Nature opportunities?

Circularity is emerging as one of the most obvious areas of opportunity. It seeks to reduce the natural resource intensity of products and services by using commodities multiple times in manufacturing and industrial processes.

Other fast-growing areas are organic farming and plant-based foods, providing products like vegan and organic meat. Our research shows that organic food and beverages could unlock USD \$258bn in opportunities by 2030 in the Asia-Pacific region alone. But the transition may also need to balance stakeholder interests. For example, Italy has just outlawed lab-grown meat in a bid to protect heritage industries.

Another area for business opportunities will be improving efficiencies. Water stress-reducing technologies can help improve positive impact for Nature and the balance sheet.

It's critical this transition doesn't create winners and losers. There's a sense among select CEOs that rapid regulation in the EU could hurt competitiveness. Unlike climate, which produced immediate commercial opportunities in areas such as renewable energy infrastructure, much of what is required for Nature will be an expense line item for the first 3–5 years. Hence, transition finance and regulatory incentives will be critical.

Is there a first mover advantage?

Some CEOs have been given a bold mandate by their board to invest cash reserves in Nature-repair initiatives. For example, L'Occitane is financing lavender farmers in Provence, France for the first 3 years. This move will embed regenerative agricultural practices to restore soil quality and protect production yields, thereby securing their own supply chains. Other commodities on the threat precipice such as coffee and cocoa have attracted similar investments. Unilever has committed to a Euro 1bn fund to invest in climate and Nature across its brands. Some of these corporations are not chasing profit, they're looking for an uplift in valuation.



'Companies are positioning around the opportunity side of Nature.'

Akanksha Khatri

Head of Nature Action Agenda, The World Economic Forum



QUESTIONS FOR CEOS TO ASK

- What is my dependency on Nature?
- What is my impact on Nature?
- How resilient is my business to Nature shocks?
- What skills do I need to properly assess these risks and develop mitigation strategies that could give rise to opportunities?
- What other value can I create as part of a Nature-related investment case?
- What mandate has the board issued around Nature?
- What Nature-based strategies do investors/consumers/regulators expect me to have in place?

Start by doing: Blackmores

We started assessing the impact of climate change on natural healthcare 2 years ago and unearthed 2 sobering facts. Firstly, 80 per cent of the world's developing population rely on natural medicine as their primary healthcare source. Secondly, out of 50,000 herbs used therapeutically, 15,000 are faced with extinction.

Our business is 100 per cent dependent on Nature and we're already feeling the impact of changes to our natural environment on key commodities. As the nation's leading brand in fish oil, disruptions to fishing seasons in key production hubs like Peru pose a risk to business continuity, sales, retail placement, and consumer loyalty.

Piloting a botanical ingredient

With the help of an external consultant, we instigated a trial to assess our reliance and impact on a single botanical ingredient sourced from Northern Asia. Selecting a commercially significant botanical allowed us to test a wide range of parameters, including water, soil, pollination, and climate stability, in a jurisdiction with potential to introduce regulatory change with immediate effect. Access to data cropped up as an early issue. Ninety-eight per cent of Blackmores' ingredient origin is offshore. Nature throws up similar (and additional) data sourcing and sharing challenges as scope 3 emissions. It requires a great deal of trust to reassure distributors that this exercise isn't about eliminating them from the process or characterising them as higher/lower risk partners. It's new information that value chain partners need to supply.

Piloting has helped us to build capability across the business and to understand Nature risks. It has supported the development of a strategic approach to assess the materiality of Nature impacts across our portfolio of ingredients. These are systems and skills that will evolve and develop over time, so there's a clear benefit in getting started.

Boosting business resilience

The more we learnt, the more we realised we didn't know. We're still a long way from systemising and scaling Nature to the same extent as our decarbonisation or human rights strategies. But we did learn some important lessons. The dual sourcing contingencies we had in place are useless if alternate suppliers are in the same region and impacted by the same weather event or Nature-based phenomenon. We're integrating our learnings into our sourcing approaches. We're also applying for dual registrations on products since our licence to operate is often tethered to the extraction of a particular ingredient from a certain source or location.

Driving change

Future-looking opportunities also emerged through the process. We're investigating omega-3 substitutes not just to mitigate against shortages and price shocks but hopefully to also reduce our Nature resource intensity. We're forming new partnerships around consumer behaviour and preferences to support that transition. We need customers on board for our Nature strategy to succeed.



‘Nature is our number one supply chain partner and ensuring it's credibly valued and protected is central to our business resilience.’

Alastair Symington
CEO, Blackmores

QUESTIONS FOR CEOS TO ASK

- How are customer expectations evolving around Nature?
- How will this impact demand for certain products?
- How will this impact cost of goods?
- Are suppliers ready to report on Nature?
- How can we help them?
- What Nature data do we need to collect from value chain partners?
- How will we translate data into actionable insights for our teams, and simplify reporting?
- How can we incentivise suppliers to gather and share Nature data?

Accelerate sustainability strategies: Woolworths Group

How progressed are you in your Nature journey?

It's early days. Woolworths participated in a pilot to assess the readiness of selected supply chains (beef and salmon) to disclose against the TNFD. The pilot also served to identify a range of benefits that could be derived from taking action to support Nature such as decarbonisation and supply chain resilience.

Our business is dependent on healthy natural ecosystems, with the level of risk varying substantially across our many value chains

What early learnings emerged from the pilot?

The pilot taught us some valuable lessons that we'll take into our planning for the management of Nature-based risk in our business. It revealed varying degrees of readiness to report on Nature across our value chains, and even variance within individual suppliers across their businesses.

Did it reveal any opportunities?

Further to our work on the Scope 3 Roadmap, it's clear the improved management of Nature in our supply chains will serve to support our decarbonisation ambition. Notwithstanding its complexity, Nature is sitting there as a massive opportunity for our business given the considerable private and public benefits that improved stewardship of natural resources can deliver.

We know that there will be a cost to transition our value chains to deliver Nature-positive outcomes. We also know that our customers are increasing their expectations of the sustainability of the products they buy while not necessarily being able to pay more – particularly in current economic circumstances. We'll keep looking for ways to bring sustainable products to our customers while delivering value.

What's next?

We need to build on the pilot and assess Nature-based risk across the Woolworths Group. This will include further engagement with our suppliers and investigation into measurement tools to support us on our journey.



‘Acknowledging it's complexity, Nature presents not only a risk, but also an immense opportunity for our business and value chains. The co-benefits of action in relation to Nature are considerable.’

Brad Banducci
CEO, Woolworths Group

QUESTIONS FOR CEOS TO ASK

- How are my key customers' expectations around Nature shifting?
- What implications does this have for my licence to operate or access to key markets?
- Does my net zero plan complement or compete with my Nature strategy?
- If a customer is assessing my company's Nature credentials, what market facing materials can they make a judgement on and do these paint an accurate picture?
- Do I have, or can I create, a product or service that offers competitive advantage in a context where economic value is assigned to natural resources and Nature repair?

Build a sustainable future: Laing O'Rourke

In 2021, we completed a materiality assessment against the United Nations SDGs. This process gave us a clear picture of where we need to focus and how we can have the greatest impact. This is also where we doubled down on scoping and understanding our current impacts and dependencies on Nature, both directly in our operations and indirectly through our value chains. Being in the construction industry, we have an obligation to build a more sustainable future, and this is deeply interlinked with Nature.

Nature and climate align

In the process of developing a high-level heatmap of Nature - related impacts and dependencies, we realised that a key pillar in our carbon mitigation plans created potential to be at odds with our efforts to leave the natural environment in a measurably better state than we found it.

Switching to biofuels, such as hydrotreated vegetable oil (HVO) made from soybean, corn, palm oil and residual animal fats from food processing, is central to our plan to achieve carbon neutrality across our scope 1 and 2 operations by 2030. However, if you're not being selective about which feedstock you're using, biofuels can have adverse biodiversity impacts, including accelerating land clearing resulting in habitat destruction, and soil and water quality degradation.

This is a perfect example of the importance of enforcing strict governance around biofuel procurement, ensuring traceability of supply chains that meet International certification. It also highlights the importance of working on carbon and Nature in parallel. If you don't, you're potentially addressing one sustainability priority at the expense of another. There's a lot of work to be done to ensure we're all addressing sustainability concerns holistically.

Opportunities on the horizon

While progressing on our scope 3 emissions journey and materialising our emissions profile to support our net zero commitment, we completed an initial assessment of our key commodities on not just their relative carbon impact but also their wider impacts. This initial assessment mapped out their respective production processes and lifecycle, with each stage assessed for Nature-related risk impacts as well as their dependencies on ecosystem services and natural capital assets.

We're currently unpacking the full extent of our Nature-related dependencies and impacts across our operations, understanding that this is a continually evolving space. We will continue to report and make meaningful decisions at an organisational level as Nature-related disclosures (TNFD) bring cross-functional teams to the table to assess risks and opportunities.

‘Understanding and addressing sustainability holistically will ensure we're all making responsible decisions that support Nature. We all have a lot of work to do in this space, but it's clear working together is needed to accelerate this journey.’

Mark Dimmock

Acting Managing Director, Laing O'Rourke

QUESTIONS FOR CEOS TO ASK

- How can we further our understanding of our reliance on Nature and our impact on Nature?
- How can we support our most material suppliers to provide data and information?
- Are there partnerships, certifications or industry groups we can collaborate with to share data and ensure its integrity?
- What actions can we take, or change, that will have the most substantial and positive impact?

Embrace the power of partnerships: Wesfarmers

As a large diversified conglomerate, Wesfarmers Group's exposure to Nature is varied and extensive. Our businesses rely upon Nature as the source of raw materials in goods we purchase, and our businesses also have an impact on Nature. For instance through the use of water in some operations.

Wesfarmers completed a pilot study to test and provide feedback on the draft TNFD framework, providing the perspective of a company selling retail products in Australia, sourced from a large set of international suppliers.

The pilot focused on selected timber products sold in Bunnings, and sourced from Australia and Southeast Asia. The pilot deepened our understanding of the role we play in Nature impact upstream, and our reliance on a set of commodities that may be impacted, such as through climate change.

Lessons from the pilot

Nature reporting will be challenging for certain Wesfarmers businesses because complex retail supply chains make it difficult to access Nature-based source data.

The pilot confirmed the use of certifications for raw material inputs, like Forest Stewardship Council® certification of timber and pulp products, is an important risk control.

What's next?

We've mapped a pathway to deepen our understanding of the link between our business and Nature, and to advance our readiness to report against the TNFD framework. We're working to close data and capability gaps.

A screening process to assess Nature risk is critical. We have over 30,000 suppliers and thousands of SKUs. From a purely practical standpoint, we need to narrow our focus down to the commodities we're most reliant on and those that have the greatest Nature impact.

We'll also review our governance measures and look at whether our environmental policy needs to be changed, or a separate one developed for Nature. Policies guide what our divisions do.



“Every business around the world has a responsibility to help protect and preserve our environment. At Wesfarmers, we're working hard to develop strategies to mitigate the impact of our businesses and operations on Nature.”

Rob Scott

CEO, Wesfarmers

QUESTIONS FOR CEOS TO ASK

- What natural assets do we have?
- How do we value them, and how will that value shift over time?
- What trade-offs are we making in Nature investments?
- Do we need to revisit the integrity of our Nature investments in line with stakeholder expectations?
- How are we ensuring the integrity of Nature investments, including outcomes?

Create alternative value: Woodside

Woodside has planted over 10,000 hectares of native trees and shrubs on non-arable land in Western Australia to assist in meeting our internal Corporate emissions reductions targets. This move also secures cost and volume certainty of Australian Carbon Credit Units (ACCUs) in a volatile market to meet our obligations under The Safeguard Mechanism.

The value of broad scale habitat restoration has encouraged us to explore partnership models to expand these efforts, and to add resources to actively manage our land portfolio, like weed and feral animal management, to achieve better biodiversity outcomes.

Building on this, we're currently including 15–25 different species from the remnant bushland in our plantings rather than monocultures. While developing our carbon origination program, we've also realised important employment opportunities and connections to country for First Nations ranger groups and businesses.

Alternative value creation

Nature-based carbon removal is an important ally in our bid to decarbonise. When combined with our Nature and biodiversity work, it is even more valuable from a social licence perspective.

This is an important consideration for governments looking to stimulate private investment in Nature repair projects. Given the clear overlap between carbon credits and biodiversity credits, incentivising investment in projects that deliver superior biodiversity outcomes feels like a win-win; they do more good and create more value.

Integrity issues around carbon credit units have become more well understood internationally and are guiding companies to look for and invest in superior biodiverse assets that also result in carbon removal.

TNFD is a game changer

The landscape in this area continues to evolve. Social expectations continue to be embedded into legislation, including in the Nature-positive realm. After decades of performing environmental impact assessments, we have a good understanding of our impact on Nature. But assessing our dependencies on Nature in line with the new (and at this stage, voluntary) TNFD framework is a new consideration. There's a steep learning curve ahead for us on our Nature journey. We're looking forward to using NatSTART to work through the business case on Nature.



'Industry and governments have an opportunity to work together on the Nature positive journey.'

Meg O'Neill
CEO, Woodside

QUESTIONS FOR CEOS TO ASK

- Could my regulatory licence to operate be impacted by Nature-related risks?
- Could my social licence to operate be impacted by Nature-related risks?
- Does my Nature strategy support continued access to capital at an affordable rate?
- Does my crisis management plan or risk register need to be updated to respond effectively to Nature-related issues and events?
- How do I build on the Nature expertise we have managing direct assets towards thinking about value chains and materials required for the energy transition?

Balance environmental protection and energy security: Energy Australia

Unseasonably high rainfall in 2021 caused flooding in Gippsland, Victoria around the Yallourn power station and mine that supplies approximately 22 per cent of the state's power and 8 per cent of the National Electricity Market. A section of the Morwell River Diversion threatened to inundate the open cut coalmine, potentially disrupting supply and harming the area's natural ecosystems.

Collaboration key to mitigation

A bypass had to be installed to allow repairs to compromised sections of the river diversion. Impacts to Nature and biodiversity were a critical consideration when planning and conducting these works. EnergyAustralia commissioned a team of ecological experts to ensure environmental flows and water quality in the river system were protected in both the short and long term. A multidisciplinary team was established with extensive collaboration between EnergyAustralia, regulators and government and the local community to minimise impacts on the energy system without compromising protection of the natural environment. The works were completed ahead of schedule.

Building credibility with regulators and communities

Urgent approvals to undertake repairs hinged on the ability to demonstrate to regulators that biodiversity risks were understood and that controls had been established. This drove home the importance of working with external experts to design out Nature impacts and risks from the start of the process. It reinforced that the protection of Nature is critical to maintaining not just our licence to operate from a regulatory perspective, but our social licence to operate within communities.

We'll carry these lessons through to our Nature journey. The challenge will be shifting from a compliance lens to considering Nature's economic value from an impact and dependency perspective, particularly as we build the new energy system. We'll move from addressing the impacts of our assets to addressing the reliance and impacts on Nature through our value chains.

This is a complex area. We're starting our journey by assessing our risks and dependencies to determine materiality, while also reviewing Nature considerations for new projects. There's a huge energy transition ahead of us; we must start considering Nature across our evolving value chains.



‘We need to think about Nature in the context of a future supply chain. Our value chain partners, Nature touchpoints and key commodities are shifting dramatically in the global energy transition.’

Mark Collette
CEO, EnergyAustralia

QUESTIONS FOR CEOS TO ASK

- Which strategic projects and partnerships can be scaled to drive broader system-level change?
- Who are potential partners with an aligned vision and expertise to help bring a Nature project to fruition? For example, industry, academia, government and NGOs?
- What is the capacity for this project to enable long-term value creation for our suppliers, brands or business?
- How do we bring our existing key suppliers on the journey with us to enable Nature-positive thinking across their operations?
- How can emerging technologies reduce our business impact on Nature?

Help value chain partners make the leap: Unilever

Unilever's global targets to protect and regenerate Nature focus on 3 areas across our extended supply chain:

1. deforestation-free sourcing for key ingredients
2. regenerative agriculture systems
3. restoring landscapes and preserving water.

We seek to do this by bringing communities, partners and technology together with tools and funding to facilitate the transition to new farming and production methods.

Helping our value chain to make the transition

It takes around 4m hectares of land to grow the raw materials for Unilever products, which are used by 3.4bn people every day. We've been working with farmers to implement regenerative farming practices and protect, conserve and restore natural ecosystems guided by our [Regenerative Agriculture Principles](#) and [Sustainable Agriculture Code](#). This work transcends the boundaries of the farm where our raw materials are grown and looks more broadly on the impact on Nature.

In New Zealand, we funded one of our vegetable farmers to trial new ways of improving soil health which resulted in the need for 50 per cent less fertiliser.

Water stewardship

Water is essential for our business, from manufacturing to growing crops to how people use our products. Responsible management of water is critical to adapting to climate change.

We're reducing water use in manufacturing operations by implementing efficiency projects. Over the past decade, our Tatura site in Victoria has saved over 100,000kl of water through rainwater collection, water reuse, boiler water diversion, changes to cleaning processes and investing in water-saving nozzles and pressure adjustments.

Water use can also be reduced through product innovation – such as locally manufactured Omo Capsules. Our most concentrated laundry format available, they use 80 per cent less water in production.

Allocating funds towards climate and Nature

Our EUR 1bn Climate & Nature Fund drives collaboration with partners and co-financers to scale solutions to reach net zero by 2039. The 4 key investment principles – choosing projects with the greatest impact, fostering partnerships across the public and private sector, providing flexible finance mechanisms to adapt to project needs, and choosing projects that enable value creation – recognise that Nature-positive change hinges on collaboration with others. By the end of 2022, we spent and committed over EUR 200m globally on projects with brands like Ben & Jerry's and Dove.



'We recognise the interdependence our business has with Nature. It's an opportunity to embrace new technologies, respect land management practices of Traditional Owners and trial new approaches with our suppliers to improve yields and source high-quality ingredients.'

Nick Bangs
CEO, Unilever ANZ

QUESTIONS FOR CEOS TO ASK

- How am I going to measure Nature to establish a baseline and show improvement due to our interventions in a quantifiable way?
- What's the Nature claim I want to make?
- What's the purpose of my claim? For example, ecological, financial or reputational?
- What am I going to measure to support my claim?
- What qualifiers do I need to apply to my claim so it's not open to misinterpretation?

'Collaboration is the most efficient way to gather robust environmental data at a regional and site scale. It reduces the regulatory burden associated with Nature significantly.'

Prof Owen Nevin
CEO, WABSI



Measure and report: Accounting for Nature and The Western Australian Biodiversity Science Institute (WABSI)

How do you measure Nature?

Avoid the instinct to measure straight away. Work out what your material risks are first. Come back and measure when you've got a strong plan and clear purpose/claim for measuring the state of Nature.

Should I be making Nature-related or Nature-positive claims?

To make credible Nature-positive claims you've got to measure the state of Nature using scientifically rigorous methods and be very transparent about the qualifiers attached to claims so that they're not open to misinterpretation. Claiming to be a Nature-positive business is likely going to be very hard to prove in many cases. A Nature-positive product is a bit easier. A Nature-positive asset, like a farm, forest or fishery, will be the easiest to prove because that's where the restoration generally happens. The TNFD framework is of limited help in this regard because it focuses on material Nature-based risks in your supply chain. It's not designed to make claims in the market around Nature yet.

What are some of the challenges businesses face in sourcing Nature data?

It depends how removed from the source you are. Some asset owners have ecological teams in the field gathering data as part of business as usual. They're considering alternative revenue streams focused on selling that information to big supply chains looking for ecological data to support Nature claims in the next 2–3 years.

While the TNFD has prescribed over 100 tools to help support Nature-risk disclosure, many of these high-level datasets are more appropriate for screening for Nature risk and lack the granularity corporates and investors need to make claims at a property/asset level. Currently, you need to get on the ground to figure out what's happening under canopies and so on, until satellite, remote sensing and other technologies (such as acoustics) develop to advanced levels with the help of AI and can provide an accurate representation of condition.



Shared Environmental Analytics Facility

The Western Australian Biodiversity Science Institute (WABSI) has created a data-sharing collaborative so organisations can make environmental assessments, report, and forecast at a regional and site-specific level. Click [here](#) to visit their website.

'Nature is really difficult to measure. Hopefully, we can apply some of the lessons learnt from climate, so we don't liquify the integrity of the market straight away.'

Adrian Ward
CEO, Accounting for Nature

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To the CEOs involved



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Brad Banducci

Woolworths Group



Rebecca Hanley

Laing O'Rourke – Australia



Mark Collette

EnergyAustralia



Meg O'Neill

Woodside



Nick Bangs

Unilever ANZ



Rob Scott

Wesfarmers

Your leadership and willingness to address Nature with the same level of importance as climate and all other pressing CEO priorities is heartening.

Thank you for focusing your time and people on this work. The sharing of cross-industry knowledge and insights has been hugely valuable to accelerating Nature for all.

To our leads of this work

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Thank you for working together to deliver this initiative. Your passion to simplify the complexity of Nature, educate as we go and get more CEOs started on addressing their Nature risks, dependencies and impacts is inspiring and impactful. Your commitment to 'make soil sexy' is revolutionary!

To the CEO delegates who willingly stepped into new territory, supported and learnt from each other

This work is yours to be proud of. Thank you for your input, review and belief in the value of NatSTART. We know this will change the game for CLC organisations on Nature next year and potentially non-CLC organisations soon after.

Anthony McMullen (Woodside), Brooke Sprott (Unilever), Colin Dimitroff (Blackmores), Damon Tweedie (EnergyAustralia), Emily Pritchard (Laing O'Rourke), Kylie Ashenbrenner (Wesfarmers), Sally Townsend (Blackmores) and Troy Nixon (Woolworths Group).

To our thought partners

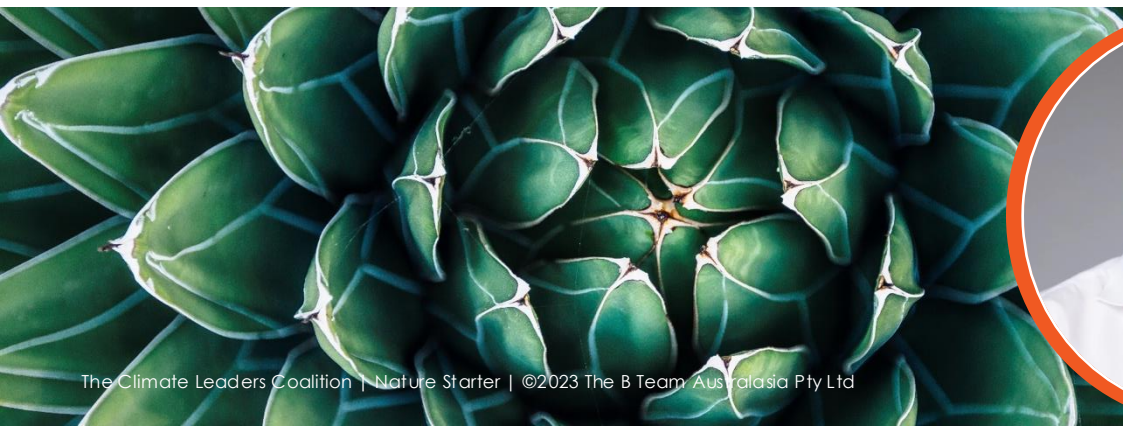
Thank you for helping us address Nature with the holistic lens, urgency and practicality it deserves.

- Accounting for Nature
- CSIRO
- PwC Indigenous Consulting
- The World Economic Forum
- The World Wide Fund for Nature
- Intergovernmental Panel on Climate Change

To PwC Australia

Your collaborative leadership, Nature and regulatory expertise, and conviction to simplify Nature to get CEOs started is a superpower.

Thank you all. This is just the beginning!



‘Natural capital risks affect us all. Over the next few years, financial disclosures will turn up the heat on Nature – we shouldn't wait for this to happen. It's time to focus on ecosystems not egosystems.’

Kevin Burrowes

CEO, PwC Australia

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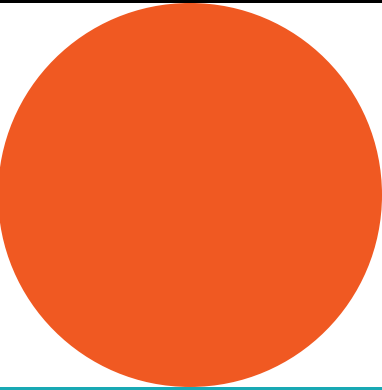
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