Risky business:
How Australia's banks and super funds are responding to the nature crisis

AUSTRALIAN CONSERVATION FOUNDATION

Cover: A stump of own of the old growth forest trees that once stood at Rusty Coupe. *Photo:* Ali Sanderson

We acknowledge the Traditional Owners of Country and their continuing connection to land, waters and community. **We pay respect to their Elders past and present** and to the pivotal role that First Nations Peoples continue to play in **caring for Country across Australia.**

Risky business: how Australia's banks and super funds are responding to the nature crisis is an Australian Conservation Foundation report.

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Executive summary

Australia is home to some of the most unique and diverse flora and fauna on the planet. Sadly, parts of Australia are today classed as global extinction hotspots, with scientists revealing that all aspects of the environment are under pressure.

Many critical ecosystems are collapsing or have collapsed. According to the latest State of the Environment Report, released in July 2022, the most significant pressures on nature in Australia come from invasive species, habitat destruction associated with agricultural and urban expansion, and climate change, including extreme weather events. Industrial pollution, mining and water extractions are also having major impacts.

In 'The nature-based economy: how Australia's economy depends on nature', we showed how approximately half Australia's GDP **(49.3% or AU$892.8 billion)** has a moderate to very high direct dependence on nature. Sectors with the highest dependency include primary industries like agriculture, forestry, fisheries, food product manufacturing, construction and waste and water services. These sectors also have some of the highest impacts on nature, which creates a positive feedback loop whereby companies erode the resources on which they depend for the production of goods and services.

This is generating serious financial risks for businesses – not to mention our society as a whole.

The material risks associated with nature loss are also a significant source of risk for financial institutions that indirectly impact and depend on nature through their investment and lending decisions. In every scenario modelled by the world's scientists, nothing but transformative change[1] will alter the trajectory of nature's decline. It will require a shift to production and consumption patterns that not only fit within planetary boundaries but result in net gain in biodiversity and planetary health, alongside traditional and innovative conservation approaches. As allocators of finance, intermediaries, underwriters, advocates, stewards, stakeholders, and catalysts, investors and lenders play a critical role in realising this transformative change, both globally and locally.

Australia's 'big four' banks alone have a more than $173 billion credit exposure to agriculture, forestry, fishing and mining – all high impact, high dependency sectors. Australian superannuation funds, on behalf of their members, own around 35% of the ASX, including substantial holdings in high impact, high dependency industries like food retail and manufacturing, construction, and resources.

In this novel benchmarking report, we investigate the level of preparedness amongst 20 of Australia's largest superannuation funds and retail banks in terms of measuring, managing and mitigating risks arising from impacts and dependencies on nature that are present in their portfolios and loan books. The sobering reality of our findings indicate that Australian banks and super funds are largely failing to assess and take action to mitigate the risks, or seize the new opportunities, associated with their nature-related impacts and dependencies. As the crisis engulfing nature only deepens this failure will manifest as financial risk, including to millions of Australians via their superannuation savings, as well as risk to the biosphere, the economy, and society via our complete dependence on nature.

[1] Head, L. (2020). Transformative change requires resisting a new normal. In Nature Climate Change (Vol. 10, Issue 3). https://doi.org/10.1038/s41558-020-0712-5

Summary of key findings

1. **Banks and super funds are feeling moderate to intense pressure from some stakeholders to consider nature in their business activities, but very little pressure from Australian financial regulators.**
2. **Banks and super funds agree that nature is relevant to their organisations, and that they have a responsibility to understand the risks and opportunities it brings.**
3. **Banks and super funds are taking a backseat when it comes to engaging in nature related initiatives and frameworks.**
4. **50% of banks and 70% super funds have not evaluated nature related impacts or dependencies.**
5. **Despite the overwhelming recognition by banks and super funds that nature destruction is a risk that demands their attention, just three organisations — Future Super, Australian Super and NAB — indicated they had assessed such risks and opportunities, and only 40% plan to.**
6. **Responses to nature-related target setting by both banks and super funds reveals an inadequacy that is dangerously out of touch with the reality of the nature crisis. 90% of super funds and 80% of banks indicated have not set nature-related targets, and an abysmal 20% say they plan to. No net zero claim can be considered to have integrity if it doesn't include a target to end deforestation by 2025. And no emissions calculation is complete if it doesn't account for land-use change. This means that Australia's big four banks and largest super funds have a lot to answer for when using preoccupation with setting climate targets as an excuse for inaction on nature.**
7. **Australian Ethical is the only super fund with a deforestation and land conversion policy, while four banks: Bank Australia, HSBC, Rabobank and Bendigo & Adelaide Bank also have one. No bank or super fund surveyed has a policy on biodiversity offsets and just 50% have a carbon offset policy.**
8. **Despite not having nature-related targets in place, many banks and super funds are making direct investments in nature through impact funds, loans and other financial instruments.**

In light of these key findings, we set out the following expectations for banks and super funds over the next two years.

Recommendations

(for more detail on ACF's recommendations and expectations of financial institutions, see page 40)

What banks and superfunds should be doing now

By now Australian banks and super funds should already have:

1. Conducted a high-level sector-based materiality assessment.
2. Set a zero deforestation and conversion target that covers all forest risk commodities, everywhere.
3. Integrated nature into climate targets and related lending and investment policies.
4. Set a timeline for comprehensive impact and dependency reporting, and nature target-setting.
5. Begun engaging with clients, investees, and other stakeholders.

Where banks and super funds should be in the next 1-2 years

Within the next 1-2 years financial institutions should:

1. Set time-bound targets and science-based policies to protect and restore nature across all relevant dimensions, including:
   - land/water/sea use change,
   - resource exploitation,
   - climate change,
   - pollution, and
   - invasive species.

   As well as targets that apply to the state of nature including:
   - species,
   - ecosystems, and
   - nature's contributions to people.
2. Advocate for reforms of nature-related public policy.
3. Implement and operationalise.

Introduction

The global nature crisis

The central role that economic activity has played in the destruction of nature is widely evidenced. Globally, one million species are now threatened with extinction.[2] About 75% of the planet's land-based environments and 66% of marine environments have been significantly altered by human actions.[3] People and animal livestock now make up 96% of the mass of all mammals on earth.[4] The average abundance of most terrestrial species has fallen by at least 20%, amphibians by 40%, and reef-forming corals and marine mammals by 33%.[5] Studies now suggest extinction figures may be one thousand times higher than the natural extinction rates before humans existed.[6]

Nature is declining at alarming rates

In the next 60 seconds, roughly 55 hectares of trees will have been felled,[7] two rubbish trucks full of plastic dumped in our oceans[8] and 3 million wild animals killed.[9]

Land degradation, through practices such as intensive agriculture, has reduced the productivity of one-quarter of the earth's surface.[10] Alongside this, global water withdrawals from the environment have more than doubled since the 1960s,[11] also a result of extraction for agriculture, leaving 25% of the world's population in areas of extreme water stress.[12]

So extensive has the damming and diversion of water been that the speed of the earth's rotation has been altered.[13] Globally, agriculture has extensively transformed habitats and is one of the greatest pressures on biodiversity. Of the 28,000 species evaluated to be threatened with extinction on the International Union for the Convention of Nature (IUCN) Red List,[14] agriculture is listed as a threat for 24,000 of them.[15] The intensification of agriculture is not only contributing to species decline, it's also driving a reduction in the availability of services produced by nature (ecosystem services) linked to biodiversity, including pollination, invasive plant and animal species management, soil health, and water retention.[16]

It is little wonder that today, biodiversity loss and ecosystem collapse rank in the top five perceived threats by the World Economic Forum,[17] and second in the top 10 threats by the Commission for the Human Future.[18] Researchers now warn we must dramatically transform our relationship with nature or else continue down the 'undeniable' path towards a sixth mass extinction.[19]

[2]IPBES. (2019). Global Assessment Report on Biodiversity and Ecosystem Services. IPBES Secretariat.
[3]IPBES. (2019). Global Assessment Report on Biodiversity and Ecosystem Services. IPBES Secretariat.
[4]Bar-On, Y. M., Phillips, R., & Milo, R. (2018). The biomass distribution on Earth. *Proceedings of the National Academy of Sciences of the United States of America*, 115(25). https://doi.org/10.1073/pnas.1711842115
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[6]Pimm, S. L., Jenkins, C. N., Abell, R., Brooks, T. M., Gittleman, J. L., Joppa, L. N., Raven, P. H., Roberts, C. M., & Sexton, J. O. (2014). The biodiversity of species and their rates of extinction, distribution, and protection. *Science (New York, N.Y.)*, 344(6187), 1246752. https://doi.org/10.1126/science.1246752
[7]The World Counts. Retrieved 17.11.2022 from https://www.theworldcounts.com/challenges/forests-and-deserts/rate-of-deforestation
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[9]The World Animal Protection Society. (2021). Creating a New World For Animals Together: Global Review. *World Animal Protection Society.*
[10]Olsson, L., H. Barbosa, S. Bhadwal, A. Cowie, K. Delusca, D. Flores-Renteria, K. Hermans, E. Jobbagy, W. Kurz, D. Li, D.J. Sonwa, L. Stringer. (2019). Land Degradation. In: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems [P.R. Shukla, J. Skea, E. Calvo Buendia, V. Masson-Delmotte, H.-O. Pörtner, D. C. Roberts, P. Zhai, R. Slade, S. Connors, R. van Diemen, M. Ferrat, E. Haughey, S. Luz, S. Neogi, M. Pathak, J. Petzold, J. Portugal Pereira, P. Vyas, E. Huntley, K. Kissick, M. Belkacemi, J. Malley, (eds.)].
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[12]World Resource Institute. (2019). Updated Global Water Risk Atlas Reveals Top Water-Stressed Countries and States. Retrieved 11.17.2022 from https://www.wri.org/news/release-updated-global-water-risk-atlas-reveals-top-water-stressed-countries-and-states
[13]Fisher, Marshall Jon. "Water whirled." The Sciences, vol. 36, no. 3, May-June 1996
[14]IUCN. Retrieved 11.17.2022 from https://www.iucnredlist.org/
[15]Ritchie. H., Roser. M. (2020). Environmental Impacts of Food Production Published online at OurWorldInData.org. Retrieved on 7 May 2022 'https:// ourworldindata.org/environmental-impacts-of-food'
[16]Roxburgh, T., Andrew Johnson, J., & Polasky, S. (2020). Global Futures: Assessing *The Global Economic Impacts of Environmental Change To Support Policy-Making*. www.cleancanvasstudio.co.uk
[17]WEF., Alphabeta. (2020). The Future of Nature and Business: New Nature Economy Report ll. New Nature Economy Report Series.
[18]Commission For The Human Futures. (2020). *Surviving and Thriving in the 21st Century: Discussion and Call to Action on Global Catastrophic Risks*. https://humanfuture.net/sites/default/files/CHF_Roundtable_Report_March_2020.pdf
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Biodiversity explained

Biodiversity loss is at the heart of nature's decline. Biodiversity can be defined as the variety of all life on earth, from the level of genetic material and bacteria to the largest trees and whales. Scientists have estimated there are approximately 8.7 million species on the planet, of which 86% of land species and 91% of marine species remain undiscovered.[20] Biodiversity has long been used as a proxy for dimensions of ecological functioning[21] such as ecosystem resilience and productivity,[22] which has made biodiversity a centrepiece in the nature loss narrative.

The nature crisis is not new

The nature crisis is often referred to as the 'new' frontier for investor and business action. But nature loss is far from 'new'. The first global declaration on the environment, the Stockholm Declaration, was signed in the 1970s,[23] decades before global agreements to tackle climate change. Furthermore, the IUCN has been documenting species decline since its inception in 1948, and governments have been actively protecting land from economic exploitation since the Yellowstone National Park was established in the 1870s.[24] The United Nations (UN) Convention on Biological Diversity (CBD) was adopted in 1992 at the Rio Earth Summit[25], recognising that "the Earth's biological resources are vital to humanity's economic and social development". By 2010, the world's biggest consumer goods manufacturers pledged to end deforestation through their supply chains by 2020.[26] The fact is that for over a century the world has been aware that the human-nature relationship is damaged. The consequences of our inaction mean that today we find ourselves faced with the fiercely ambitious task of making up for 150 years of lost time in the short span of a decade.

But why now?

In 2019, the landmark Dasgupta Review of the economics of biodiversity,[27] commissioned by the UK Treasury, was published. In it, Professor Sir Partha Dasgupta poignantly articulated that human demands on nature far exceed its capacity to supply the ecosystem services we need. Like all life on earth, humankind is totally dependent on the natural world, but our relationship with nature suggests it is nothing more than an instrument to be endlessly exploited for Gross Domestic Product (GDP) growth.

As the economic impacts of an Earth brought to the brink of collapse are materialising across global markets, it is clear that whether motivated by shareholder primacy, or a deep sense of altruism, the cogency of the case for reversing nature's decline is such that it demands global and immediate attention.

[20] Sweetlove, L. (2011). Number of species on Earth tagged at 8.7 million. nature. *https://www.nature.com/articles/news.2011.498*

[21] Balvanera, Pfisterer P., Buchmann, A.B., He,N., Nakashizuka, J.-S., Raffaelli, D., and Schmid, B. (2006). Quantifying the evidence for biodiversity effects on ecosystem functioning and services. Ecology Letters, 9: 1146-1156. https://doi.org/10.1111/j.1461-0248.2006.00963.x

[22] Naeem, S., Li, S. (1997). Biodiversity enhances ecosystem reliability. *Nature* 390, 507–509.. https://doi.org/10.1038/37348

[23] UN. (1972). United Nations Conference on the Human Environment. https://www.un.org/en/conferences/environment/stockholm1972

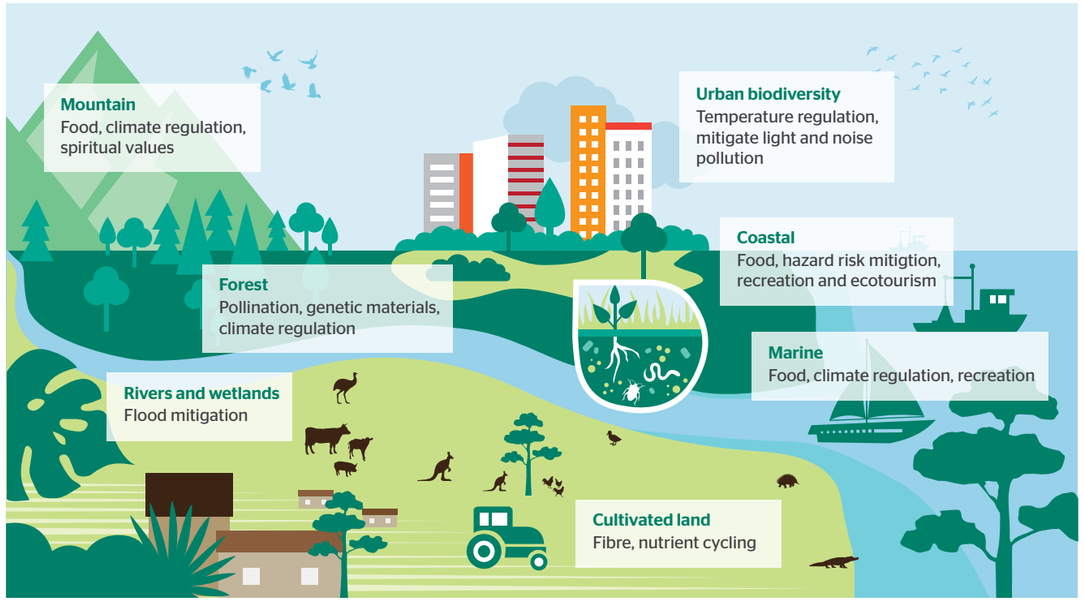
[24] Yard, R. S. (1920). Our National Parks. *Geographical Review*, 9(2). https://doi.org/10.2307/207657

[25] Convention on Biological Diversity. (2022). *Background* https://www.cbd.int/youth/0003.shtml

[26] Consumer Goods Forum. (2018). *Consumer Goods Forum's Board Approved Resolutions & Commitments*

[27] Dasgupta, P. (2021). The Economics of Biodiversity: The Dasgupta Review. Abridged version. In London: *HM Treasury*.

Nature's contributions to people



Adapted from Dasgupta, P. (2021) The Economics of Biodiversity: The Dasgupta Review.

The Australian economy's dependence on nature

The total dependency of goods and services on nature is as humbling as it is frightening. These dependencies stretch far beyond the productive use value of nature, and our economic reckoning, to spiritual, cultural, and aesthetic dimensions that quietly, and profoundly shape our way of life. This includes, for example, the wellbeing benefits we receive from spending time in nature or the cultural connections First Nations people have to Country.

Many of the benefits we derive from nature are possible because of the application of human toil, knowledge, and technology. But while human endeavour can enhance those contributions or services, it cannot replace them. As nature's limits, or planetary boundaries, are exceeded, ecological systems and functions are altered along with the ecosystem services they provide to people, and the contribution of natural capital to the economy falls. According to one study, depending on how natural capital is managed, it could contribute US $51 trillion less, or US $30 trillion more, per year, to the global economy by 2050.[28]

'The nature-based economy: how Australia depends on nature',[29] investigates the economic component of Australia's dependence on nature, exposing the extent of Australia's reliance on nature to ensure the continued functioning of the economy.

Drawing on the methodology employed by the World Economic Forum (WEF) 'Nature Risk Rising' report, published in 2020, it finds that 49.3% (AU$ 892.8 billion) of Australia's economy has a moderate to high direct dependency on nature.

[28] Kubiszewski, I., Costanza, R., Anderson, S., & Sutton, P. (2017). The future value of ecosystem services: Global scenarios and national implications. *Ecosystem Services*, 26. https://doi.org/10.1016/j.ecoser.2017.05.004

[29] ACF. (2022). The Nature-based Economy: How Australia's Prosperity Depends On Nature. *Australian Conservation Foundation*.

Mining. *Photo.* Tom Fisk

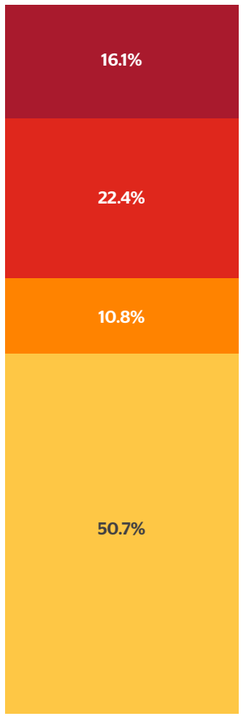
Australia will be one of the worst hit countries economically from nature loss

Australia's economic dependency on nature is so high that in their recent report, 'Global Futures: Assessing the Global Economic Impacts of Environmental Change to Support Policy-Making',[30] World Wide Fund for Nature (WWF) Switzerland in partnership with the Global Trade Analysis Project and Natural Capital Project has warned we will be one of the worst affected countries in the world from climate change and nature loss.
By 2050 our economy could be losing US$20 billion per year in GDP.

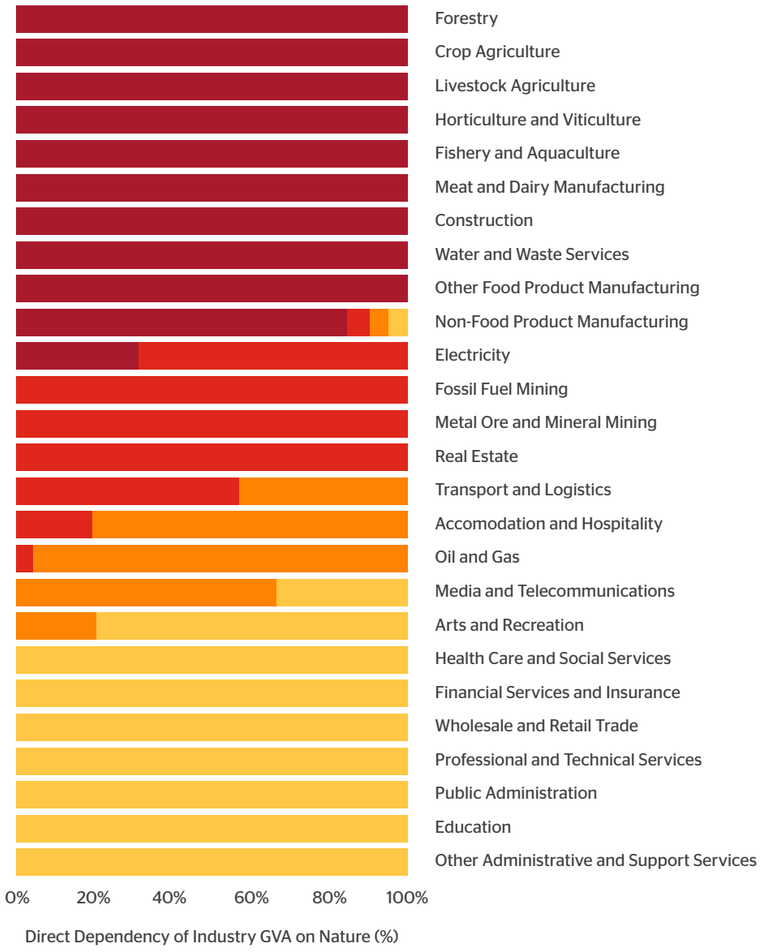
Unsurprisingly, primary industries like agriculture, forestry, fisheries, food product manufacturing, construction and waste and water services were found to be most dependent, followed by electricity, fossil fuel mining, metal ore and mineral mining, and real estate. Together these industries account for more than three quarters of Australia's export revenue.

[30] Roxburgh, T., Andrew Johnson, J., & Polasky, S. (2020). *Global Futures: Assessing The Global Economic Impacts of Environmental Change To Support Policy-Making*. www.cleancanvasstudio.co.uk

Direct nature dependency of the Australian economy by GVA



Direct nature dependency by industry sector



Very high direct dependency on nature
High direct dependency on nature
Moderate direct dependency on nature
Lower direct dependency on nature

Gross value added (GVA) represents the value of goods and services produced by a given industry, less the cost of inputs and raw materials attributable to that production. It is typically used to measure producer, industry, or sector-level contributions to the economy, as opposed to gross domestic product (GDP), which is a standard measure for national- or multinational-level economic analysis.

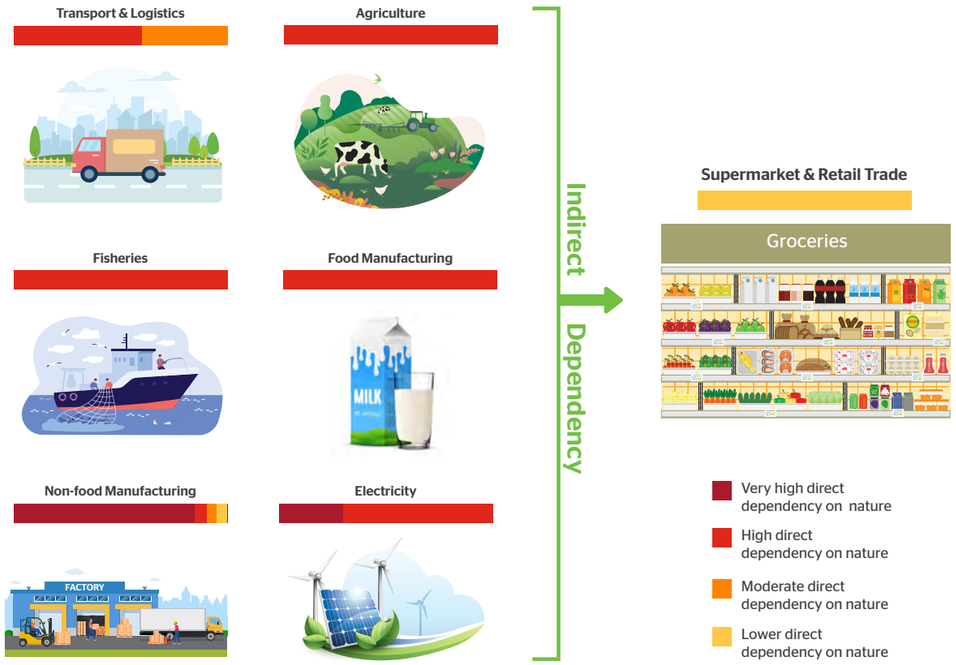
However, not all dependencies are this explicit. The wholesale and retail trade sector, for example, may only have a lower direct dependence on nature by GVA, but the goods sold in supermarkets, local grocery shops, butchers, and bakers— manufactured food (100% very high), non-food products (80% very high to high) and fresh fruit, vegetables, meat, and dairy (100% very high) —have much higher direct dependencies on nature.

Retailers are also major consumers of electricity, which itself has a 100% very high to high direct dependency on nature and rely heavily on transport and logistics (25% high and 75% moderate direct nature dependency).

Without those goods and access to services, retailers would have no products to sell and couldn't keep the lights on. This shows how a sector with a relatively low direct dependency score, can in reality have a high indirect dependency based on its value chain. In a nutshell, indirect dependencies are no less important than direct ones—you can't have a supermarket that doesn't have food on the shelves!

Hidden, indirect nature dependencies are highly material to some sectors

The wholesale and retail trade industry has a neutral direct dependency score based on GVA but the sector has an indirect dependence on transport and logistics, agriculture, food manufacturing, non-food manufacturing, electricity all of which have much higher direct nature dependencies.



The state of the environment in Australia

Australians care about nature

Australians love and enjoy nature in many ways. On a fundamental level, nature is critical to our survival through the provision of food, water, air, and raw materials that are necessary for us to live. Culturally, nature rests at the core of First Nations law and knowledge systems, passed down from generation to generation through 65,000 years of storytelling and stewardship.

It is also part of our identity in other ways, providing places we go to relax and rejuvenate, or physically challenge and spiritually test ourselves. We name our sports teams after it, put it on our money, and build thriving industries around the chance to look at it, touch it, feel it, be inspired by it.

In the global context, Australia's biodiversity (the living part of nature) is very special. Our nature packs a real punch relative to our country's size. In fact, Australia is so rich in biodiversity, it is classed as a 'megadiverse' region, one of only 17 in the world.[31] Nearly 10% of all species known to humanity call Australia home. And thanks to our isolation and oceanic borders, we have some of the highest rates of endemism as well, with 87% of mammals, 45% of birds, 84% of plants, and 89% of reptiles found nowhere else in the world.[32]

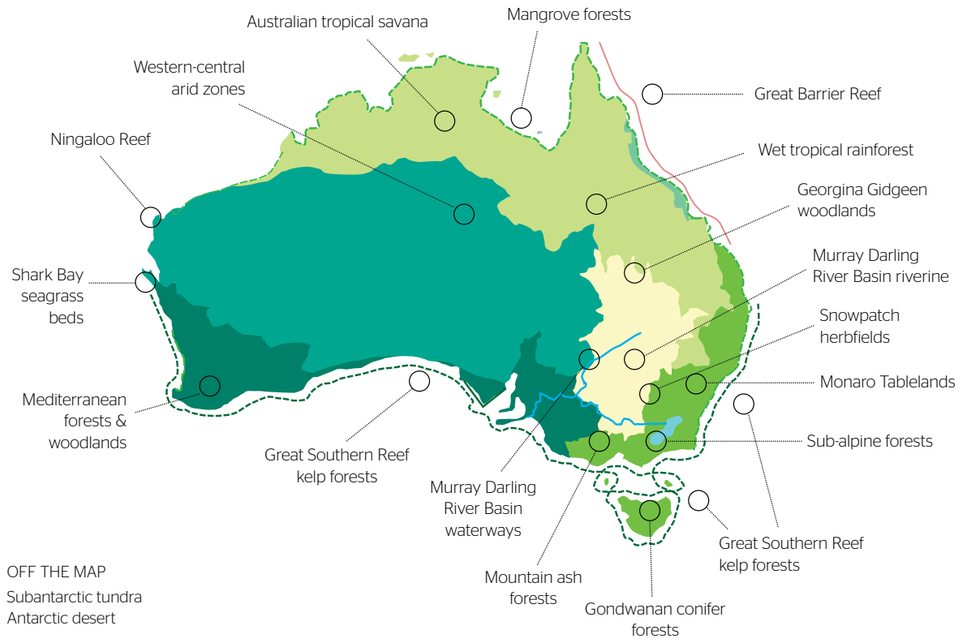
[31] UNEP WCMC. (2014). Megadiverse Countries. *Areas of Biodiversity Importance*.
[32] Chapman, A. D. (2009). Numbers of Living Species in Australia and the World, Second Edition. *Australian Government Department of the Environment, Water Heritage and the Arts.*

Our nature is declining fast

Sadly, parts of Australia are classed as an extinction 'hotspot'.[33] Since European colonists settled on this continent in 1788, roughly 100 endemic species have been lost, or 5-10% of total recorded extinctions globally[34]—a figure likely to be underestimated given how little we know about Australian biodiversity. A recent publication involving 38 experts, 21 universities, and the CSIRO, released in February 2021, paints a bleak picture for our unique ecosystems[35]:

- Examining 19 key ecosystems from the Northern Territories Tropical Savanna to Antarctica, all 19 were found to "have collapsed, or are collapsing"[36]
- An "abrupt change" in ecosystems has been recorded.
- Land, water-based ecosystems, native vegetation, soil, wetlands, rivers, and biodiversity are all experiencing decline.

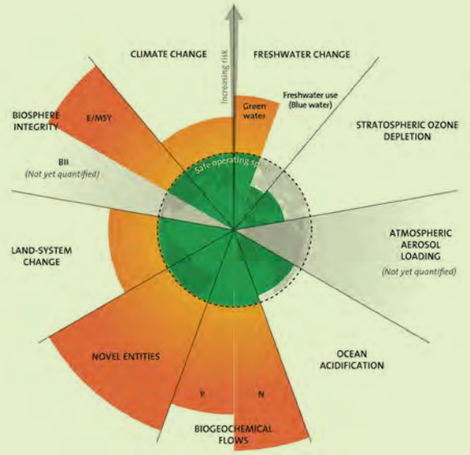
The 19 Australian ecosystems at risk of collapse



Australia is surpassing a 'safe operating space'

Australia has overshot three of five nationally adapted planetary boundaries assessed by Climateworks.[37] These are: land systems change, biosphere integrity, and biogeochemical flows boundary.

Climateworks adapted Australia's five planetary boundaries from the Stockholm Institute's famous nine planetary boundaries, of which humans globally have overshot six: biogeochemical flows, land system change, biosphere integrity, climate change, and novel entities.[38]



Credit: *Azote for Stockholm Resilience Centre, based on analysis in Wang-Erlandsson et al 2022*

The recent State of the Environment report (2021)[39] echoes this bleak picture, reporting that all aspects of the environment are under pressure, and many are declining. The most significant pressures on Australian biodiversity have come from invasive species, habitat destruction associated with agricultural and urban expansion, and climate change, including extreme weather events, with industrial pollution, mining, and water extractions also having major impacts. These pressures do not act in isolation; often multiple pressures impact a single ecosystem at once, which can make nature even more vulnerable to degradation.

First Nations justice and nature are inextricably linked

Dispossession of Country from its Traditional Owners is a central part of this story. Changed fire regimes, western agriculture, altered waterways, urbanisation and many other landscape transformations are causing ongoing harm to Country and its people.

[33] Malcolm, J. R., Liu, C., Neilson, R. P., Hansen, L., & Hannah, L. (2006). Global warming and extinctions of endemic species from biodiversity hotspots. *Conservation Biology, 20(2)*. https://doi.org/10.1111/j.1523-1739.2006.00364.x

[34] Woinarski, J. C. Z., Braby, M. F., Burbidge, A. A., Coates, D., Garnett, S. T., Fensham, R. J., Legge, S. M., McKenzie, N. L., Silcock, J. L., & Murphy, B. P. (2019). Reading the black book: The number, timing, distribution and causes of listed extinctions in Australia. *Biological Conservation, 239*, 108261. https://doi.org/10.1016/J.BIOCON.2019.108261

[35] Bergstrom, D. M., Wienecke, B. C., van den Hoff, J., Hughes, L., Lindenmayer, D. B., Ainsworth, T. D., Baker, C. M., Bland, L., Bowman, D. M. J. S., Brooks, S. T., Canadell, J. G., Constable, A. J., Dafforn, K. A., Depledge, M. H., Dickson, C. R., Duke, N. C., Helmstedt, K. J., Holz, A., Johnson, C. R., … Shaw, J. D. (2021). Combating ecosystem collapse from the tropics to the Antarctic. *Global Change Biology, 27*(9). https://doi.org/10.1111/gcb.15539

[36] 'Collapsed' or 'collapsing' was defined according to four criteria: 'abrupt', 'smooth', 'stepped', 'fluctuating' (see figure 1 here from the publication)

[37] Climateworks Council. (2022). Living within limits: Adapting the planetary boundaries to understand Australia's contribution to planetary health. *Land Use Future*.

[38] Stockholm Resilience Centre. (2022). *Planetary Boundaries*. Accessed 20.11.2022 from https://www.stockholmresilience.org/research/planetary-boundaries.html

[39] Cresswell, I., & Murphy, H. (2016). Australia State of The Environment Report: Biodiversity. *Australian Government Department of Environment and Energy*.

Nature's decline is a material risk to financial institutions

Economic dependency and impact are closely linked

Often it is the sectors that are most dependent on nature that are also driving its decline. However, our incomplete understanding of the extent to which impact-dependency relationships affect nature and the economy remains a significant source of uncertainty, and hence risk.

Overall, businesses have, with some exceptions, largely failed to measure their impacts and dependencies on nature. And you can't effectively manage what you aren't measuring. Businesses in sectors with high nature dependence and high impact not only risk reputational, regulatory, legal, and financial blowback from damaging nature (i.e. transition risks), they are also exposed to risks associated with the continued degradation of the ecosystem services that are material inputs to their businesses (i.e. physical risk).

[40] TCFD. (2017). 'Recommendations of the Task Force on Climate related Financial Disclosures' Task Force on Climate-related Financial Disclosures 1–74. https://assets.bbhub.io/company/sites/60/2020/10/ FINAL-TCFD-Annex-Amended-121517.pdf and Taskforce on Nature Related

Nature risks explained

Nature related risks to investors and lenders can be classified as:[40]

1. **Physical:** Risks associated with the continued degradation of natural capital and ecosystem services that are material inputs to their businesses. These risks can be 'acute' (temporary) or 'chronic' (gradual). Common 'acute' physical risks include temporary increased scarcity or costs of inputs (resources), or disruptions to business organisations. Common 'chronic' risks include gradual, permanent increased scarcity or costs of inputs, increased number of disruptions to business operations.
2. **Transition:** Arise from changes in the legal, societal, and economic expectations of a company's impact on biodiversity. These risks can be further classified as reputational (damage to brand), market (changes in customer preference), technology (unsuccessful investments in a new technology), or policy and legal (moratorium on deforestation or extraction, fines, lawsuits, trade barriers).
3. **Systemic:** Arise from economy-wide dependencies and impacts on biodiversity that affect critical natural systems or financial stability at the portfolio or system level. For example, the collapse of the Great Barrier Reef is a financially material systemic risk that would affect the Australian tourism industry, or the collapse of other natural systems impacting the entire portfolio of a financial institution.

Financial losses from nature's decline can materialise in a range of ways

The vulnerability of companies to incurring financial losses, as defined by their inability to reduce the impacts and dependencies of their business activities on nature, can materialise as financial risks in a range of ways including:[41]

- credit risk,
- market risk,
- interest rate risk,
- operational risk,
- liquidity risk.

As investors in, and lenders to, these vulnerable companies, financial institutions are indirectly exposed to nature-related risks through their loan books and portfolios. One recent study[42] found that nature-related business risks are already injecting risk into a range of financial sectors including the stock market, banking, and real estate. Businesses, and by proxy their investors, are missing key information needed to understand how nature affects immediate financial performance, or long-term financial risks that arise from business interactions with nature.

Better information will play a key role in allowing financial institutions and companies to incorporate nature-related risks into their strategic planning, risk management and asset allocation decisions.

Awareness of nature-related risks is growing among financial institutions

Awareness of, and actions related to, financial risks from nature loss have been growing in recent years. According to a recent survey on investor attitudes towards nature by Credit Suisse,[43] the risk of suffering financial losses from continued decline in nature has made it the next [perceived] frontier for financial risk management, particularly for asset managers. Credit Suisse also found that 84% of the 306 investors surveyed are 'very concerned' about nature loss, and 55% of investors surveyed believe nature loss will require urgent attention over the next 2 years.

These calls for attention are reflected by the development of frameworks and standards that are expected to generate more systematic information on nature related impacts and dependencies, and at scale. Those initiatives include the Science-based Targets for Nature (SBTN),[44] the European Union Align project,[45] the Partnership for Biodiversity Accounting Financials (PBAF),[46] Finance for Biodiversity Pledge,[47] Coalition for Private Investment in Conservation[48] and most recently, the Taskforce for Nature related Financial Disclosures (TNFD).[49]

But is it enough?

[41] M Banks, A., Kitchen, L., Claridge, L., Ravanello, C., & Balakrishnan, L. (2021). *Biodiversity: Unlocking Natural Capital Value for Australian Investors* (Issue November).
[42] Bassen, A., Busch, T., Lopatta, K., Evans, E., & Opoku, O. (2019). Nature Risks Equal Financial Risks: A Systematic Literature Review. *World Wide Fund for Nature*.
[43] Credit Suisse. (2021). *Unearthing Investor Action on Biodiversity*.
[44] Science-Based Targets for Nature. (2020). *Initial Guidance for Business*
[45] Biodiversity @ Biodiversity. (n.d.). European Commission: Align Accounting Approaches for Nature. https://ec.europa.eu/environment/biodiversity/business/align/index_en.htm
[46] PBAF. https://pbafglobal.com/
[47] Finance for Biodiversity Pledge. https://www.financeforbiodiversity.org/
[48] CPIC. http://cpicfinance.com/
[49] TNFD. (2022). Accessed 15.11.2022 from https://tnfd.global/

Why this report is needed

In every scenario modelled by the world's scientists, nothing but transformative change[50] will alter the trajectory of nature's decline. This transformative change will require a new economic paradigm, one that looks beyond GDP growth.[51] It will require a shift to production and consumption patterns that not only fit within planetary boundaries but result in net gain in biodiversity and planetary health, alongside traditional and innovative conservation approaches. As allocators of finance, intermediaries, underwriters, advocates, stewards, stakeholders, and catalysts, investors and lenders play a critical role in realising this transformative change, both globally and locally. We cannot do this without them.

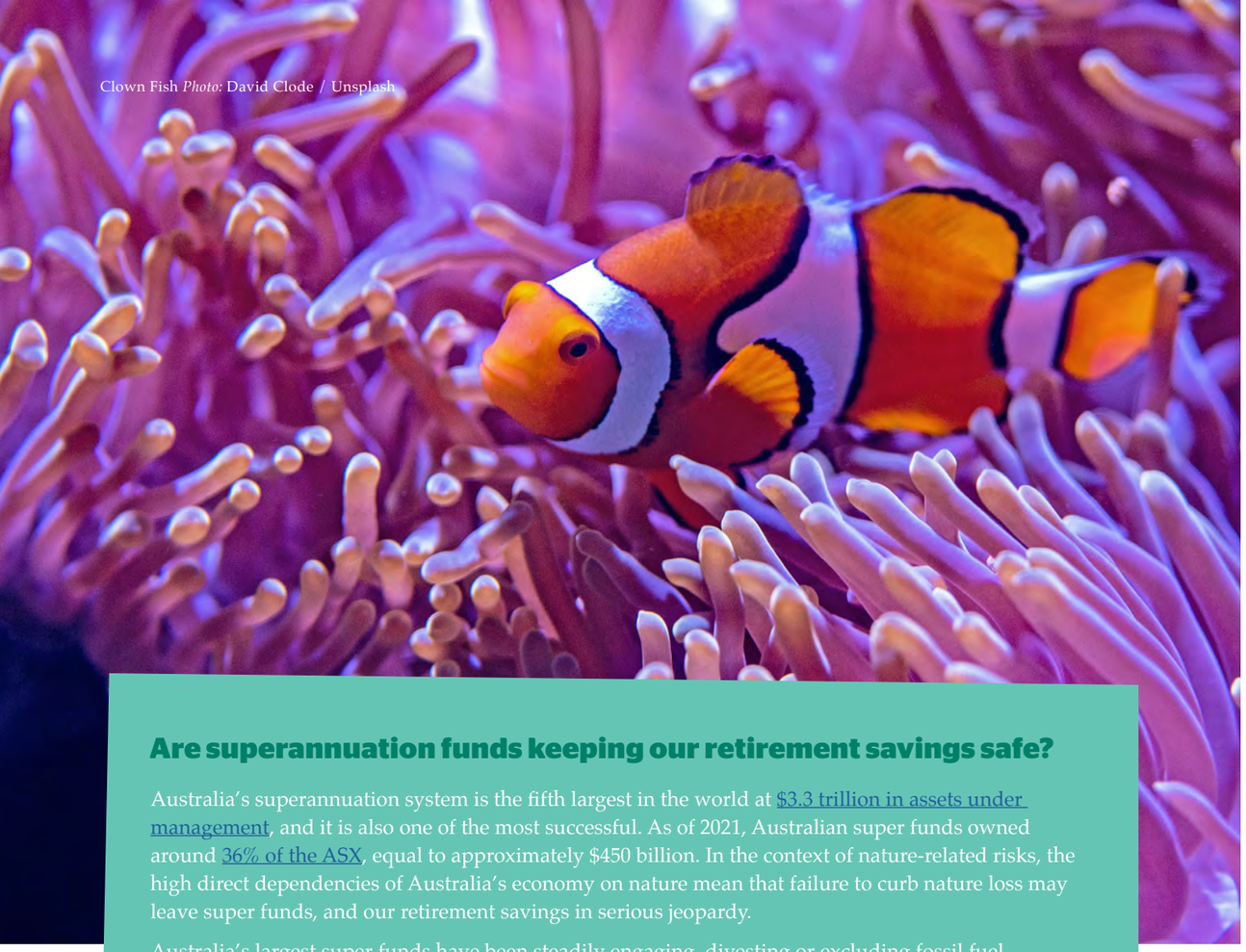
To date, there has been no formal assessment of how Australia's investors and lenders are responding to the nature crisis. In this novel benchmarking report, we investigate the level of preparedness amongst Australian investors and lenders in terms of measuring, managing and mitigating risks arising from impacts and dependencies on nature that are present in their portfolios and loan books.

[50] Head, L. (2020). Transformative change requires resisting a new normal. In *Nature Climate Change* (Vol. 10, Issue 3). https://doi.org/10.1038/s41558-020-0712-5

[51] Leclère, D., Obersteiner, M., Barrett, M., Butchart, S. H. M., Chaudhary, A., de Palma, A., DeClerck, F. A. J., di Marco, M., Doelman, J. C., Dürauer, M., Freeman, R., Harfoot, M., Hasegawa, T., Hellweg, S., Hilbers, J. P., Hill, S. L. L., Humpenöder, F., Jennings, N., Krisztin, T., … Young, L. (2020). Bending the curve of terrestrial biodiversity needs an integrated strategy. Nature, 585(7826). https://doi.org/10.1038/s41586-020-2705-y

Nature makes it into the big four banks' annual reports this year (2022), with all four banks highly exposed to Agriculture, Forestry, Fishing and Mining — moderate to high impact, and moderate to high dependency sectors.

Bank	Natural Capital Statement	Exposure to Agriculture, Forestry, Fishing and Mining
National Australia Bank (NAB)	"The Group recognises that nature underpins economic activity and human wellbeing and has been taking action to further integrate consideration of nature-related risks and opportunities."	AU $64.8 billion
Commonwealth Bank of Australia (CBA)	"We have seen increased interest from customers, regulators, government, and investors on the Bank's approach to climate change, biodiversity and natural capital. Declining natural capital can increase the risks related to climate change. An emerging challenge for Australia is how to balance population growth and economic activity without overusing our natural assets such as soil, air, water and natural habitats."	AU $35.5 billion
Westpac Banking Corp	"Westpac understands that over half of the world's economy is moderately or highly dependent on nature. We welcome the emergence of and have joined the Taskforce on Nature-related Financial Disclosures (TNFD) Forum and are currently participating in pilots with the UNEP FI and UNEP World Conservation Monitoring Centre (UNEP WCMC) to further develop this framework."	AU $20.9 billion
Australia & New Zealand Banking Group (ANZ)	"In relation to biodiversity, risks can arise from lending to customers that are significantly dependent on biodiversity and ecosystem services, or who may have negative impacts on biodiversity…These changes may impact the bank directly, but the greater impact is likely to be through the impact of these changes on some of the bank's customers. We understand that failure to manage these risks may lead to financial and non-financial risks and adverse impacts to the Group's Position."	AU $52.1 billion



Clown Fish *Photo:* David Clode / Unsplash

Are superannuation funds keeping our retirement savings safe?

Australia's superannuation system is the fifth largest in the world at $3.3 trillion in assets under management, and it is also one of the most successful. As of 2021, Australian super funds owned around 36% of the ASX, equal to approximately $450 billion. In the context of nature-related risks, the high direct dependencies of Australia's economy on nature mean that failure to curb nature loss may leave super funds, and our retirement savings in serious jeopardy.

Australia's largest super funds have been steadily engaging, divesting or excluding fossil fuel companies due to member concerns and growing climate risks. But it's not happening fast enough. Now, with the dual threat of the nature and climate crisis, super funds will need to work quickly to understand their exposures to nature related risks through the impacts and dependencies of their holdings on nature.

To do this we asked Australia's largest investors and lenders, our superannuation funds and retail banks, to report on the extent in which they are engaged in the following activities:

- screening for, and evaluating impacts and dependencies of, loan books and investment portfolios on nature,
- reporting and disclosing on nature related impacts and dependencies,
- assessing portfolios and loan books for nature related risks and opportunities,
- setting ambitious nature related targets, according to the mitigation hierarchy, and ensuring executive level ownership of these targets,
- putting policies in place to achieve those targets, and integrating climate and nature where possible,
- engaging in activities that demonstrate those policies are being put to action.

How are Australian banks and super funds **shaping up?**

Findings

1. Banks and super funds are feeling moderate to intense pressure from some stakeholders to consider nature in their business activities, but very little pressure from Australian financial regulators.
2. Banks and super funds agree that nature is relevant to their organisations, and that they have a responsibility to understand the risks and opportunities it brings.
3. Banks and super funds are taking a backseat when it comes to level of engagement in nature-related initiatives and frameworks.
4. 50% of banks and 70% super funds have not evaluated nature related impacts or dependencies.
5. Despite the overwhelming recognition by banks and super funds that nature loss is a risk that demands their attention, just three organisations — Future Super, Australian Super and NAB — indicated they had assessed such risks or opportunities and at present, only 40% plan to.
6. Responses to nature-related target setting by both banks and super funds reveals a gross inadequacy that is dangerously out of touch with the reality of the nature crisis. 90% of super funds and 80% of banks indicated have not set nature-related targets, and an abysmal 20% say they plan to. The lack of a zero-deforestation target means none of Australia's big four banks, or largest super funds, can be said to have a credible net zero emissions target.[52] How long will they use preoccupation with setting climate targets as an excuse for inaction on nature?
7. Australian Ethical is the only super fund with a deforestation and land conversion policy, while four banks: Bank Australia, HSBC, Rabobank and Bendigo & Adelaide Bank also have one. No bank or super fund surveyed has a policy on biodiversity offsets and just 50% have a carbon offset policy.
8. Despite not having nature-related targets in place, many banks and super funds are making direct investments in nature through impact funds, loans and other financial instruments.

Survey method

- Superannuation funds (super funds) and retail banks were selected based on size (membership, assets under management, and market cap), status as ethical investors or lenders,[53] and their sector exposure to agriculture.
- Based on this selection criteria, 10 super funds and 10 banks, totalling 20 organisations were selected to participate. Of the 20 selected, 13 submitted responses.
- Organisations that chose not to participate had the survey completed using publicly available information. Some were able to support this process and provide feedback. Responses were enriched with additional comments from post-survey conversations.[54]
- The results presented in this report reflect the analysis of data from both submitted responses and those completed on behalf of organisations.
- The survey was administered online from October - November 2022. A summary of the raw data used in this report's analysis can be found in the appendix. Organisations are arranged by institution type (bank or super fund) and listed in alphabetical order.

Banks and super funds that chose not to participate have their responses highlighted in blue for tables 5-10.

[52] Based on the standard set by the UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities.
[53] RIAA. (2021). Super Study. https://responsibleinvestment.org/wp-content/uploads/2021/12/Responsible-Investment-Super-Study-2021.pdf
[54] Semi structured conversations running for 30-50 minutes

Farming *Photo:* Richard Bell / Unsplash

Survey purpose

The data presented in this initial benchmarking report explores the readiness of banks and superfunds to respond to the material risks posed by impacts and dependencies of their financing decisions on nature. Here, 'readiness' is defined by the degree to which banks and super funds have evaluated how their loan books and portfolios are exposed to nature-related impacts, dependencies, risks and opportunities from a double materiality perspective, in line with current expectations.

Rather than ranking banks and super funds, this report establishes a baseline to inform future ranking methodology. While there is not an internationally recognised benchmark; international developments, Australia's own commitments, and the increasing recognition of the inseparability of the climate and nature crises imply that it is reasonable for certain steps to have already been taken. For example, the Glasgow Financial Alliance for Net Zero's Recommendations and Guidance on Financial Institution Net-Zero Transition stresses that "transition plans that lack objectives and clear targets to eliminate and reverse deforestation are incomplete." This will be discussed throughout the report.

Survey results

1. Banks and super funds are feeling moderate to intense pressure from some stakeholders to consider nature in their business activities, but very little pressure from Australian financial regulators.

Out of the nine organisations that responded to this question (see *Table 2* of the Appendix for details), 56% indicated they are feeling moderate to intense pressure from environmental advocacy organisations to consider nature in their lending and investment activities, while 22% are feeling moderate to intense pressure from retail customers. Several organisations noted a significant increase in the quantity and depth of questions from members about investments, indicating that public awareness of nature-related issues is growing.

One bank noted that customers have placed environmental challenges such as climate change and ocean health as key issues they care about, which is driving nature towards the top of the priority list.

Australian and international financial regulators need to improve their engagement on nature-related risks, with no organisations feeling moderate to intense pressure from these stakeholders.

Regulators play a critical role in supporting financial institutions to manage financially material risks from climate change and nature. For example, one super fund manager pointed to mandatory corporate disclosures of nature-related impacts and dependencies as important to assist the financial sector in assessing their own exposure to nature-related risks.

Non-financial regulators also have a role to play with several banks pointing to the need for consistent national data on vegetation cover to assess their exposure to risk through land use change.

Australian financial regulators are only just starting to think about nature

In 2020, the Australian Prudential Regulatory Authority (APRA) began conducting a Climate Vulnerability Assessment (CVA) to better understand the vulnerability of Australia's five largest banks to climate change, making it one of the first countries to do so.[50] The aggregate results are to be published in 2022. However, Australian financial regulators are largely silent on nature. One super fund noted the Australian Securities and Investment Commission's (ASIC) investigation into greenwashing by super funds[56] (particularly around 'net zero' commitments) as an important development in encouraging due diligence, including around claims that investments have certain environmental outcomes.

[55] APRA. (2021). Australian Financial Regulators' Actions on Climate Change-related Risks. *Financial Stability Review.*

[56] ASIC. (2022). *How to avoid 'greenwashing' for superannuation and managed funds.* https://asic.gov.au/about-asic/news-centre/find-a-media-release/2022-releases/22-141mr-how-to-avoid-greenwashing-for-superannuation-and-managed-funds/

2. Banks and super funds agree that nature is relevant to their organisations, and that they have a responsibility to understand the risks and opportunities it brings.

Responses from both super funds and banks indicate a general understanding of the way nature is relevant to the organisation (Table 1). However some offered a more comprehensive response than others. Bendigo & Adelaide Bank, Suncorp, Future Super and Australian Ethical emphasised that nature is not just a risk that needs mitigating, but something financial institutions have a moral and ethical responsibility to consider for the sake of stakeholders, climate change, and a sustainable future.

93% of organisations expressed a responsibility to consider nature from a risk and opportunity perspective, while 73% discussed the role that nature will play in mitigating climate change. Achieving sustainable development also underpinned nature's relevance to many investors and lenders (60%). Overall, the vast majority of banks and super funds surveyed indicated a recognition of nature's value and relevance to investing and lending decisions across multiple themes.

Why nature is relevant to Suncorp

"Measuring and driving a positive impact on nature is key to our customer promise and brand platform. Simultaneously the bank is committed to taking action on climate change, which is intrinsically linked to nature through [greenhouse gas] emissions reduction targets and nature-based solutions to climate mitigation and adaptation. Nature is relevant to the Bank through its portfolio of financed activities, which combined have a material impact on nature and have a material dependence on ecosystem services. This presents a material risk to the Bank in the medium to long term due to dependency risk, and a material impact opportunity to minimise negative impacts and improve positive impacts as committed to under Principle 2 of the UN Principles for Responsible Banking…"

Suncorp Bank

Table 1: n = 15 responses recorded. Responses were coded from free text format to arrive at the main categories or 'themes' listed below. Some organisations touched on multiple reasons as to why nature was relevant to the business, therefore the % do not add to 100%. A responsibility to understand nature-related risks and opportunities (93%) as well as the links between climate and nature (73%) were most commonly discussed.

Response	%
Organisations have a responsibility to consider nature-related risks and/or opportunities	93%
Nature is intrinsically linked to climate change	73%
Addressing nature loss is critical to achieving sustainable development	60%
These is a moral and/or ethical obligation to consider nature	27%
The organisation must consider nature to satisfy current targets/commitments	27%
Nature is something that members, clients, and/or stakeholders care about	27%

3. Banks and super funds agree that nature is relevant to their organisations, and that they have a responsibility to understand the risks and opportunities it brings.

The launch of the TNFD, as well as industry associations and a number of new working groups on nature like the UN Principles of Responsible Investment (PRI) Biodiversity Working Group, Responsible Investment Association of Australasia (RIAA) Nature Working Group, and the Australian Banking Association (ABA) Natural Capital Working Group, have all increased awareness of, and encouraged engagement in, nature.

On nature specific frameworks or initiatives, 30% are members of the TNFD (1/10 super funds and 6/10 banks), with just two organisations, Suncorp Bank and National Australia Bank (NAB), currently piloting it. 15% are members or signatories of the Finance for Biodiversity pledge (2/10 banks and 1/10 superfund), 10% are members or signatories of the Business for Nature initiative (1/10 banks and 1/10 super funds), while Australian Ethical, NAB, and Westpac Banking Corp ('Westpac') are the only organisations that are members or signatories of the Race to Zero commitment, Natural Capital Declaration, or the New York Declaration on Forests respectively.

The PRI and Principles of Responsible Banking (PRB) attract the highest membership, with 9/10 super funds being at least members or signatories of the PRI, and 7/10 banks being PRB members[57] or signatories. MLC super fund was the only organisation that was not found to be a part of any frameworks or initiatives.

Despite 95% of banks and super funds indicating involvement in at least one initiative, engagement is still quite weak with the highest level of involvement in some frameworks or initiatives often being 'observer'. Even though 90% of super funds surveyed are signatories to the PRI, just one indicated they were actively reporting according to the PRI framework (Aware Super), and equally, just one bank (Westpac Banking Corp).

Overall, the results of the survey indicate that banks are more involved in frameworks and initiatives than super funds. Excluding 'observers', on average banks are involved in double the number of initiatives and frameworks compared to super funds at 3.2 versus 1.5.

[57] Bendigo & Adelaide bank noted that its membership to the PRB is pending but considering that it has taken steps to commence membership, it was included in the total count.

Why deforestation commitments matter

UN Race to Zero Campaign

At the time of writing,more than financial institutions controlling US$8.9 trillion in assets under management (AUM)[58] have signed the financial sector commitment on eliminating agricultural commodity-driven deforestation and increasing investments in nature-based solutions as part of the UN's Race to Zero campaign.[59] With an end date of 2025, a recent publication by the campaign highlights that OECD countries could face substantial and permanent financial losses proportionately equivalent to the 2008 GFC. However, those that embrace the 'Race to Zero' could benefit from a share of the US$4.5 trillion per year market value that is expected to be generated from the transition.

Glasgow Declaration

In light of the UN Race to Zero commitments and changing legislation around imports of deforestation-linked commodities to EU markets, understanding how loan books and portfolios are exposed to deforestation and land clearing will become increasingly important. The Australian government has already signed the Glasgow Leaders Pledge to reverse deforestation and land clearing by 2030.[60] These developments represent a transition risk that the majority of super funds and banks will need to do more to manage in the near future.

[58] UNFCCC. (2022). *Tackling deforestation and scaling nature-based solutions.* https://climatechampions.unfccc.int/system/nature-and-tackling-deforestation/

[59] UNFCCC. (2022). *Assessing the financial impact of the land use transition on the food and agriculture sector.* https://climatechampions.unfccc.int/wp-content/uploads/2022/09/Assessing-the-financial-impact-of-the-land-use-transition-on-the-food-and-agriculture-sector.pdf

[60] UN Climate Change Conference. (2021). *Glasgow Leaders Declaration on Forests and Land Use*. Accessed 20.11.2022 from https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/

TNFD LEAP approach

In response to requests from market participants for simple, accessible guidance on how to understand and respond to nature-related risks and opportunities, the TNFD has developed an integrated assessment process for nature related risk and opportunity management called LEAP. The approach encompasses:

- **Locate** your interface with nature
- **Evaluate** your dependencies and impacts
- **Assess** your risks and opportunities
- **Prepare** to respond to nature related risks and opportunities and report.

The TNFD Piloting Program has officially launched, with the World Business Council for Sustainable Development (a key piloting partner), citing that companies with a combined US$1.3 trillion in AUM have begun piloting the LEAP framework (as of October 2022). Out of our participant pool, Suncorp was the only institution currently piloting the TNFD, with two indicating they were members, and a further five observers.

*While the TNFD's LEAP approach represents a logical sequential order, the current scope of TNFD's disclosure recommendations, in particular regarding reporting of impacts independent of financial materiality, fall short. ACF recommends that financial institutions utilise the Global Reporting Initiative's 'double materiality' approach to disclosures, and communicates expectations to corporate clients and investees that they do the same.

4. 50% of banks and 70% super funds have not evaluated nature related impacts or dependencies, and the Australian Government needs to do more to support them.

9/10 of banks surveyed indicate they have or plan to evaluate nature-related impacts or dependencies versus just 5/10 super funds. 40% of organisations surveyed (5/10 banks and 3/10 super funds) have evaluated their nature-related impacts or dependencies already, with Westpac and NAB being the only organisations to evaluate both. 4/10 banks plan to evaluate impacts and/or dependencies compared to 2/10 super funds.

Overall, evaluations were conducted at the sector or portfolio level, which is acceptable for an initial impact or dependency evaluation, but over time these methods will need to increase in sophistication so that company-level change can be captured and location-specific information about ecosystem impacts and dependencies can be assessed and monitored. NAB was the only organisation that had done a supply chain and property level analysis in addition to the sector and portfolio level.

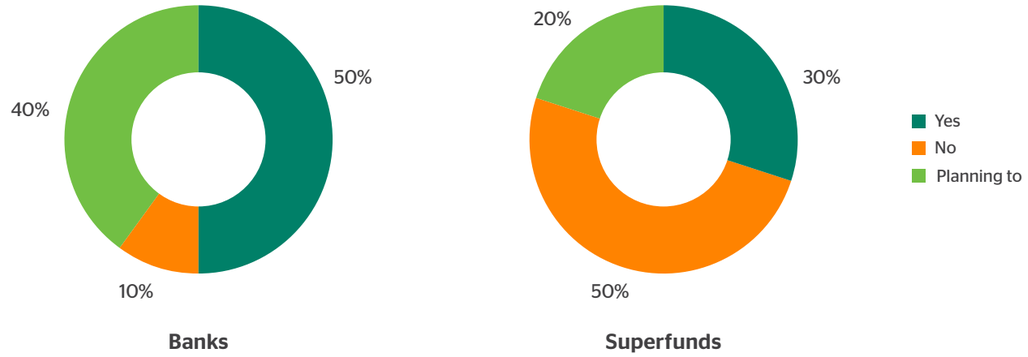


Figure 1. n = 20, 50% of banks (left) have evaluated either impacts or dependencies, compared to just 30% of superfunds (right). 40% of banks plan to compared to 20% of superfunds, while just 10% of banks don't plan to compared to 50% of super funds. Overall, banks appear to be ahead of super funds when it comes to evaluating impacts and dependencies, although both have some way to go.

If organisations answered 'no' to evaluating impacts and dependencies related to nature, they were prompted to share details of any high-level screens that had been performed. A further two organisations, Bendigo & Adelaide Bank, and Suncorp indicated they had done this. Bendigo & Adelaide Bank took quite a comprehensive approach opting to conduct internal workshops, consultation with climate risk specialists and scenario analysis to better understand their exposure to nature-related impacts and dependencies.

According to some organisations, difficulties with choosing appropriate metrics to calculate impacts and dependencies against, as well as the absence of mandatory reporting for corporates, is hindering the pace of action in Australia. Both banks and super funds noted that it has been challenging finding the right data on nature. Overall, banks and super funds agree that mandatory reporting and better availability of environmental data would lead to more effective strategies to measure and manage nature-related impacts and dependencies.

Photo: Pascal Renet / Pexels

Convention for Biological Diversity Post 2020 Framework

Recently, 330 businesses called on US heads of state to make reporting on nature-related impacts and risks mandatory for COP15. In December 2022 COP15, the UN Biodiversity Conference was held in Montreal, Canada to agree on a new set of goals for the Convention for Biological Diversity Post-2020 Framework. In September 2022, the Australian Government signed the Convention for Biological Diversity Post-2020 Framework Leaders Pledge to reverse nature loss by 2030. In the first draft framework, published in July 2021, **Target 15 requires that all businesses report on nature-related impacts and dependencies.**

*"**Target 15:** All businesses (public and private, large, medium and small) assess and report on their dependencies and impacts on biodiversity, from local to global, and progressively reduce negative impacts, by at least half and increase positive impacts, reducing biodiversity-related risks to businesses and moving towards the full sustainability of extraction and production practices, sourcing and supply chains, and use and disposal."*

At the very least, Australian banks and super funds should be preparing to understand and meet their reporting requirements against **Target 15 of the CBD Post-2020 Framework.**

5. Despite the overwhelming recognition by banks and super funds that nature loss is a risk that demands their attention, just three organisations — Future Super, Australian Super and NAB — indicated they had assessed such risks and opportunities, and at present, only 40% plan to.

There is a degree of cognitive dissonance between the way banks and super funds talk about the risks posed by nature loss, and how they prioritise them. Unlike impacts and dependencies, banks are behind super funds on assessing risks and opportunities, but only just. Only two organisations (both super funds) indicated they have assessed nature related risks or opportunities, with Future Super being the only organisation to have assessed both. 40% (5/10 banks and 3/10 super funds) plan to, and another 40% (4/10 banks and 5/10 super funds) don't yet plan to *(Figure 2).*

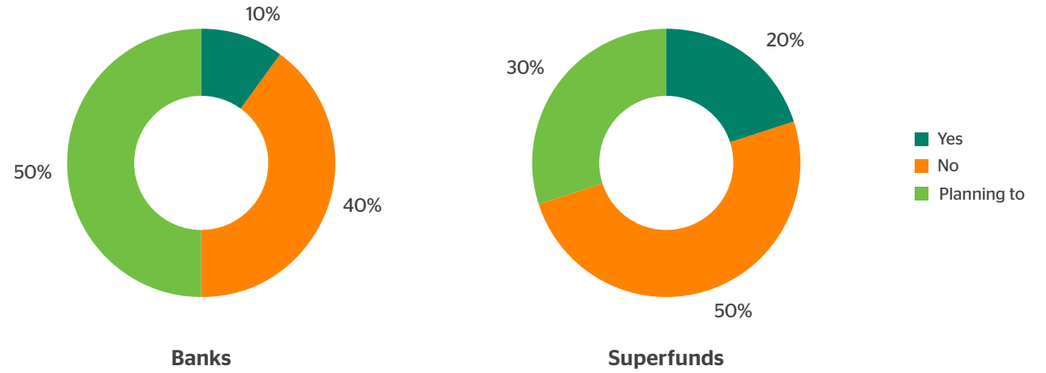
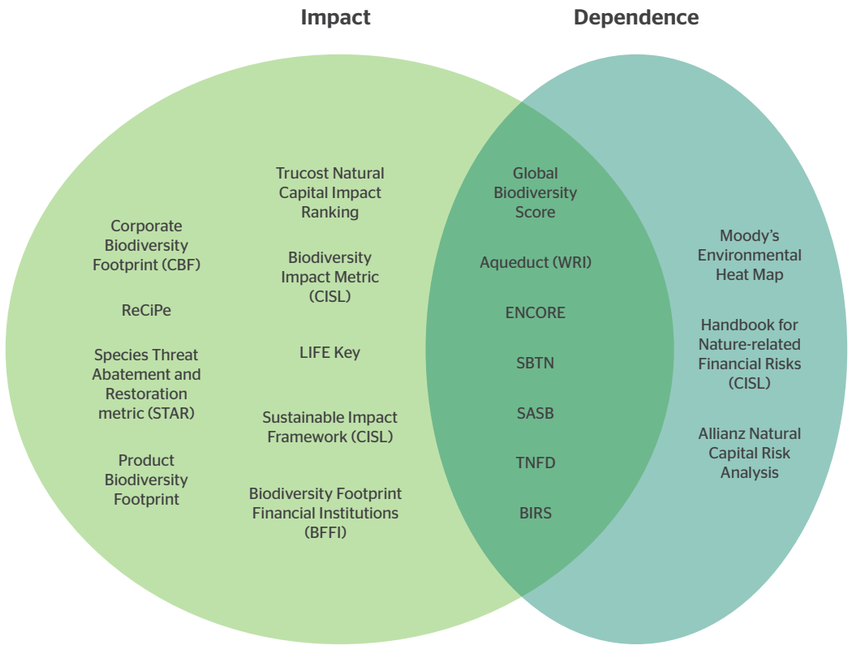


Figure 2. n = 20, 10% of banks (left) and 20% of super funds (right) have assessed nature-related risks or opportunities. 50% of banks vs 30% of super funds plan to, while 40% of banks vs 50% of super funds have no plans to assess risks or opportunities associated with nature yet.

The survey responses indicate that in the absence of the data and capabilities perceived necessary to establish clear policies and targets, active engagement, negative/positive screening, and advocacy are effective tools to encourage corporates to reduce their impacts on nature and ensure that nature-related risks are being sufficiently managed.

Active engagement in particular was a popular strategy to reduce nature-related risks, with two organisations discussing the current campaigns related to large commercial developments that are aimed at achieving better outcomes for nature.

With the final version of the TNFD set to be published in 2023, financial institutions can start screening for nature-related risks between now and then. The Cambridge Institute for Sustainable Leadership notes a collection of useful tools that sit between the impact - dependency nexus (Figure 3) for organisations to start using today. These Include ENCORE, Moody's Environmental Heat Map and SASB.



Footprinting tools are working to integrate dependence

Figure 3. Current tools available to help organisations measure impacts and/or dependencies. Tools to determine dependencies are still very nascent. taken from Cambridge Institute of Sustainable Leadership (CISL). (2022).

6. Responses to nature-related target setting by both banks and super funds reveals a gross inadequacy that is dangerously out of touch with the reality of the nature crisis. 90% of super funds and 80% of banks indicated have not set nature-related targets, and an abysmal 20% say they plan to. The lack of a zero-deforestation target means none of Australia's big four banks, or largest super funds, can be said to have a credible net zero emissions target.[61] How long will they use preoccupation with setting climate targets as an excuse for inaction on nature?

Bendigo & Adelaide Bank, Australian Ethical and Rabobank are the only organisations that indicated they have set targets related to nature *(Table 2)*, and a staggering 70% of super funds and 50% of banks have no plans to *(Figure 4)*. It is clear that setting targets for nature are not being prioritised fast enough, and not clear that this is likely to change in the near future.

[61] Based on the standard set by the UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities.

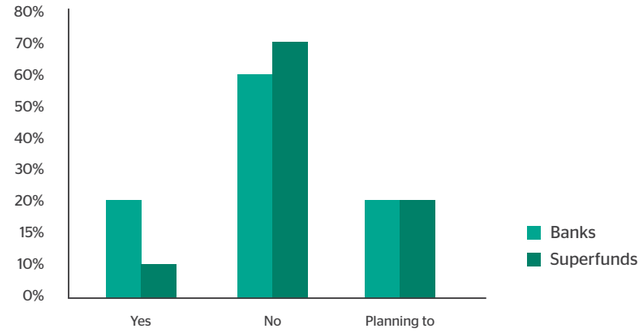


Figure 4. n = 20, 40% of banks have (2/10) or plan to (2/10) set targets, while just 30% of super funds have (1/10) or plan to (2/10). 60% of banks either answered 'no' to target setting, or could not be found to have set or planned to set targets related to nature, compared to 70% of super funds.

Table 2: Bendigo & Adelaide Bank, Australian Ethical and Rabobank are the only organisations to have set targets. Organisations are listed in order of target deadline, with Bendigo & Adelaide bank having already achieved their target. Interestingly, all targets relate to agriculture or deforestation.

Organisation	Target	Deadline
Bendigo & Adelaide	No financing native forest logging, no financing to coal, coal seam gas, crude oil, natural gas	Already Achieved
Australian Ethical	Race to Zero - We have committed to by 2025 eliminate forest-risk agricultural commodity-driven deforestation	2025
Rabobank	Help 50,000 farmers apply regenerative farming practices and to have removed and reduced 1 gigaton of CO2e.	2030

Right: Deforestation *Photo:* Picography / Pixabay

A preoccupation with setting climate targets means that banks and super funds are unlikely to set nature-related targets, including deforestation targets, in the next 1-2 years. This absence of targets and policies for nature is echoed by ShareAction's survey of 75 of the world's largest asset managers who found that zero asset managers had standalone policies or targets for biodiversity.

However, as Glasgow Financial Alliance Net Zero (GFANZ)[64], the UN[65], and some of the largest corporations in the world[66] have stated, net zero climate commitments are simply not credible without net zero deforestation commitments. Just as corporates have taken steps to put an end to deforestation in their supply chains by 2025, it cannot be emphasised enough that financiers must also set net zero deforestation targets. The fact that all four targets that have been set are related to deforestation and regenerative farming is an indication that some organisations are early movers in this space compared to their peers.

Climate change is a symptom; nature loss is the disease.

The challenges of nature destruction and climate change are inseparable. Climate change exacerbates biodiversity loss because it causes fundamental changes to ecosystems, such as through desertification, and the loss or relocation of climatic niches essential to the survival of certain species and ecological communities.[67]

In 2021 the first joint workshop of the IPCC and IPBES—the intergovernmental scientific bodies that inform the UN Climate and Biodiversity conventions—concluded that we must solve the twin crises of nature destruction and climate change together or we will save neither.

However, climate is a part of nature, not the other way around.

Climate regulation is just one of many regulatory services produced by nature. Avoiding, reducing, or removing emissions from the atmosphere will not bring back the trees, plankton, predators, soil microbes and other living organisms (biodiversity) that keep the climate stable.[68] The majority of banks and super funds are still yet to recognise that climate change is a symptom and is the disease. Focusing on emissions reduction, without addressing the underlying cause through policies on nature, will not stop the disease from spreading.

[62] Only three organisations were able to put a timeline on target setting, with all three indicating a minimum of 0-2 years. A full list of the targets/commitments set by organisations can be found in the appendix.
[63] ShareAction. (2020). An Assessment of Asset Managers Approaches to Biodiversity. *Point of No Returns IV- Biodiversity*
[64] GFANZ. https://www.gfanzero.com/
[65] Climate Champions. (2022). Company Net-zero Targets at Risk Without Immediate Improvement on Deforestation. *UNFCCC*.
[66] New York Declaration on Forests. https://forestdeclaration.org/about/#:~:text=In%202014%2C%20the%20New%20York,landscapes%20and%20forestlands%20by%202030.
[67] Finance for Biodiversity Initiative. (20210. *Nature Climate Nexus* https://www.naturefinance.net/wp-content/uploads/2022/09/F4B_Climate-Nature-Nexus_Implications-for-Financial-Sector_20210527.pdf
[68] Stockholm Resilience Centre. (2019). *Reconnect to the Biosphere*. https://www.stockholmresilience.org/research/research-news/2015-02-19-reconnect-to-the-biosphere.html

In follow up conversations, organisations discussed the lack of control over targets and policies set by holdings as a barrier to setting nature targets. Furthermore, resourcing challenges and not being able to establish a clear path to achieving nature targets were also seen as barriers to target setting on nature. Smaller super funds and banks in particular reported that resourcing prohibits them from working on nature targets whilst simultaneously finalising climate targets.

In UNEPs recent TNFD Financial Markets Readiness Assessment, lack of internal capacity and resourcing were also commonly cited barriers to getting 'nature ready'.[69] UNEPs assessment indicates companies are showing signs of 'commitment fatigue' as they continue to grapple with establishing a position on climate. This too is reflected by responses from Australian banks and super funds with the overall sentiment being that climate targets will naturally incorporate policies and actions that reduce negative and increase positive impacts to nature. Banks and super funds are wrong to assume that nature will fit neatly into climate policies and targets. Linking climate and nature is an important first step, but stand alone, proactive, focused, and sustained action is necessary to address nature-related risks and opportunities.

On the whole, Australian banks and super funds are behind some parts of the world and are currently missing the benchmark for acceptable climate policy, let alone policies on nature. The precautionary principle tells us that a lack of scientific certainty should not be used as an excuse for delayed action. As the window to take such action diminishes by the day, banks and super funds will have to get comfortable with a level of uncertainty inherent to data, tools and metrics related to nature.

[69] UNEPFI. (2022). *TNFD Financial Markets Readiness Assessment: An assessment of readiness and expectations from the financial market for a risk management and disclosure framework*

7. Australian Ethical is the only super fund with a deforestation and land conversion policy, while four banks: Bank Australia, HSBC, Rabobank and Bendigo & Adelaide Bank also have one. No bank or super fund surveyed has a policy on biodiversity offsets and just 50% have a carbon offset policy.

Banks are doing better than super funds when it comes to policies on carbon offsets and deforestation. 6/10 banks have a carbon offset policy compared to 4/10 super funds. On deforestation, 5/10 banks versus just 1/10 super funds (Australian Ethical) have a deforestation or land conversion policy *(Figure 5)*. It is disappointing to see that no banks or super funds have biodiversity offset policies. We hope to tell a different story in a year's time.

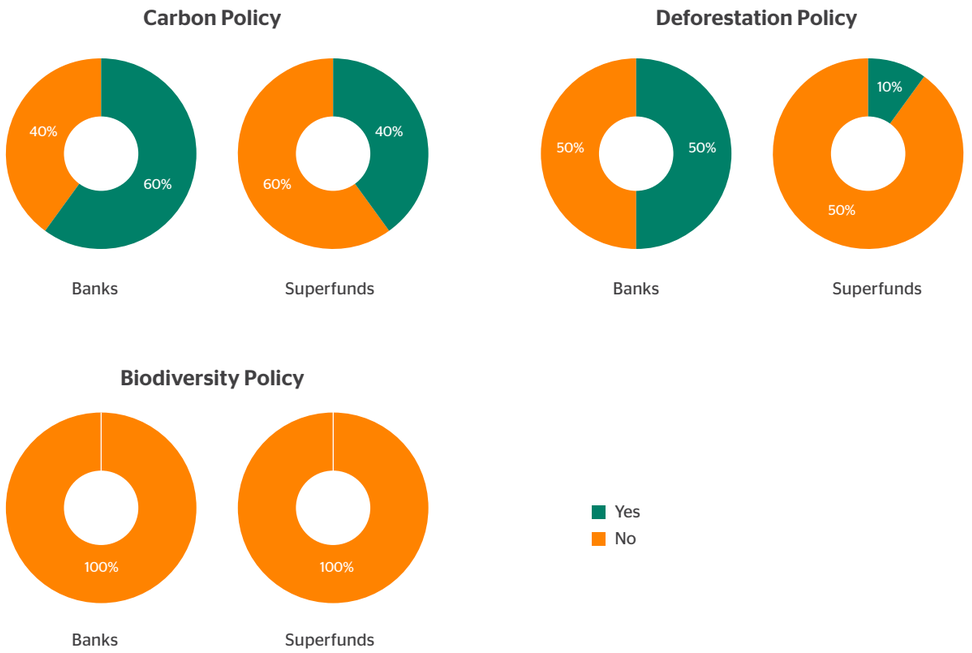


Figure 5. Summary of responses across three key policy areas: carbon offsets (left), deforestation (centre), and biodiversity offsets (below). Results indicate that banks are ahead of super funds on carbon offset policies (60% vs 40%), and deforestation policies (40% vs 10%), while neither banks nor superfunds have biodiversity offset policies established yet.

The Science Based Targets Nature interim guidance[70] highlights that companies (including financial institutions) should have already set deforestation and land use targets. In fact, in accordance with IFC Standard 6 and the Accountability Framework Initiative, companies (including financial institutions) should have committed to 'no net loss of non-forest natural habitats' by 2020. Or committed to the upcoming Race to Zero targets of eliminating agricultural commodity-driven deforestation by 2025.

For investors and lenders with portfolio or loan book exposures to agriculture and forestry, failing to set such targets increases exposure to transition risks in particular. As the new EU legislation proposing to regulate the import of deforestation-linked products advances through European Parliament[71] agricultural land holders and their financiers will need to consider the material impacts of such regulations on profitability in a country with a reputation for some of the highest deforestation rates in the world. NAB also noted that deforestation presents a reputational risk through negative media coverage, coverage that will only intensify as deforestation practices of land holders are scrutinised.

Financial institutions can both act to mitigate these emerging risks, as well as directly support Australia's progress towards its own national commitments to reverse deforestation and land clearing by increasing investments in regenerative agriculture, certified sustainable forestry, and introducing incentives to debt financing to reward efforts to reduce deforestation.

Furthermore, although adoption of carbon policies is increasing, mounting integrity concerns over Australian carbon offsets[72] raise some serious red flags for the emerging biodiversity credit market, which is being established by the same body as Australia's carbon market. The majority of banks and super funds with carbon offset policies in place indicate they are Carbon Active Certified,[73] an Australian Commonwealth Government scheme that is currently under review by the Climate Change Authority.[74] As organisations further develop policies in the carbon, biodiversity and deforestation space, due diligence will become all the more critical.

How investors are integrating First Nations knowledge for responsible Carbon Offset Management – Australian Ethical and the Arnhem Land Fire Abatement (WALFA) project:[75]

"Australian Ethical Investments has been offsetting its residual carbon footprint by purchasing carbon credits from WALFA, run by a First Nations-owned, not-for-profit carbon farming business. The WALFA project supports Traditional Owners in utilising customary fire knowledge to accomplish large-scale fire management on Country. The Foundation provides funding to the Mimal Land Management Aboriginal Corporation (Mimal) women's program via the Karrkad Kanjdji Trust, and Australian Ethical are proud to further support Mimal's work through the procurement of their carbon abatement services. Ranger programs and the income they generate from offsetting programs have wide reaching benefits, not just for the climate but for all communities and people involved, as well as preserving species, land, and culture." **Australian Ethical**

[70] Science Based Targets Network. (2022). Science-based Targets for Nature Initial Guidance for Business.https://sciencebasedtargetsnetwork.org/wp-content/uploads/2020/11/Science-Based-Targets-for-Nature-Initial-Guidance-for-Business.pdf

[71] European Commission. (2022). *Questions and answers on new rules for deforestation-free products*. Accessed 21.11.2022 from https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_5919

[72] Macintosh, A., Butler, D., Evans, M. C., Larraondo, P. R., Ansell, D., & Gibbons, P. (2022). *The ERF's Human-induced Regeneration (HIR): What the Beare and Chambers Report Really Found and a Critique of its Method.*

[73] From July 2023, Carbon Active will require all carbon neutral certified organisations to use at least 20% Australian Carbon Credit Units (ACCUs) for new and ongoing certifications equal to or greater than 1,000 tonnes of CO2-e, and from July 2024 for certifications less than 1,000 tonnes of CO2-e. Climate Active. Accessed 23.11.2022 from https://www.climateactive.org.au/what-climate-active/news/independent-review-accus

[74] Brennan, A. (2021). *Proposed overhaul of Australia's carbon offset certification schemes to expand incentives to move towards net-zero. https://www.claytonutz.com/knowledge/2021/december/proposed-overhaul-of-australias-carbon-offset-certification-schemes-to-expand-incentives-to-move-towards-net-zero*

[75] WALFA. Accessed 20.11.2022. https://www.alfant.com.au/

8. Despite not having nature-related targets in place, many banks and super funds are making direct investments in nature through impact funds, loans and other financial instruments.

On policies and target setting banks and super funds might be slow off the mark, but in terms of financing nature the survey told a different story. 55% of organisations (7/10 banks and 4/10 super funds) report making direct investments in nature. A total of 16 investment initiatives ranging in size from $3 - $215 million were recorded, covering five main themes (Figure 6). Many projects targeted outcomes across multiple themes. Almost half of the projects had outcomes related specifically to biodiversity and nature, with a further 25% focused on sustainable agriculture, and the remaining on climate, sustainability, and water. Banks played diverse roles in the reported projects, acting as investors, lenders, underwriters, and arrangers.

Just one out of 16 projects leveraged equity as a financial instrument, with nearly half using specialised impact funds. Debt instruments, such as sustainability linked loans and bonds were common among banks and super funds respectively, which aligns with reports from the World Bank[76] and others[77]that debt instruments are the most common means of investing in nature.

[76] World Bank Group. (2020). *Mobilising Private Finance for Nature.* https://thedocs.worldbank.org/en/doc/916781601304630850-0120022020/original/FinanceforNature28Sepwebversion.pdf

[77] Global Canopy. (2020). *Little Book of Investing in Nature.* https://globalcanopy.org/wp-content/uploads/2021/07/LBIN_2020_RGB_ENG.pdf

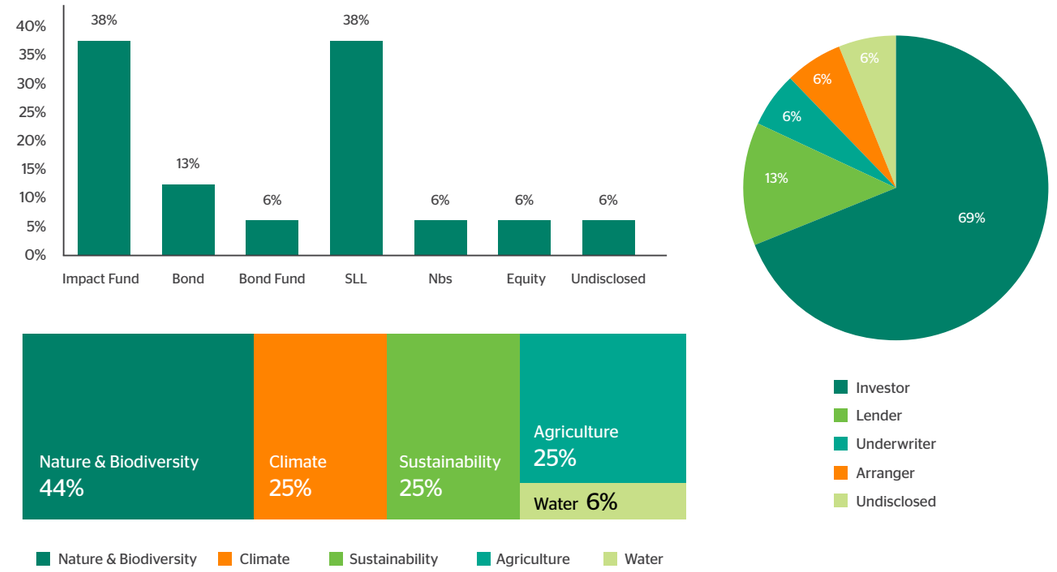


Figure 6. Top bar chart indicates that 38% of investments in nature are made through impact funds and sustainability linked loans (SLLs). Themes were determined based on publicly available data on each project and organisation descriptions. From this information, the themes in the tree map (bottom) were derived. Nature & Biodiversity accounted for 44% while Climate, Sustainability, and Agriculture were targeted outcomes in 25%, with just one focusing on water. On the right, the pie chart shows that nearly 70% of organisations who disclosed their involvement play the role of 'investor', with the remaining 30% split between lenders, underwriters, arrangers, and then one undisclosed role.

Nature-related opportunities are deeply connected to climate opportunities

Although nature is a significant source of risk, it is not just a risk. Early movers will benefit from the investment opportunities that come with changing our relationship with nature. NAB and Future Super demonstrated that these opportunities are deeply connected to climate.

Future Super identified climate opportunities as a key area for investment, engagement and policy change. While divesting from some of the most polluting companies, they also actively seek out investments in projects and funds that contribute to climate action and the environment. This includes renewable energy, sustainable agriculture, water and stewardship. NAB equally cited renewable energy and sustainable agriculture as key opportunity areas as well as investment activities involving nature based solutions, emerging green technologies, carbon trading, and sustainable finance. Our climate strategy recognises the following nature-related opportunities.

Expectations

While nature is often communicated as a new field of Environmental, Social and Governance (ESG) investing, the financial sector has known about nature-related risks for a long time. Companies have been setting deforestation and conversion targets for recognised global forest risk commodities for over a decade (they have just been failing to meet them). We have also known about the link between climate change and land use change since before the Kyoto Protocol. Given this, it is reasonable to expect that Australian banks and super funds should have already done the following:

- **Conducted a high-level sector-based materiality assessment.** The TNFD is up to its third draft and many of the tools it recommends have been around for years. By now banks and super funds should at least have conducted a high-level screen of their exposure to industry sectors with significant nature related impacts and dependencies using a tool like ENCORE.
- **Set a zero deforestation and conversion target that covers all forest risk commodities, everywhere.** Most investors have a policy on palm oil, even if it's relatively weak. Some have global supply chain policies on soy, cocoa, coffee, and beef, the other major global forest risk commodities. But few have policies or targets to end deforestation in Australia, which is mostly associated with expanding livestock production and urban development.
- **Integrated nature into climate targets and policy.** Leaving aside the well-documented risk to threatened species and ecosystem function from land clearing, the UN High Level Expert Panel on Net Zero has confirmed that no net zero claim can be considered to have integrity if it doesn't include a target to end deforestation by 2025. And no emissions calculation is complete if it doesn't account for land-use change.
- **Set a timeline for comprehensive impact and dependency reporting, and target-setting.** While it's understandable that location-specific nature-related impact and dependency reporting across all value chains and portfolios hasn't been completed yet, and some targets are difficult to quantify, it's a reasonable expectation that financial institutions commit to this within the next 1-2 years. The Science-based Targets for Nature interim guidance outlines a number of interim targets that should be set now, with more to come.
- Begun engaging with clients, investees, and other stakeholders. Banks and super funds should be engaging customers, investee businesses, clients and partners that have nature-related impacts and dependencies to address challenges cooperatively including by setting expectations about how they manage their impacts and dependencies on nature. SBTN's guidance on 'spheres of influence and control' lays out this approach. The financial sector in particular bears responsibility for the transition to a nature positive[78] economy as it determines which activities are financed or insured and under what conditions, including price.

Those financial institutions that haven't done so—which is the case for all but a few leaders—should take the above steps immediately. And within the next 1-2 years financial institutions should be doing the following:

- **Set time-bound targets and science-based policies to protect and restore nature across all relevant dimensions.** Financial institutions and the companies they invest in should be preparing to set comprehensive targets to counter the drivers of nature destruction:
  - land/water/sea use change,
  - resource exploitation,
  - climate change,
  - pollution, and
  - invasive species.

[78] Nature Positive' means more than just taking actions that improve nature. It requires an overall 'net gain' in biodiversity, measured from a baseline of 2020 across a range of dimensions and in line with global, science-based, dynamic targets. See for example: Milner-Gulland, E.J. (2022) Don't dilute the term Nature Positive. Nat Ecol Evol.

As well as targets that apply to the state of nature including:

- species,
- ecosystems, and
- nature's contributions to people.

A comprehensive biodiversity policy should cover everything from how a business will manage impacts on threatened species and ecosystems and contribute to global and regional biodiversity targets, to how it will engage with stakeholders, respond to grievances, and respect and protect First Nations peoples' rights and knowledge.

- **Advocate for reforms of nature-related public policy.** Achieving targets for nature is only possible with collaborative action that depends on public policy. Through direct engagement with policy makers, industry associations and via public communications, financial institutions should send clear signals to regulators of the need to protect nature through strong laws, setting national targets in line with a nature-positive world, providing sufficient public funding for nature recovery, maintaining comprehensive environmental accounts and data, and mandating transparent reporting of all impacts and dependencies linked to supply and value chains. Businesses should also consider whether their membership of industry bodies aligns with a nature positive approach.
- **Implement and operationalise.** Implement actions and policies to reduce impacts on nature through lending and investing practices, embed targets for nature in decision-making, and disclose progress toward them. Nature should also be embedded in business decision-making as a component of strategy and governance with the highest level of accountability and responsibility.

Appendix

Table 3. Participants were asked to indicate how much pressure was being placed on the organisation from the nine key stakeholder groups listed below. A total of eight organisations responded to this question, with the majority indicating they are only feeling 'no to some pressure' to consider nature in their business activities.

Thinking over the last six months, from which sources has the company felt pressure to consider nature in its business activities?

Stakeholder Group	No Pressure	Some Pressure	Moderate Pressure	Intense Pressure
Retail Customer	11%	67%	11%	11%
Commercial Customer	11%	56%	0%	0%
Investors	22%	56%	11%	0%
Financial Regulators - Australian	33%	56%	0%	0%
International Regulators	44%	33%	0%	0%
Environmental Advocacy Organisations	11%	33%	33%	22%
Humanitarian or Social Justice Advocacy Organisations	56%	22%	11%	0%
Internally within the company from Employees	33%	56%	0%	11%
Media/Public	44%	44%	0%	0%

Table 4. n = 13 responses were submitted via the survey, and a further n = 7 were filled in using publicly available information. The breakdown of responses for individual organisations can be found in Table 4 of this Appendix.

% of participants indicating specific level of engagement with each framework/ initiative

Framework/ Initiative	Observer	Member	Signatory	Reporting Against	Piloting
Taskforce for nature related Financial Disclosures (TNFD) Forum	20%	30%	0%	0%	15%
Principles for Responsible Investment (UN PRI)	0%	10%	40%	5%	0%
Global Compact Network (UN)	15%	5%	15%	5%	0%
Finance for Biodiversity Pledge	10%	5%	10%	0%	0%
Principles for Responsible Banking (UN PRB)	0%	5%	25%	5%	0%
Natural Capital Declaration	10%	0%	5%	0%	0%
Equator Principles	5%	0%	20%	5%	0%
Business for Nature	5%	5%	5%	0%	0%
The Science-based Targets Network (SBTN)	10%	0%	0%	0%	0%
Taskforce on Nature Markets	5%	0%	0%	0%	0%
New York Declaration on Forests	5%	0%	5%	0%	0%
Race to Zero commitment on agricultural commodity-driven deforestation	5%	5%	0%	0%	0%

Table 5. Third party initiatives and frameworks to which organisations belong. Overall, banks are involved in a more diverse range of initiatives and also more on average at 3.2 per organisation vs 1.5 for super funds (not including 'observer').

Question on third party initiative														
Institution	Is the company engaged with any third party initiatives or frameworks relating to nature?	Taskforce for Nature-related Financial Disclosures (TNFD) Forum	Principles for Responsible Investment (UN PRI)	Global Compact Network (UN)	Finance for Biodiversity Pledge	Principles for Responsible Banking (UN PRB)	Natural Capital Declaration	Equator Principles	Business for Nature	The Science-based Targets Network (SBTN)	Taskforce on Nature Markets	New York Declaration on Forests	Race to Zero commitment on agricultural commodity-driven deforestation	Additional?[79]
Banks														
ANZ	Y	Member			Signatory									Australian Sustainable Finance Initiative (ASFI)
Bank Australia	Y			Signatory										Global Alliance for Banking on Values
Bendigo & Adelaide	Y	Observer	Signatory	Observer	Observer	Membership Pending	Observer	Observer	Observer	Observer	Observer	Observer	Observer	
CBA	Y	Member		Signatory		Signatory		Signatory						
HSBC	Y	Member			Member			Signatory	Member					UNEPFI, UNFCCC, Round table of Sustainable Palm Oil
Macquarie Bank	Y	Member	Signatory											
NAB	Y	Piloting		Member		Signatory	Signatory	Member						
Rabobank	Y	Member		Observer	Signatory	Signatory	Observer	Signatory						Commitment of the Financial Sector to the Dutch Climate Agreement, Net-Zero Banking Alliance (NZBA) Signatory, UNEPFI
Suncorp Bank	Y	Piloting		Signatory		Signatory								UNEPFI Biodiversity Working Group, ABA Natural Capital Working Group

[79] Condensed responses

Question on third party initiative														
Institution	Is the company engaged with any third party initiatives or frameworks relating to nature?	Taskforce for Nature-related Financial Disclosures (TNFD) Forum	Principles for Responsible Investment (UN PRI)	Global Compact Network (UN)	Finance for Biodiversity Pledge	Principles for Responsible Banking (UN PRB)	Natural Capital Declaration	Equator Principles	Business for Nature	The Science-based Targets Network (SBTN)	Taskforce on Nature Markets	New York Declaration on Forests	Race to Zero commitment on agricultural commodity-driven deforestation	Additional?[79]
Banks														
Westpac Banking Corp	Y	Piloting		Reporting Against		Reporting Against		Reporting Against		Observer		Signatory*		Signatory to Soft Commodities Compact, Banking Environment Initiative (member)
Superfund														
Australian Ethical	Y		Member		Signatory				Signatory				Member	RIAA Nature Working Group, Chair of Sub Group on Corporate Engagement
Australian Retirement Trust	Y		Signatory											
Australian Super	Y	Member	Member											
Aware Super	Y	Observer	Reporting Against	Observer	Observer									
Future Super	Y		Signatory											
Hesta	Y		Signatory											
Hostplus	Y	Observer	Signatory											
MLC	N													
Rest	Y	Observer	Signatory											
UniSuper	Y		Signatory											
N = 20														

[79] Condensed responses

Table 6. Responses to questions on nature related impacts, dependencies, risks and opportunities presented here. Responses reflect a summary of the submissions, with both 'methods' columns having been condensed from their original free-text form for formatting purposes.

Questions on nature-related impacts, dependencies, risks and opportunities												
Institution	Has the company conducted any evaluation(s) to determine its impacts and/or dependencies on nature?	When did the evaluation take place? Or when is it planned to take place?		At what level or scale were impacts and/or dependencies evaluated?	What Method was used?	When is the company planning to disclose?	Has the company performed a high-level assessment or screen of potential impacts and/or dependencies?	What Method was used?[80]	Has the company conducted assessment(s) to determine its nature-related risks or opportunities?	What Method was used?[81]	When is the company planning to conduct assessment(s) to determine its nature-related risks and/or opportunities?	When is the company planning to publicly disclose its nature-related risks and/or opportunities?
		Impacts	Dependencies						Risks			
Banks												
ANZ	N	-	-	-	-	-	N	-	N	-	-	-
Bank Australia	Y (Impacts)	Unsure	-	Unsure	Unsure	Currently disclosing	-	-	N	-	-	-
Bendigo & Adelaide	Planning to	<12 months	<12 months	-	-	-	Y	Utilised internal workshops, external consultation with climate risk specialists and the use of a scenario analysis to understand our exposures.	Planning to	-	<12 months	-
CBA	Planning to	1-2 years	1-2 years	-	-	-	Not Sure	-	Planning to	-	1-2 years	-
HSBC	Y (Impacts)	Unsure	-	Spatial	World Database on Protected Areas, managed by UN WCMC	Currently disclosing	-	-	N	-	-	-
Macquarie Bank	Planning to	Unsure	Unsure	-	-	-	N	-	Planning to	-	-	-
NAB	Y (Impacts & Dependencies)	2011	2011	Sector, property, specific location, supply chains	Internal Methodology (see Table 4)	-	N	-	Y (Risks & Opportunities)	In relation to agribusiness customers, we have drawn on self-reported survey data	-	Unsure
Rabobank	Y (Impacts)	2020	-	Unsure	UNEPFI	Unsure	-	-	N	-	-	-
Suncorp	Planning to	<12 months	<12 months	-	-	-	Y	ENCORE	Planning to	-	Unsure	-
Westpac	Y (Impacts & Dependencies)	2022	2022	Sector	WEF methodology, ENCORE, UNEP WCMC Sectorial Materiality Tool. Reviewed by Southern Cross Uni	Currently disclosing	-	-	Planning to	-	Unsure	-

[80] Condensed from original responses
[81] Condensed from original responses

Questions on nature-related impacts, dependencies, risks and opportunities												
Institution	Has the company conducted any evaluation(s) to determine its impacts and/or dependencies on nature?	When did the evaluation take place? Or when is it planned to take place?		At what level or scale were impacts and/or dependencies evaluated?	What Method was used?	When is the company planning to disclose?	Has the company performed a high-level assessment or screen of potential impacts and/or dependencies?	What Method was used?[80]	Has the company conducted assessment(s) to determine its nature-related risks or opportunities?	What Method was used?[81]	When is the company planning to conduct assessment(s) to determine its nature-related risks and/or opportunities?	When is the company planning to publicly disclose its nature-related risks and/or opportunities?
		Impacts	Dependencies						Risks			
Superfunds												
Australian Ethical	Y (Impacts)	2022	-	Sector/Portfolio	Internal Methodology (see Table 4)		1-2 years	-	-	N	-	--
Australian	Retirement Trust	N	-	-	-	-	-	N	-	N	-	-
Australian Super	Y (dependencies)	-	2022	Portfolio	Internal Methodology	Unsure	-	-	Y (Risks)	Internal Methodology	-	Unsure
Aware Super	Planning to	<12 months	<12 months	-	-	-	N	-	Planning to	-	<12 months	-
Future Super	Y (Impacts)	2020	-	Portfolio	Trucost; audited by ISS	Currently disclosing	-	-	Y (Risks & Opportunities)	Internal Methodology	-	Currently disclosing
Hesta	N	-	-	-	-	-	N	-	N	-	-	Unsure
Hostplus	Planning to	1-2 years	<12 months	-	-	-	N	-	Planning to	-	<12 months	-
MLC	N	-	-	-	-	-	N	-	N	-	-	-
Rest	N	Unsure	Unsure	-	-	-	N	-	Planning to	-	Unsure	-
Uni Super	N	-	-	-	-	-	N	-	N	-	-	-
N = 20												

[80] Condensed from original responses
[81] Condensed from original responses

Table 7. A summary of responses on target setting. Just three organisations indicated they had set targets: Bendigo & Adelaide Bank, Rabobank, and Australian Ethical.. These are presented in Table 10. Overwhelmingly, organisations are unsure as to when they will be setting targets on nature-related impacts, dependencies, risk, or opportunities.

Questions on target setting					
Institution	Has the company established any commitments or target(s) related to nature? (Details on targets are provided in a separate table)	In what timeframe is the company planning on setting any targets or commitments related to impacts, dependencies, risks, or opportunities related to nature?			
		Impacts	Dependencies	Risks	Opportunities
Banks					
ANZ	N	Unsure	Unsure	Unsure	Unsure
Bank Australia	N	Unsure	Unsure	Unsure	Unsure
Bendigo & Adelaide	Y	-	-	-	-
CBA	Planning to	1-2 years	1-2 years	1-2 years	1-2 years
HSBC	N	Unsure	Unsure	Unsure	Unsure
Macquarie Bank	N	Unsure	Unsure	Unsure	Unsure
NAB	Planning to	Unsure	Unsure	Unsure	Unsure
Rabobank	Y	-	-	-	-
Suncorp	N	Unsure	Unsure	Unsure	Unsure
Westpac	N	Unsure	Unsure	Unsure	Unsure
Superfunds					
Australian Ethical	Y	3-5 years	-	-	<12 months
Australian Retirement Trust	N	-	-	-	-
Australian Super	N	Unsure	Unsure	Unsure	Unsure
Aware Super	N	Unsure	Unsure	Unsure	Unsure
Future Super	Planning to	1-2 years	-	-	-
Hesta	N	Unsure	Unsure	Unsure	Unsure
Hostplus	N	Unsure	Unsure	Unsure	Unsure
MLC	N	-	-	-	-
Rest	Planning to	Unsure	Unsure	Unsure	Unsure
Uni Super	N	-	-	-	-
N = 20					

Table 8. A summary of responses related to specific policies including deforestation, biodiversity, and carbon. Responses to the far right question on 'due diligence' have been summarised for formatting reasons, with just the main points included.

Questions on specific policies						
Institution	Deforestation or land conversion policy?	Does the company consider deforestation / land conversion as a financial risk?	Clear public process for identifying non-compliance?	Biodiversity offset policy?	Carbon offset policy?	Due diligence process for Offsets?[81]
Banks						
ANZ	N	-	-	N	N	-
Bank Australia	Y	-	-	N	Y	Climate Active Certified + Gold Standard Offsets with OneSeed
Bendigo & Adelaide	Y	Y	N	N	Y	Climate Active Certified via Pangolin Associates (B-Corp)
CBA	N	-	-	N	N	-
HSBC	Y	-	-	N	N	-
Macquarie Bank	N	-	-	N	Y	N
NAB	Y	Y	Y	N	Y	Climate Active Certified
Rabobank	Y	-	-	N	Y	Unsure
Suncorp	N	-	-	N	Y	Climate Active Certified + Offset Standard Policy
Westpac	N*	-	-	N	N	-
Superfunds						
Australian Ethical	Y	Y	Yes, screening and monitoring	N	Y	Offsets are reviewed for integrity. AE offsets through the West Arnhem Land Fire Abatement (WALFA) project, run by an Aboriginal owned, NFP carbon farming business.
Australian Retirement Trust	N	-	-	N	N	-
Australian Super	N	-	-	N	N	-
Aware Super	N	-	-	N	Y	Climate Active Certified, + audit through NDVER
Future Super	N	-	-	N	Y	Our internal guidelines for offset selection guide us to select ACCUs, with consideration for removal or avoidance, methodology and transparency, additionality, permanence, co-benefits (especially for First Nations communities), scalability and cost.

Questions on specific policies						
Institution	Deforestation or land conversion policy?	Does the company consider deforestation/ land conversion as a financial risk?	Clear public process for identifying non-compliance?	Biodiversity offset policy?	Carbon offset policy?	Due diligence process for Offsets?[81]
Superfunds						
Hesta	N	-	-	N	Y	-
Hostplus	N	-	-	N	N	-
MLC	N	-	-	N	N	-
Rest	N	-	-	N	N	-
Uni Super	N	-	-	N	N	-
N = 20						

Table 9. Responses have been summarised based on information submitted relating to any direct investments in nature. Project themes were broad, with just the primary focus of the investment included here under 'project thematic'. This column was not in the original survey and has been adapted to suit the table format. From the results, a total of 16 key projects were identified spanning a broad range of outcomes and with organisations participating in a range of capacities, particularly banks.

Questions on direct investments in nature				
Institution	Is the company making direct investments in nature?	Investment Type	Project Thematic	Role
Banks				
ANZ	N	-	-	-
Bank Australia	Y	Impact Fund	Biodiversity Conservation	Investor
Bendigo & Adelaide	Y	Agribusiness Loans	Carbon Farming & Biodiversity	Lender
CBA	Y	Sustainability Linked Loan	Biodiversity	Arranger
HSBC	N	-	-	-
Macquarie Bank	Y	Nature Based Solutions	Biodiversity	Investor
NAB	Y	Climate Bond (Green Bond) Sustainability Linked Loan Agri Loan Pilot	Climate & Sustainability Sustainability Biodiversity & Agriculture	- Lender
Rabobank	Y	Fund Fund	Agroforestry Biodiversity Underwriter	Investor
Suncorp	N	-	-	-
Westpac	Y	Sustainability Linked Loan	Biodiversity	-
Superfunds				
Australian Ethical	Y	Impact Fund	Carbon Sequestration & Biodiversity	Investor
Australian Retirement Trust	N	-	-	-
Australian Super	N	-	-	-
Aware Super	Y	Equity Sustainability Awareness Bond Green Bond	Biodiversity Biodiversity Sustainability	Investor Investor Investor
Future Super	Y	Impact Fund Impact Fund Bond Fund	Nature, Climate, Agriculture Water, Ecosystems Sustainability	Investor Investor Investor
Hesta	N	-	-	-
Hostplus	N	-	-	-
MLC	N	-	-	-
Rest	N	-	-	N
Uni Super	N	-	-	N
N = 20				

Table 10. List of targets reported by organisations. Australian Ethical and Bendigo & Adelaide Bank were the only two organisations that reported they had set targets related to nature. Rabobank reported commitments in publicly available information. There is a strong focus here on agriculture, a product of both high exposure to agriculture (Rabobank and Bendigo & Adelaide Bank are both rural lenders), and the high impacts of agriculture on Australian biodiversity.

Institution Name	Targets / Commitments	Time Frame	Which commodities is the target / commitment linked to?	Which Financial services?	Is performance publicly disclosed?	Linked to Exec Remuneration?	Most senior person responsible?	What policies and actions have been established to meet the target?	Does the company have a clear public process to manage non-compliance with policies and actions? Mitigation	Hierarchy?	Most Challenging About setting targets, policies and commitments? (Keywords Included)
Banks											
ANZ	N	-	-	-	-	-	-	-	-	-	-
Bendigo & Adelaide	No financing native forest logging, no financing to coal, coal seam gas, crude oil, natural gas	Already Achieved	Forestry, Native Forests	Business lending Activities	Yes	Yes	The Board	N / A	Y	N	Nascent, Rapidly Evolving, Hard to Prioritise
CBA	N	-	-	-	-	-	-	-	-	-	-
HSBC	N	-	-	-	-	-	-	-	-	-	-
Macquarie Bank	N	-	-	-	-	-	-	-	-	-	-
NAB	N	-	-	-	-	-	-	-	-	-	-
Rabobank	Help 50,000 farmers apply regenerative farming practices and to have removed and reduced 1 gigaton of CO2e.	2030	Agriculture	Lending	-	-	-	Rabobank + WWF, Biodiversity Monitor / Active Engagement & Financing for regenerative farming	-	-	-
Suncorp	N	-	-	-	-	-	-	-	-	-	-
Westpac	N	-	-	-	-	-	-	-	-	-	-

Institution Name	Targets/ Commitments	Time Frame	Which commodities is the target/ commitment linked to?	Which Financial services?	Is performance publicly disclosed?	Linked to Exec Remuneration?	Most senior person responsible?	What policies and actions have been established to meet the target?	Does the company have a clear public process to manage non-compliance with policies and actions? Mitigation	Hierarchy?	Most Challenging About setting targets, policies and commitments? (Keywords Included)
Superfunds											
Australian Ethical	Race to Zero - We have committed to by 2025 eliminate forest-risk agricultural commodity-driven deforestation	2025	Agriculture	Investments	-	-	-	Active Engagement with holdings, and only provide finance to companies that have met risk reduction criteria	-	-	-
Australian Retirement Trust	N	-	-	-	-	-	-	-	-	-	-
Australian Super	N	-	-	-	-	-	-	-	-	-	-
Aware Super	N	-	-	-	-	-	-	-	-	-	-
Future Super	N	-	-	-	-	-	-	-	-	-	-
Hesta	N	-	-	-	-	-	-	-	-	-	-
Hostplus	N	-	-	-	-	-	-	-	-	-	-
MLC	N	-	-	-	-	-	-	-	-	-	-
Rest	N	-	-	-	-	-	-	-	-	-	-
Uni Super	N	-	-	-	-	-	-	-	-	-	-
N = 20											

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