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SUSTAINABILITY

Nature in the boardroom: Monetisation models driving corporate strategy

COP30's Tropical Forest Forever Fund to combat deforestation is innovative for investors, but for corporates, nature credits hold more practical value to meet sustainability targets



Key trends emerge

Sustainability has become increasingly complex for corporate leaders. The transition to a net-zero economy is primarily driven by policy, and the most recent global climate conference, COP30, is widely viewed as disappointing, failing to inspire business leaders to take more decisive action.

Of course, sustainability initiatives do not exist in a vacuum; executives must also navigate challenges such as geopolitical tensions, trade disputes, domestic unrest, and political instability. These factors make it harder to commit to long-term investments in sustainability.

Despite these hurdles, three key trends are emerging among corporate leaders:

- **Continued commitment:** Corporate leaders remain dedicated to sustainability. For instance, a Harvard Business Review analysis found that only 13% of firms have scaled back their climate commitments. However, many companies now practice

"greenhushing," being less vocal about their efforts to avoid political, public, or legal scrutiny.

- **Business value alignment:** Companies increasingly focus on sustainability initiatives that deliver direct business benefits, such as strengthening supply chain resilience, promoting the circular economy, and creating innovative, sustainable products.
- **Beyond emissions reduction:** The emphasis is shifting from simply reducing emissions to proactively managing climate risks and restoring nature. With the rise in natural disasters and escalating associated costs – often only partially covered by insurance – addressing climate risk is becoming a top priority for corporate leaders.

So sustainability, focusing on the protection and restoration of nature, is firmly on the boardroom agenda. COP30 has played an instrumental role in this shift with the launch of the Tropical Forest Forever Facility (TFFF), an innovative investment fund dedicated to safeguarding endangered forests. The TFFF exemplifies how blended finance – combining public and private investment – can drive meaningful progress in nature conservation.

How the Tropical Forest Forever Facility works

Countries such as Norway, Brazil, Indonesia, and France have pledged more than \$5 billion in public funds to seed the initiative. The fund seeks to amplify its impact by leveraging the initial \$5 billion commitment to attract an additional \$20 billion from private investors, resulting in a current fund size of \$25 billion. These resources are invested in assets expected to generate a 7.5% annual return. Of this, investors receive a 5.5% return, leaving an excess of 2.5% for the fund. This surplus is used to pay governments a \$4 fee per hectare of forest that is preserved and protected from deforestation, with satellites used to monitor forest acreage.

With its current scale, the \$25 billion fund can support payouts for approximately 1.5 million square kilometres of forest – an area equivalent to half of India and roughly the combined size of France, Spain, and Ukraine. If the fund achieves its target size of \$125 billion, as outlined at COP30, its reach could extend to protecting forest areas nearly equivalent to the entire landmass of the United States.

Opportunities and challenges

The fund's straightforward structure and transparent financial model are significant advantages for **investors**, offering a new avenue to support nature conservation with predictable returns. This clarity might also appeal to **corporate leaders** who face complex decisions when seeking to make a meaningful difference in environmental stewardship. For many executives – especially those whose businesses are not directly tied to agriculture or

renewable energy, nature-related issues can often seem remote from everyday operations. As a result, contributing to the fund may seem like an attractive way to fulfil nature-related goals.

However, this approach is not without risks. Critics argue that the fund ties forest conservation to financial market performance – meaning that if returns are disappointing, the promised payouts may not materialise. Additionally, the fund primarily targets the preservation of existing valuable forests, rather than investing in the restoration of already degraded areas. Moreover, the fund does not tackle the direct environmental harms caused by corporate operations, such as the discharge of polluted wastewater, the generation of significant waste streams like plastics and persistent chemicals, or the reduction of biodiversity on lands impacted by business activities.

Nature credits may be the solution

For corporations, one of the biggest challenges in investing in nature-based solutions is demonstrating a strong financial business case for environmental impacts – after all, you can't send nature an invoice to recoup your investment. Nature credits offer a solution by enabling corporate leaders to monetise the positive outcomes their actions have on the environment. Nature credits are tradable certificates that represent measurable, verified improvements to natural ecosystems – such as enhanced biodiversity, restored habitats, or increased carbon sequestration – which companies can sell and earn money from. For example, in the United States and Australia, water credit programmes allow organisations to monetise improvements in water quality. The United Kingdom's Biodiversity Net Gain Policy has introduced biodiversity credits, while the European Union's Carbon Removals and Carbon Farming Certification (CRCF) will soon allow companies to earn nature credits for practices such as peatland restoration, agroforestry, and soil carbon sequestration.

We recognise that global voluntary carbon and nature markets are far from perfect. These markets face significant challenges, most notably, issues of additionality and leakage which can undermine the integrity and quality of credits. Additionality means that the positive environmental impact created by a project, such as carbon reduction or habitat restoration, would not have happened without the specific intervention funded by the credit. If a project would have occurred anyway, its credits do not represent a true net gain for the environment. Leakage occurs when efforts to protect or restore nature in one location inadvertently lead to harmful effects elsewhere. For instance, safeguarding a forest in one region can result in increased deforestation in another if the underlying drivers, such as demand for wood, soybeans, or coffee, are not addressed.

Nevertheless, despite these obstacles, engaging in these markets enables business leaders to generate financial value while establishing a clear and measurable connection to their carbon and nature-related performance, thereby enhancing both accountability and transparency. While the Tropical Forest Forever Facility offers investors a promising way to support nature conservation, nature credits present a more practical and direct solution for corporate leaders

seeking to integrate environmental impact into their business strategies.

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