

Taking action on nature

How to get started

January 25, 2024

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Agenda for today's webinar

- | | |
|-------------|--------------------------|
| 12:00-12:05 | Welcome and framing |
| 12:05-12:15 | Taking action on nature |
| 12:15-12:35 | Panel discussion |
| 12:35-12:45 | Audience Q&A |
| 12:45-12:50 | Path forward and closing |

Our virtual presenters for today

McKinsey hosts



Jason Eis

Partner

McKinsey & Company



Anne Kronschnabl

Partner

McKinsey & Company



Josh Katz

Partner

McKinsey & Company

Panelists



Erin Billman

Executive Director

Science Based Targets
Network (SBTN)



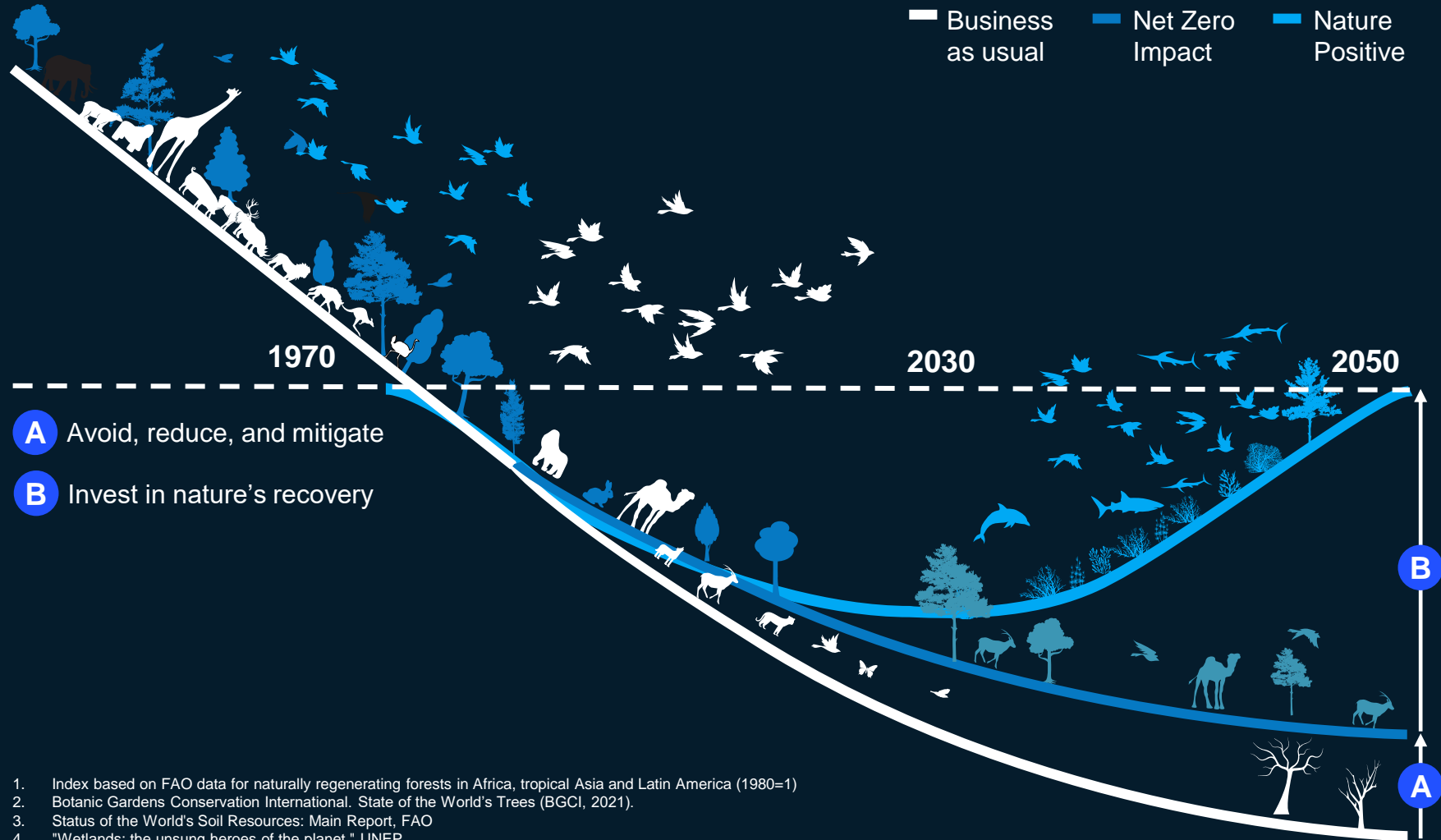
Tony Goldner

Executive Director

Taskforce on Nature-
related Financial
Disclosures (TNFD)



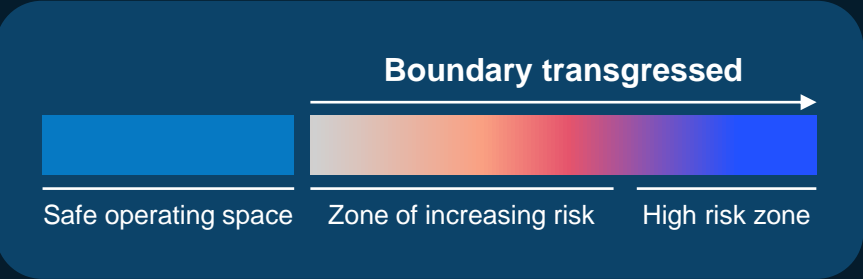
The decline of the natural world is undeniable – and the pivot to recovery is urgent



- 20%** Decline in forested areas¹
- 30%** Tree species threatened with extinction²
- 1/3** Of topsoil degraded³
- 85%** Of wetlands lost⁴
- 50%** Of coral reef system lost⁵
- 3X** Plastic pollution over the planetary boundaries⁶
- 68%** Decline in wildlife populations⁷

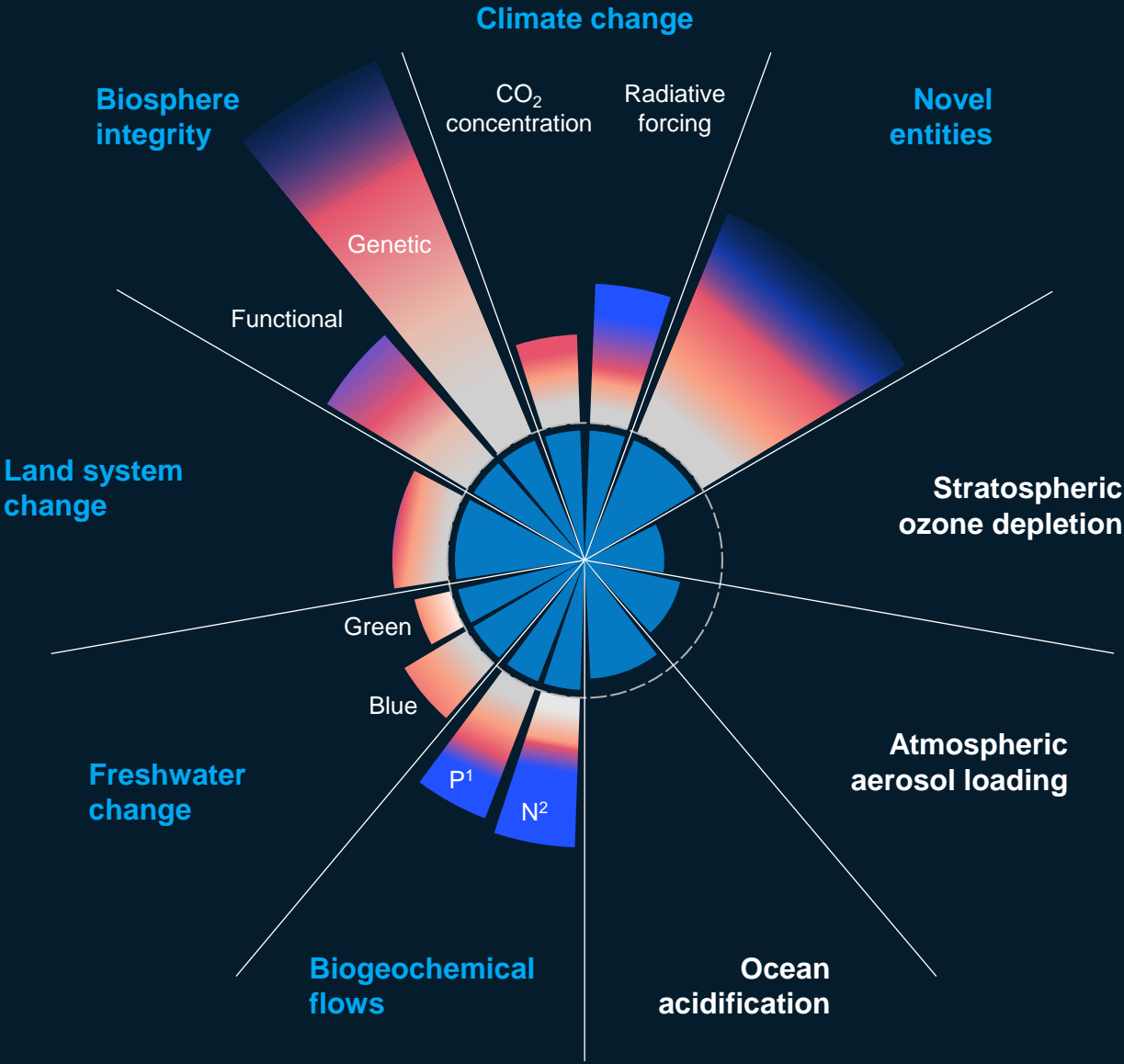
1. Index based on FAO data for naturally regenerating forests in Africa, tropical Asia and Latin America (1980=1)
2. Botanic Gardens Conservation International. State of the World's Trees (BGCI, 2021).
3. Status of the World's Soil Resources: Main Report, FAO
4. "Wetlands: the unsung heroes of the planet," UNEP
5. Global decline in capacity of coral reefs to provide ecosystem services, One Earth, 17 Sep 21
6. *Outside the Safe Operating Space of the Planetary Boundary for Novel Entities*, Environmental Science & Technology, 2022
7. Based on Living Planet Index (1970=1)

The Planetary Boundaries framework opens our aperture beyond emissions – we are currently beyond the safe limit for **6 out of 9** boundaries and at risk of significant harms on **8 out of 9**



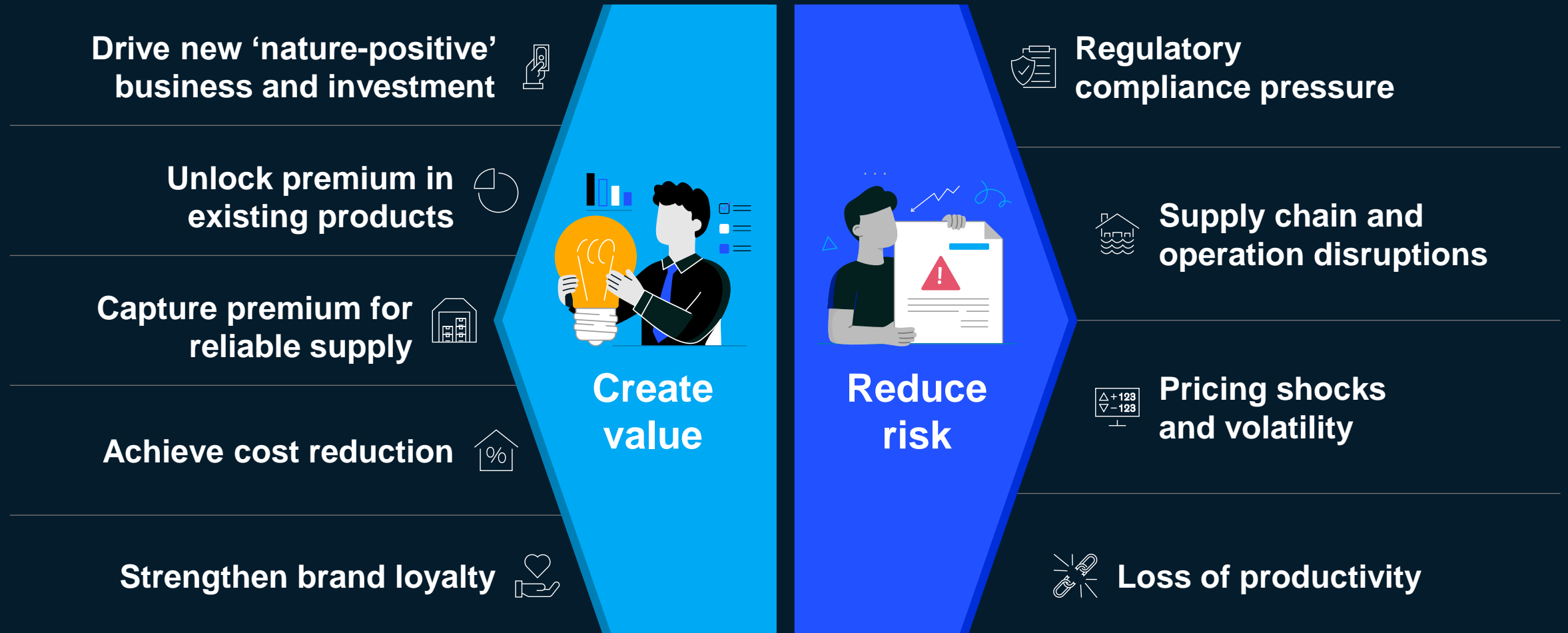
1. Phosphorus
2. Nitrogen

Source: ["Earth beyond six of nine planetary boundaries"](#) (Richardson et al 2023), company websites and sustainability reports

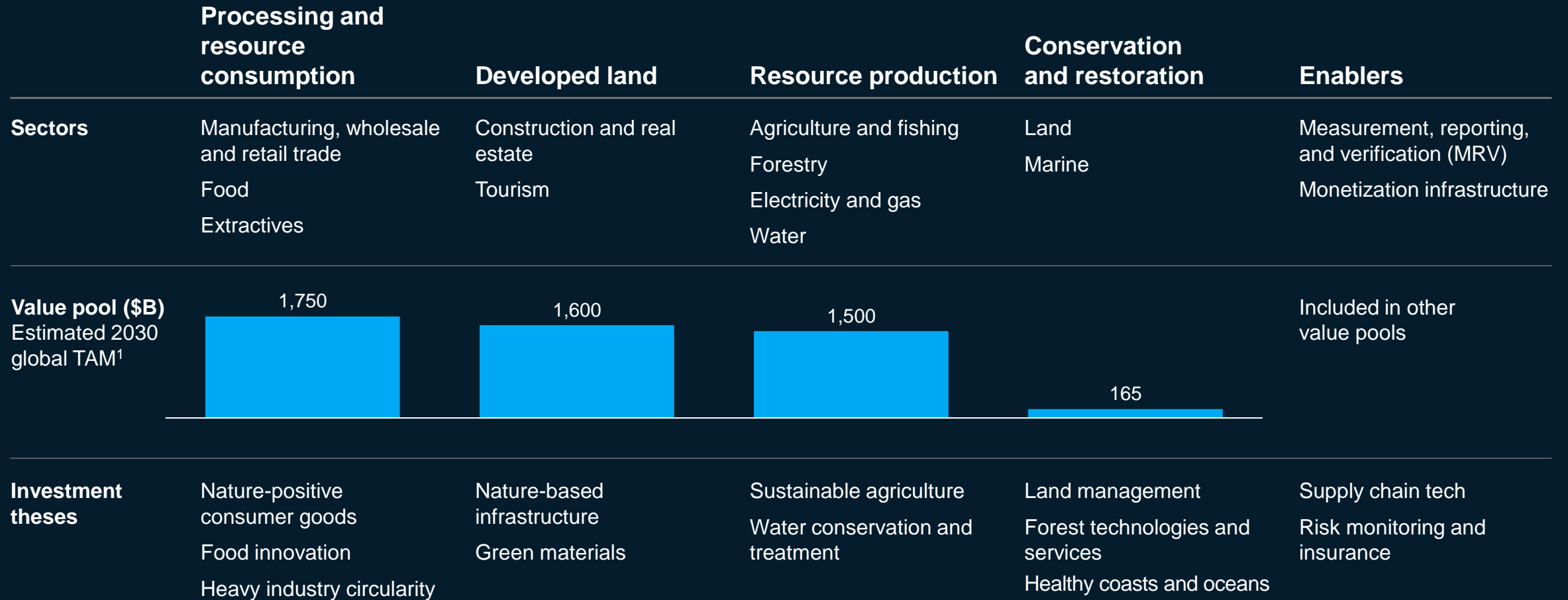


Managing nature-related opportunities and risks can create business value, reduce risk, and build organizational resilience

Companies can maximize opportunity by 'playing offense' and taking a holistic lens on ESG and nature goals



Shifting to a nature-positive transition will require substantial capital investment and unlock significant opportunities

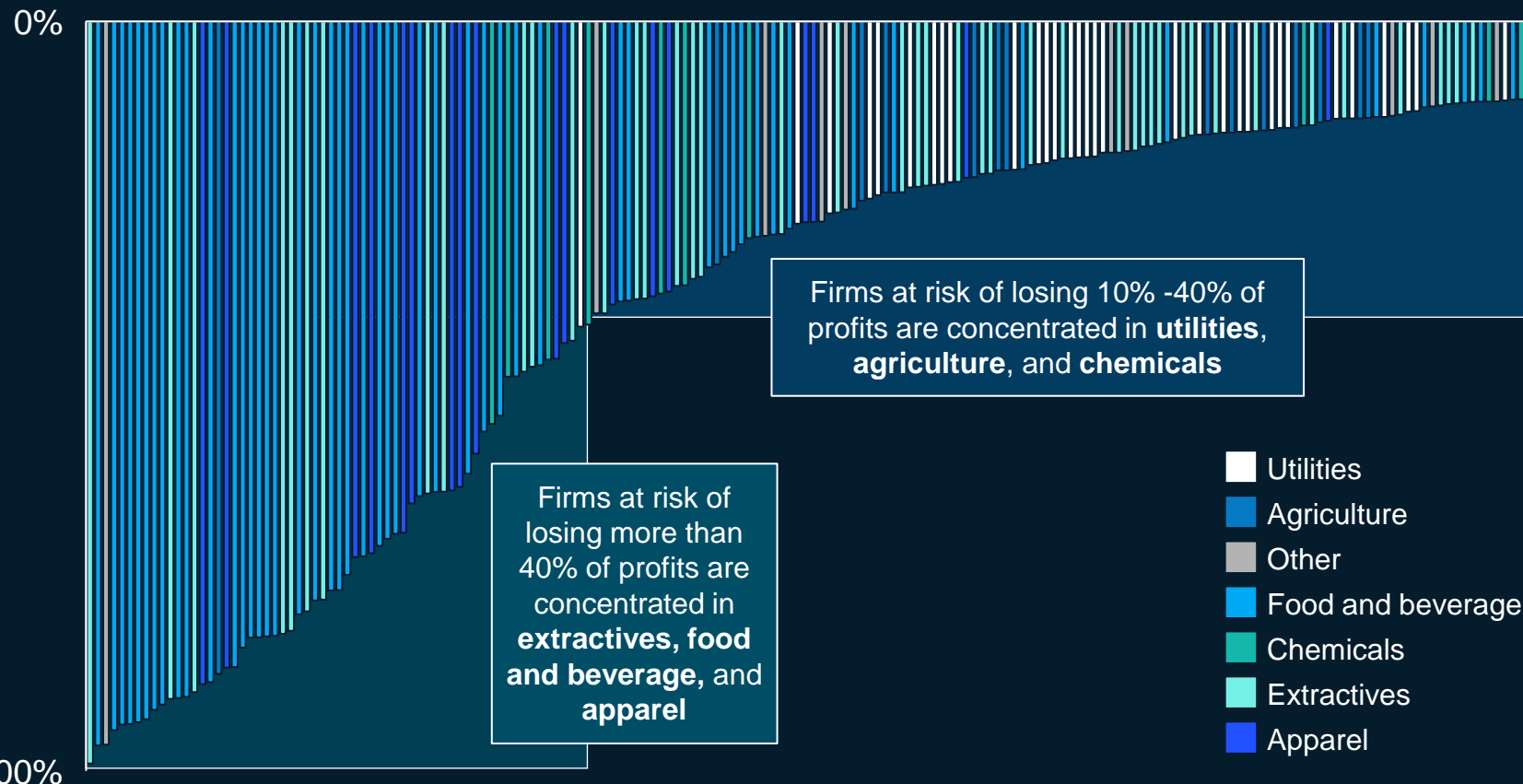


1. TAM represents capex + annualized opex required under a scenario aligned with meeting the goals of the Global Biodiversity Framework (GBF). This includes nature-positive transformations for key sectors, nature-based solutions, and enabling technologies.

180 large, publicly traded companies could see profit losses beyond 10% by 2030 if they do not manage their nature risks¹

Companies¹ at risk of losing more than 10% profits due to nature risks

% change in profits², all sectors, Unmitigated GBF-aligned scenario, 2030



Historic case studies

TN Taskforce on Nature-related Financial Disclosures | BloombergNEF

Wildfire liabilities for a major utility led to bankruptcy and \$5.36B settlement

Mining company stock price decline of 18% after new **mining regulations** announced

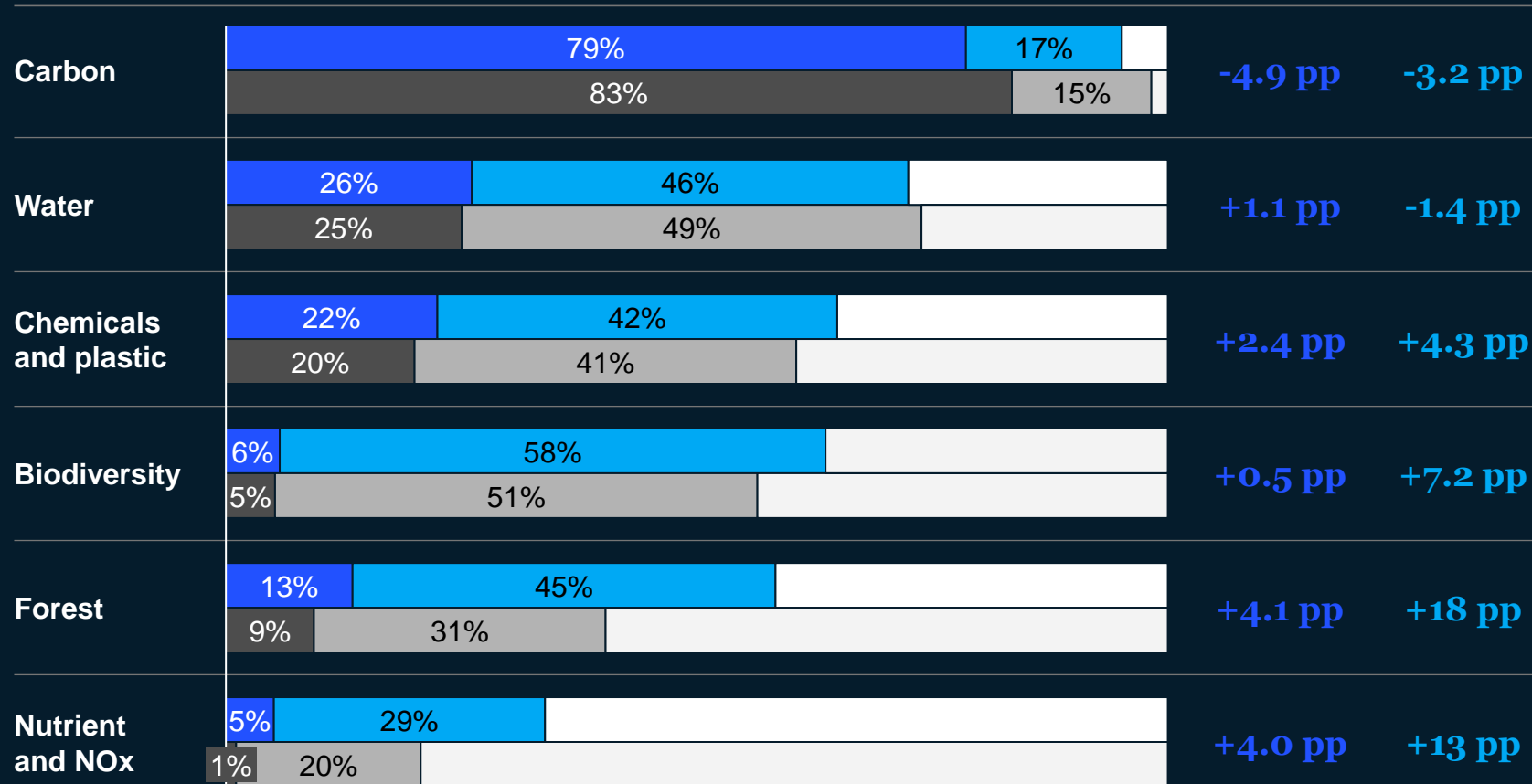
Food company experienced a 5.5% share price decline due to **deforestation allegations**

1. MSCI World Index, MSCI Global Agriculture Producers ETF, and MSCI Global Metals & Mining Producers ETF, total number of firms considered is 1,541
 2. Measured relative to a baseline scenario with no nature risks

While nature still lags climate, more companies are discussing it in their annual reports, year-on-year

■ 2023 target
 ■ 2023 acknowledgment
 ■ 2022 target
 ■ 2022 acknowledgment
 ■ None
XX Incremental targets
 XX Incremental targets or acknowledgments

Share of Fortune Global 500 companies with nature-related targets or acknowledgments¹



Corporate targets are common for carbon but not for non-climate planetary boundaries

Target-setting and reporting are key to ensuring compatibility with nature

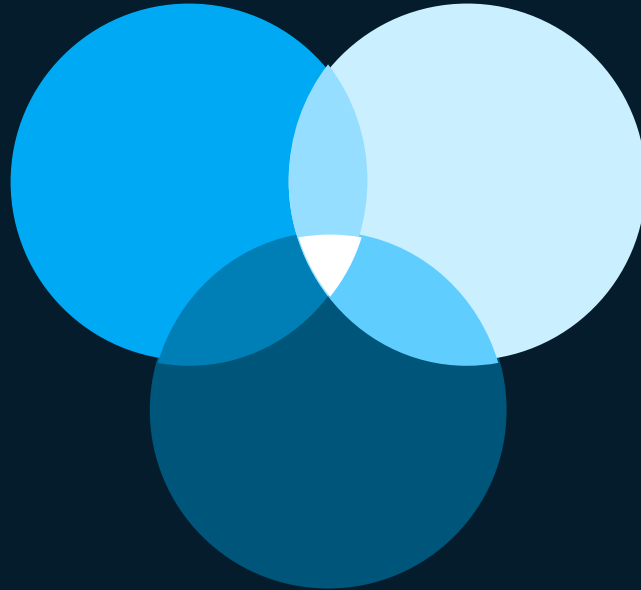
Increasing convergence and consistency on actions companies should take by sector as part of a nature strategy

1. "Target" means the company has a quantified, time-bound, and outcome-oriented target, goal, or commitment that applies to the entire organization. "Acknowledgement" means the company mentions the dimension of nature but does not have a target as defined above.

TNFD and SBTN are tools that fit into a nature strategy helping businesses to create value, manage impact, and reduce risk

Create value

Identify most important levers to achieve better nature impacts and drive winning returns



Manage impact

Identify areas of nature where the company has impact and potential to mitigate impacts

Reduce risk

Screen exposure to nature-related transition risks (regulation, reputational) or physical risks (water stress, pollination), thereby building resilience



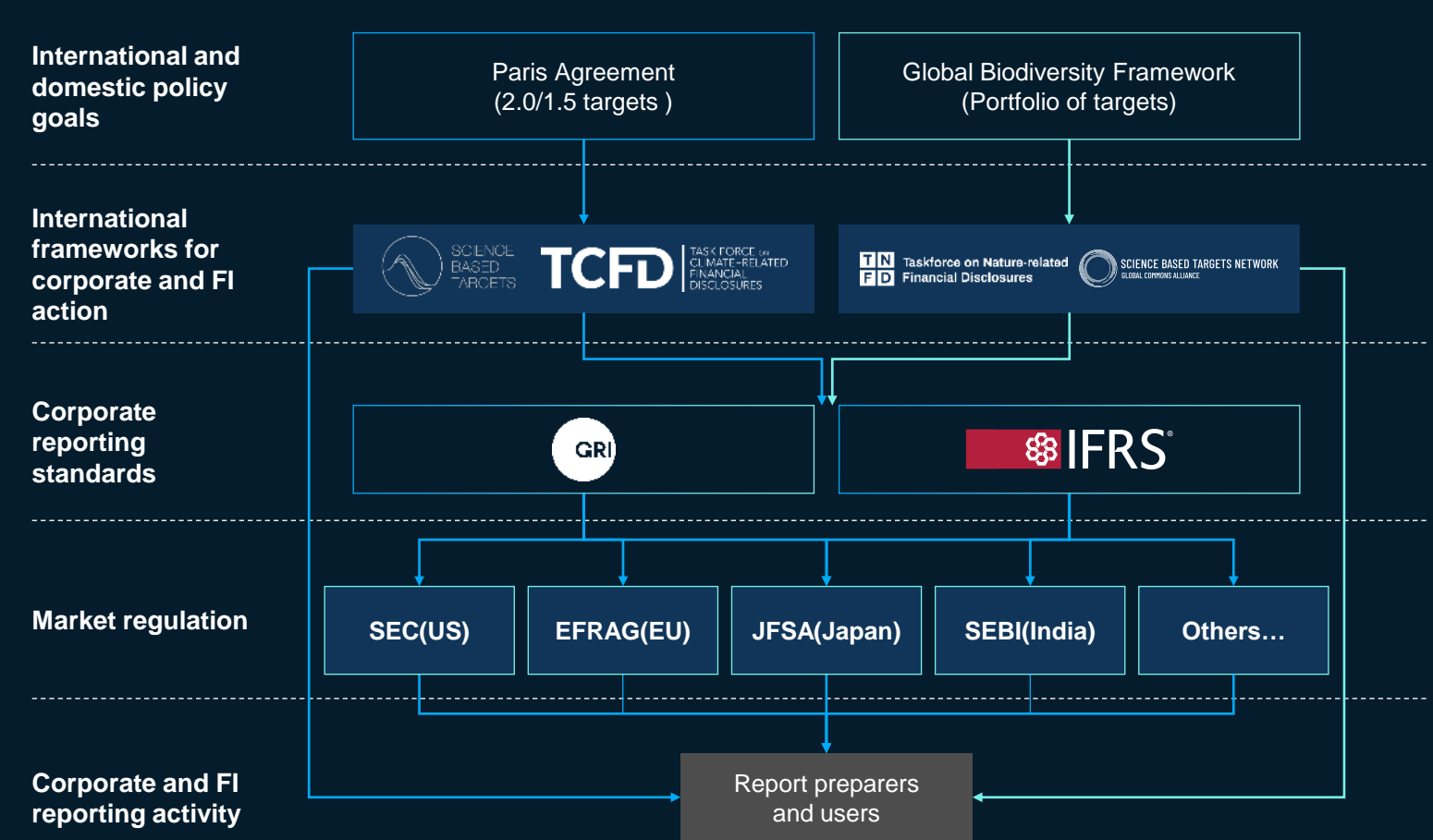
Key considerations

Nature is deeply related to a company's core business and needs to be considered across the whole enterprise
Global best practice metrics and frameworks (i.e., TNFD, SBTN) provide clear next steps to unlock value
Companies can act after disclosure to transform their business and create further value

The nature ecosystem and the roles of TNFD and SBTN closely mirror the ecosystem that has been developed for climate

Overview of the TNFD and SBTN within international and national standard setting bodies

Not exhaustive

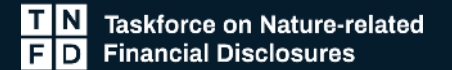


TNFD and SBTN are recommendations for nature-related disclosure and targets

TNFD and SBTN are **complementary** and similar in structure to **TCFD** and **SBTi** for climate and carbon emissions

Corporations and financial institutions are building capacity to comply with upcoming legislation, using TNFD and SBTN guidance

The TNFD recommendations are the key global reference for nature-related disclosure



What is TNFD?

The TNFD is a set of **risk management and disclosure recommendations** for organizations to report and act on evolving **nature-related dependencies, impacts, risks, and opportunities**

TNFD is mobilized by **40 taskforce members**, representing over **US\$20 trillion** in assets under management

What does it do?



Provide disclosure recommendations for corporates and financial institutions



Publish guidance on implementation and technical supplements, with insights on nature dependencies, impacts, risks, and opportunities



Ensure alignment and consistency with international bodies to become the common standard of nature-related reporting

320 Early Adopter organizations, who intend to start making disclosures by 2024

\$4tn in market cap represented by early adopters and **\$14tn in AUM** for asset owners / managers

The SBTN guidelines are the key global reference for nature-related target setting



What is SBTN?

SBTN provides science-based target-setting guidelines for companies and cities to reduce and improve their impact on nature, building on the Science Based Targets initiative (SBTi)

SBTN complements TNFD recommendations, enabling companies to translate nature-related impacts into actionable targets

What does it do?



Provides prescriptive methodologies for companies to set measurable, time-bound, and place-based targets on their nature impacts



Translates ecological thresholds and societal goals with science and sustainability experts from 80+ organizations

4,400+ companies have set SBTi targets, indicating a similar number might adopt SBTs for nature

200+ organizations have helped shape the initial methods, tools, and guidance

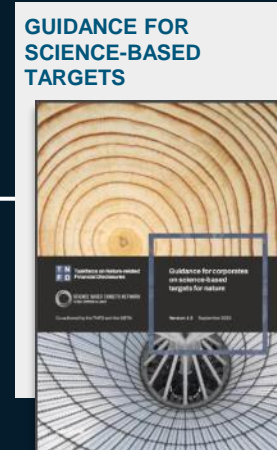
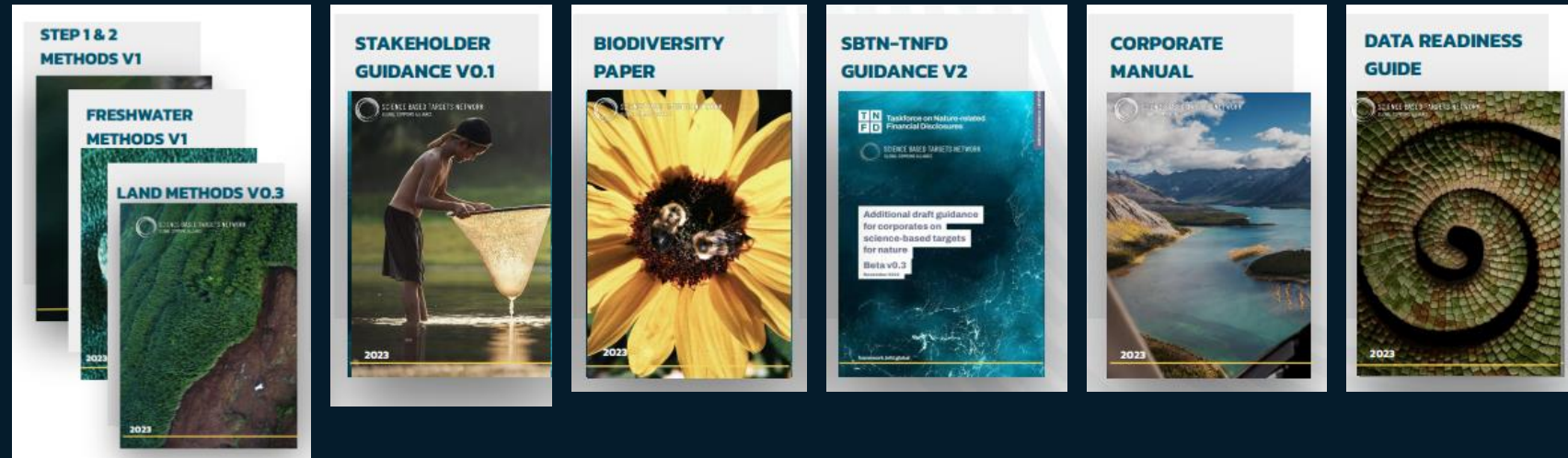
160+ companies are preparing to set science-based targets for nature

Guidelines and manuals are available from TNFD and SBTN

TNFD Resources



SBTN Resources



Thank you!

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