



What the science says about the role nature plays in business

KPMG ESG Voices podcast

Host:

Hello and welcome to another episode of ESG voices! This podcast series addresses the opportunities and challenges within ESG, through interviews with ESG specialists from KPMG and beyond. Throughout this series, we will discuss a broad range of environmental, social and governance issues, aiming to support governments, businesses, and communities in creating an equitable and prosperous future.

In almost every part of our lives, we interact with the natural environment, yet the rapid growth of the global economy has come at the cost of significant biodiversity loss, which poses critical risks to the economy, financial stability, and human wellbeing. Pressure on the planet's natural systems has soared in recent decades, leading to catastrophic impacts on nature and biodiversity, and because all businesses depend on nature and its services, they are already beginning to feel the consequences, making the task of halting and reversing this loss both a significant challenge that brings risks to corporate and financial stability and a source of potential opportunities.

It is clear that the time to recognize the value of nature and biodiversity is now, and that businesses have a critical role to play in being positive agents of change and leading the way towards a future where nature can thrive.

For today's episode, Sarah Nelson, Global Lead Director, Nature and Biodiversity, KPMG International will be leading a discussion with Carlijn van Dam, Senior Manager, Nature and Biodiversity, KPMG International and Chinwe Ugwuzor, Manager, ESG Assurance, KPMG Delivery Network on their reflections on the findings from the recent Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Business and Biodiversity Assessment and the importance of accounting for nature-related risks and opportunities in business decisions.

Sarah, over to you.

Sarah Nelson

Okay, let's start with the basics, because not everyone listening will be familiar with IPBES), which is the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. So, this is an independent intergovernmental body established to strengthen the science policy interface for biodiversity and ecosystem services, for the conservation and sustainable use of biodiversity, long term human wellbeing and sustainable development.

And it's often described as the IPCC for biodiversity, so IPBES brings together experts from almost 150 countries to provide global, authoritative scientific advice to governments, businesses and wider society. And for the first time, this year's global meeting IPBES 12 was held in the UK in Manchester, and it took place a couple of months ago in February.

And I'm joined today by two of my colleagues who attended IPBES 12 for KPMG. So welcome Carlijn and Chinwe and Chinwe, a special welcome to you because I believe Happy Birthday is in order. Our very own Earth Day birthday girl. Carlijn want to turn to you first to give an overview of why this IPBES meeting, IPBES 12 was such an important meeting for businesses.

Carlijn van Dam

Thank you Sarah, and delighted to join you today and Happy Birthday Chinwe. So at its core IPBES performs assessments on biodiversity to translate complex science into decision-useful information and this year was particularly important because IPBES published its first ever assessment dedicated entirely to business and biodiversity. It gives companies the foundation for understanding where nature shows up in their business model and, most importantly, what they can do about it. And why is this important for business? Well, IPBES makes one message really clear. Every business depends on nature and every business impacts nature. And if we don't manage those impacts and dependencies, we actually expose ourselves to operational, financial and supply chain risks, from water restrictions to commodity risks, and also more severe impacts of climate change, because nature's decline reduces the resilience to absorb these physical impacts. So, for me, IPBES 12 was really a turning point. It moved the conversation from why should businesses care about nature to here is the evidence. Now how do we act?

Sarah Nelson

Thank you Carlijn. And can you tell us a little more about this business and biodiversity assessment. So, what is it? What does it contain and what makes it so significant?

Carlijn van Dam

The assessment is a landmark report. It's the first global scientific assessment that looks directly at how businesses both depend on and impact nature and what that means for value, risk and long-term resilience. It basically does three things. First, it provides clear scientific evidence.

It really shows how nature underpins the economy, from water regulation to soil fertility to climate stability, and how degradation of nature can impact business. Second, it gives companies practical tools as it brings together the methods available today to measure impacts and dependencies, for example at the site supply chain, corporate and portfolio level. And one of the most important messages here is there are already enough data and tools to get started. Third, it sets out more than a hundred actionable options for both business and finance. These range from for example, strategic governance and target setting to value chain management and place-based action and financial levers. So, in short, this assessment gives businesses the science, the methods and the actions they need to align with global nature goals and manage risk in a credible way.

Sarah Nelson

Great. Thank you so much, Carlijn. So Chinwe I wanted to turn to you now to tell us a little bit more about how this business and biodiversity assessment was produced.

Chinwe Ugwuzor

Thanks, Sarah. The IPBES process is not a closed scientific exercise. That's the fundamental point. The Business and Biodiversity Assessment involved 7 to 9 authors from 35 countries, with 43 additional contributing authors bringing in specialist expertise. And it went through multiple rounds of external review, receiving over 6000 comments. And so stakeholders, businesses, NGOs, indigenous peoples organisations and governments were invited to submit review comments. That is meaningful engagement, helping to shape the scientific findings before they become the global evidence base. The assessment covers not just direct impact of business on biodiversity, but dependencies across value chain and the role of finance and civil society.

Sarah Nelson

Great. Thank you. This sounds like a really useful and timely report, and comes at a time where many companies are starting to already align with voluntary nature disclosures such as the TNFD, as well as preparing for existing and upcoming regulatory requirements for assessing their nature related impacts, dependencies, risks and opportunities. So, Carlijn, I want to turn back to you. What were some of the key insights from the assessment that really stood out to you, and which you would highlight in your conversation with businesses?

Carlijn van Dam

It's really a key source that can be used by all organizations. What are your more mature and have structurally embedded nature related issues into the strategy already, or whether you're just starting to understand exposure to key nature related issues. And I would say three insights really stood out. So, first of all, nature loss is a material business risk. IPBES shows that biodiversity decline creates physical transition and systemic risks. When ecosystems fail, supply chains fail. When water systems break down, entire sectors can actually feel the consequences. And this is no longer a long-term environmental issue. It's a business continuity issue that we are already seeing today. Secondly, you can start assessing now. There's a perception that nature is complex or that the data isn't ready. And although it is true that nature and biodiversity as its key indicator for nature's health has many aspects which makes it more complex to measure, the IPBES assessment makes it really clear we have the methods to act: spatial data, value chain mapping technology and tools for local site assessments and life cycle approaches to evaluate product impacts.

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All exists today, and with these existing data and tools, businesses can meaningfully screen and assess their nature related impacts and dependencies. And thirdly, businesses have a responsibility and an opportunity. Nature positive actions are highly cost effective measures to help reduce risk, build resilience and unlock new markets, especially in areas like water management, land use and nature based solutions to build resilience to climate change. So the report is very clear that taking action is not only about protecting value, it can also create real business value.

Sarah Nelson

Thank you so much. Now Chinwe, we also attended something called Stakeholder Day during IPBES 12, which I believe you played a key role in. Can you tell us a bit more about this and the role businesses played at it?

Chinwe Ugwuzor

The stakeholder day is a dedicated space within the IPBES process of stakeholders. It was a large crowd this year with a significant number of first-time attendees, which says a lot about how much broader interest in this process has grown. And so scientists, indigenous peoples, local communities, civil society and businesses all came together ahead of the plenary to discuss the evidence, share practical insights and contribute to how evidence can be applied through real-world experience for businesses.

Sarah Nelson

That sounds great. And what was your role in this stakeholder day, and what were some of the key messages from businesses from it, and were there any moments that particularly stood out for you?

Chinwe Ugwuzor

The Science for Business Action session, which I co-organized, brought together voices from nature finance research, conservation science, small enterprise and indigenous communities to explore one question 'how can we ensure business actions are backed with scientific evidence, and what tools are available to make this happen?' The discussion covered disclosure frameworks in nature bonds, greenwashing safeguards, the role of small businesses in proving that nature positive practices can be commercially viable, as well as tools and research that are available. For example, UKRI-funded research and the IUCN RHINO Framework. One example that stood out and real-life examples from businesses, was from the Global South, the Black Baza Coffee Co. in India, highlighting participatory solutions, specifically how working directly with local farmers as a social and conservation enterprise can be both commercially viable and nature positive. Professor Richard Field from the University of Nottingham, spoke on two major UKRI-funded research programmes, the Economics of Biodiversity and Integrating Finance and Biodiversity Programme, both of which are building the evidence base that businesses and financial institutions need to make better decisions.

Sarah Nelson

Brilliant. Thank you and Carlijn, Aviva and the UK government also hosted a business and finance day in parallel to IPBES 12. Can you tell us a little bit more about that? Yes, sure.

Carlijn van Dam

The Business and Finance Day was where science from IPBES was connected to the practical realities of the private sector. It brought together banks, insurers, asset managers, utilities and corporates all asking a simple question: What does acting on nature mean in a business and finance context? And a few things came through strongly which I'll touch upon three of them resilience, demands and co-design. One of the key themes was around resilience. Some of the leading financial institutions framed nature risk in the same way they would actually frame credit risk or operational risk. Nature and climate are increasingly integrated into a single transition plan to manage these risks strategically, as it was said that fiscal nature risks such as water scarcity, soil degradation or ecosystem collapse would directly affect their balance sheets. And the message around this theme was it's not just about returns. It's really about protecting the bottom line from the very real physical and regulatory risks. Farming clients are already going out of business, and nature needs to be embedded as a strategic topic and managed by leadership to increase resilience in an increasingly dynamic world. And one of the key best practices was that the momentum within companies to tackle climate issues can be leveraged to use the nexus between climate and nature to move into the opportunity from a position of resilience.

And the second thing was really around demand and we need to design demands for nature finance and not just supply. Investors during the day made it clear that supply of capital is not necessarily the challenge. Large financial institutions have categorized nature already as an investable asset class. But what is missing are projects that are meeting the investor requirements. And speakers highlighted some of the key barriers, such as policy uncertainty and complex regulations. It is still very hard, for example, to change land use permits for the purpose of rewilding this land. Secondly, the lack of patient capital structures was mentioned as another barrier, as nature projects often need long term horizons. Up to 30 or 40 year. Thirdly revenue models or the unclarity around them was emphasized. Whilst we are good at monetizing various ecosystem services, they're still unclarity around who benefits, how long they benefits and what risks are reduced.

And also the need for real demand-side design. Investors need clarity on what corporates or communities will pay for. So flood reduction, crop resilience or water quality. One investor I thought, put it really well. "We spend plenty of time packaging ecosystem services, but we need to spend twice as much time actually structuring the demands." And a third team was around co-design. Nature finance will only scale if benefits are shared and projects are co-designed locally. This emphasis came through across regions and challenges — from the Integrated Water Management Plan in Greater Manchester in the UK, to local projects across Africa: If communities aren't economic partners, the projects won't actually stick.

And if nature-based solutions deliver benefits such as reducing flood risk, more stable yields or carbon storage, the beneficiaries will need to be willing to pay. Whether that's insurers, supply chain companies or utilities. And across the day, one message kept coming back. Don't let perfection delay action, pilot, iterate, improve and work with these local communities as economic partners. Overall, I think the event showed that nature's moving quickly to a mainstream financial and strategic issue.

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Sarah Nelson

Brilliant. Thank you. It sounds like a great day. So, a final question for you both. What would you say with the key messages for businesses that came out IPBES 12 and Chinwe let's start with you.

Chinwe Ugwuzor

I'd offer three things. First, the evidence is now unambiguous. The Business and Biodiversity Assessment is the most comprehensive global scientific consensus on how businesses both depend on and impact nature. Second, multiple stakeholders from across 35 countries helped build this evidence base. Businesses and industry bodies that engaged in the IPBES review process contributed to shaping what the assessment says — and that creates legitimacy and responsibility. Third, nature-related risk is not a future concern. It is already affecting supply chains, financial stability and communities. The time to act is now.

Sarah Nelson

Thank you. And turning to you, Carlijn. What would be your key messages for businesses?

Carlijn van Dam

I would echo those three points of Chinwe first of all, and then maybe add a few additional thoughts. So, nature is a business issue. If your operations, supply chain or customers depend on water, raw materials, land or climate stability, then you depend on nature and like Chinwe said, these risks are already visible. And if you think about it, this is almost every business. Also, you can start today by identifying exposure to nature in your value chain or even part of your value chain. So start small, but start, and also nature action can create value. Yes, it reduces risk, but it also opens up new opportunities through exciting innovations such as leveraging fungi for new materials as waste recyclers or energy. And for me, this is the most important mindset shift. Nature isn't an external risk to avoid. It's an asset that you can actively manage to create business value. And as practitioners, I think it's our responsibility to ensure these insights reach the organizations that need them. To translate these into meaningful collective actions for nature, in order to contribute to the transition to a world of living in harmony with nature.

Sarah Nelson

Thank you so much both. So, I think the takeaway message is, if you are a business and you want to think about protecting your business both from short and long-term risks, but also think about how to maximize on your nature related opportunities, then you should start thinking about your nature impacts, dependencies, risks and opportunities. And you should start thinking about that now. There are some practical and easy steps to get started, and we would recommend reading the IPBES Business and Biodiversity Assessment as a good first step. Thank you.

Host:

Sarah, Carlijn, Chinwe, thank you for taking the time to join us today, you've given our listeners a lot to think about and we look forward to hearing more about what was discussed today in future podcasts. Join us again next time for more insights from ESG leaders and innovators. You can also find our latest insights covering a range of ESG topics by visiting kpmg.com/ESG.

Thanks for listening!

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