Leveraging the *Roadmap to Nature Positive: Foundations for the energy system*

Examples from the energy industry:

→ *CLP Holdings Limited*

→ Photovoltaics at Xicun Solar Power Station in Yunnan, Mainland China, CLP Holdings Limited

World Business Council for Sustainable Development

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General introduction

WBCSD and its member companies have now launched the ***Roadmap to Nature Positive: Examples from the energy industry***, five cases of industry businesses that are leveraging WBCSD's Roadmap to Nature Positive: Foundations for the energy system.

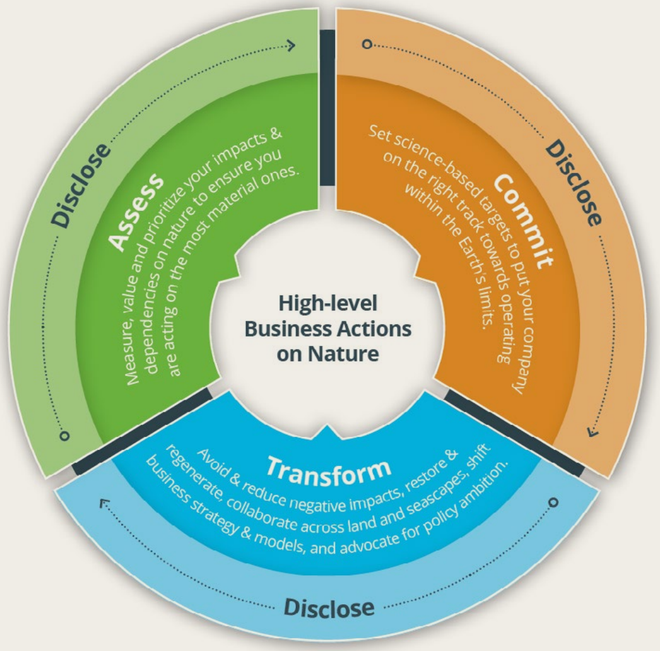
The ***Roadmap Foundations*** provides companies with a comprehensive step-by-step "how to" guide to taking credible, impactful nature action. The Roadmap follows the underlying logic of key frameworks including the **High-level Business Actions on Nature** to Assess, Commit, Transform and Disclose (ACT-D), the **Taskforce on Nature-related Financial Disclosure** (TNFD) **LEAP approach** (Locate, Evaluate, Assess, and Prepare) and the **Science Based Targets Network** (SBTN) AR3T Action Framework.

These **Roadmap examples** serve as **practical illustrations** that **bridge** the gap between theory and industry practice. Building upon the Roadmap Foundations, they aim to show how companies within the energy system are navigating their journey to nature action, offering valuable insights into the **particular and specific challenges** that businesses encounter on this journey.

As each organization confronts a **combination of unique and shared hurdles**, it is important to openly share these experiences to **foster collaboration** among peers and **support the development of effective solutions.**

*It is by making these learnings available, and collaborating with peers to develop solutions, that we can reach the **speed and scale needed** to achieve the shared goal of **halting and reversing nature loss by 2030.***

Figure 1: ACT-D framework, SBTN



Source: Business for Nature (2022). High-level Business Actions on Nature

Energy member: *CLP Holdings Limited*

Sector: Utilities
Value chain: Power generation, transmission and distribution, energy retail and other energy services

Company strategy & approach to nature positive

CLP Holdings Limited (CLP) is committed to being a responsible power utility by minimizing the environmental impacts of its operations while preserving natural resources, with the Group's goal of "No Net Loss of Biodiversity." The Group believes that conserving biodiversity has a direct positive impact on local economies and businesses as it protects ecological processes and ultimately influences the value chains of critical industries.

The targets CLP sets for assessment requirements through to ecological compensation under its **"No Net Loss of Biodiversity goal"** are site-specific and change depending on the local environmental regulations of the jurisdictions in which the Group operates. CLP's starting point in establishing such objectives is to adopt appropriate environmental and biodiversity assessments and management processes across all stages of a project cycle.

The aims are to identify environmental risks and liabilities, ensure the fulfilment of statutory environmental impact assessment (EIA) requirements and recommendations during the project design phase and the conformance of the environmental management system (EMS) for ongoing operations, and monitor and improve the resource efficiency and environmental performance of assets.

To better **understand the key gaps between its processes and the recommendations** of emerging global nature-related frameworks such as the LEAP approach and the ACT-D high-level business actions on nature, CLP conducted a **biodiversity-sensitive area analysis** in 2023.

The analysis served as CLP's first step in strengthening its ability to identify and prioritize material nature-sensitive topics. A clearer understanding of material nature issues could help CLP shift its strategy from compliance to risk management and lead the Group to explore the benefits of developing corporate-level nature and biodiversity strategies and targets.

CLP's biodiversity-sensitive area analysis, aligned to its No Net Loss of Biodiversity goal, is a first step in identifying and prioritizing material nature issues, while shifting its corporate strategy less from compliance and more to risk management.

Energy member: CLP Holdings Limited
continued

Rationale for the company to design and implement a nature strategy

→ **Nature beyond compliance:** CLP wishes to gain a more systemic and global perspective on how its activities affect biodiversity, beyond compliance with existing environmental regulations.

→ **360-degree understanding:** CLP wants to develop a systemic management approach that considers its dependencies and impacts and ultimately covers its value chain. In doing so, the Group wants to acquire a more thorough understanding of the relationship between nature and business and to identify nature-related risks and opportunities early on.

→ **Investor interest:** The Group recognizes that a growing number of global investors are showing interest in how businesses are integrating nature into corporate strategy. Hence, CLP is enhancing its approach to nature to facilitate its response to investor and stakeholder interests.

Nature frameworks & guidelines the company is considering in its nature strategy

→ Measuring and reporting according to the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) Standards;

→ Consulting and applying, where necessary and applicable to CLP, the TNFD LEAP and SBTN AR3T frameworks, as well as WBCSD's Roadmap to Nature Positive: Foundations for the energy system.

Stage 1 in the Roadmap to Nature Positive – Assess

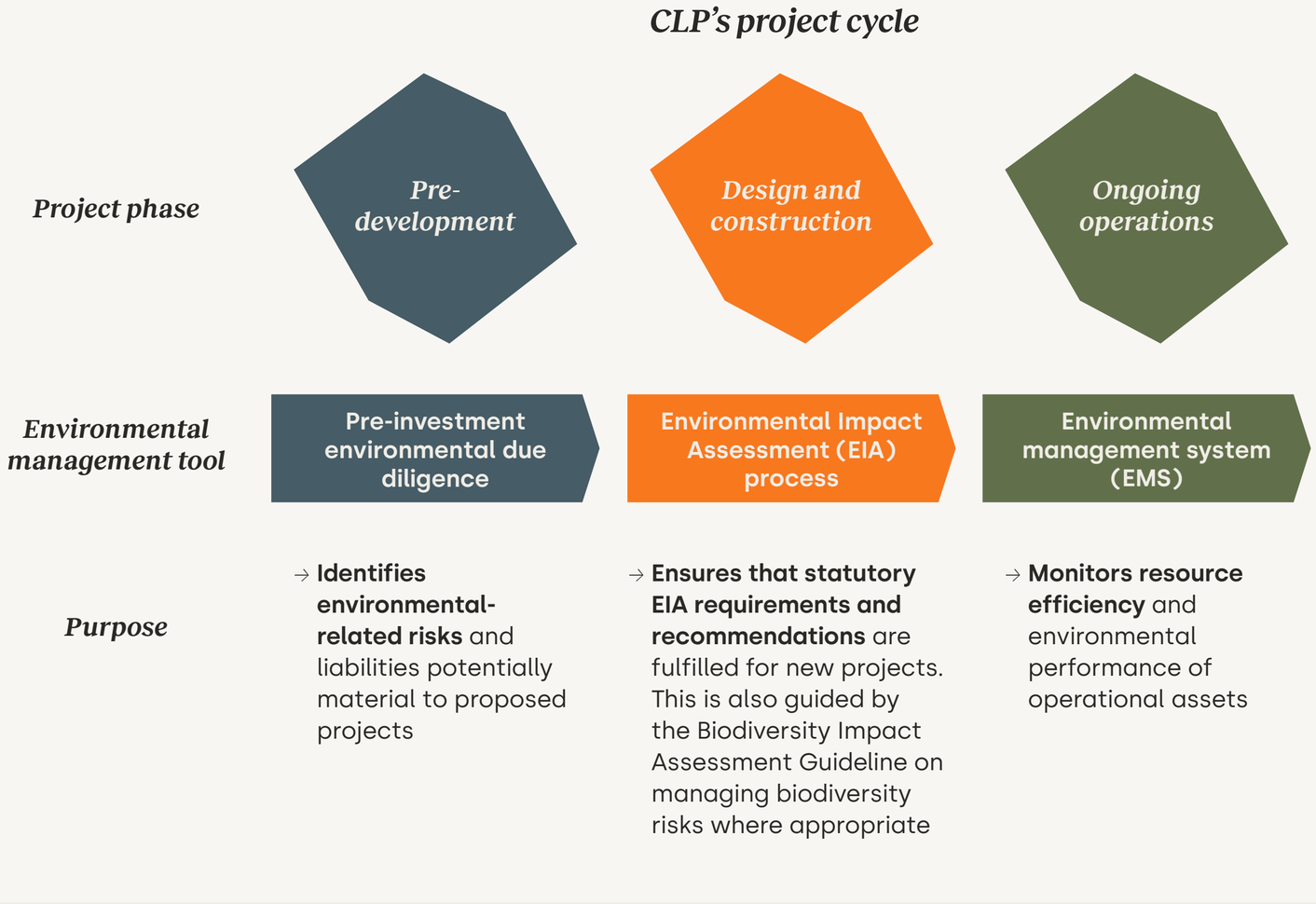
This section describes how the company assesses dependencies, impacts, risks and opportunities (DIROs).

CLP's investment projects have to undergo multidisciplinary review processes that include both financial and non-financial components. Non-financial considerations include legal, safety, security, social, climate change and environmental risks. These processes and assessments reduce business and reputational risks associated with a project and help guide stakeholder engagement. To address environmental and climate-related risks, CLP applies the following environmental management and assessment processes across all phases of its project cycle:

Pre-development

CLP identifies **risks and liabilities for key environmental issues,** including biodiversity and land contamination, through **pre-investment Environmental Due Diligence (EDD).** It applies a physical climate risk due diligence tool to proposed projects. The EDD considers future climate projections to facilitate the identification of potential physical climate risks. This process also proposes potential adaptation and mitigation measures and recommendations as part of the budget requirement for project execution.

Figure 2: CLP's project cycle



Design & construction

Environmental impact assessment (EIA) processes are in place for new projects, including those for which CLP has majority ownership or operational control, to ensure that they fulfill the statutory EIA requirements and recommendations stipulated by local regulators and properly consider and address all environmental impacts with effective mitigation measures. CLP also has an internal **Biodiversity Impact Assessment Guideline** that provides a framework for qualified personnel to **systematically assess biodiversity impacts,** referencing relevant standards such as the **IUCN Red List of Threatened Species** and national conservations lists. The system flags any new operations that could affect the Red List and a country's national conservation list of threatened species well ahead of any investment decision.

Operation phase

CLP's Environmental Management System (EMS) ensures the **identification of significant environmental aspects** and **assures the implementation and monitoring of actions** to improve resource efficiency and environmental performance. For instance, all power generation assets over which CLP has operational control must achieve third-party certification to International Organization for Standardization (ISO) standard 14001 on Environmental Management Systems (ISO 14001:2015 - Environmental management systems — Requirements with guidance for use) within two years following the commencement of operations or acquisition.

This is to ensure that they properly control and monitor their environmental impacts where needed. The EMS also supports CLP's endeavors to maintain full compliance with applicable environmental laws and regulations in the jurisdictions in which it operates.

To complement existing environmental management processes and further its understanding of the relationship between operations and nature, CLP conducted a biodiversity-sensitive area analysis on all existing operational and asset sites (more detail in the Focus box). CLP used the following tools for the assessments:

→ The **Integrated Biodiversity Assessment Tool** (IBAT), which uses data on biodiversity-sensitive areas and threatened species to determine nature-sensitive locations;

→ **ENCORE** (Exploring Natural Capital Opportunities, Risks and Exposure), to assess group-level impacts and dependencies; and

→ The **World Resources Institute**'s **Aqueduct Water Risk Atlas**, which measures water-related impacts and dependencies.

Ultimately, this will help CLP **identify key areas of improvement** in its current environmental management processes and explore possible material topics related to nature and biodiversity and plan nature-related strategies going forward.

The biodiversity-sensitive area analysis will support CLP in: locating nature-sensitive sites across its operations, evaluating group-level potential impacts and dependencies, and assessing associated risks and opportunities.

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CLP's biodiversity-sensitive area analysis – Key takeaways

→ The analysis enables CLP to incorporate TNFD's recommended LEAP integrated assessment approach to facilitate the identification of improvements in environmental management processes across different phases of its project cycle to enhance nature- and biodiversity-related risk management.

→ The results of the analysis will support CLP in locating and prioritizing key nature and biodiversity-sensitive areas in proximity to different assets across its operations and allow it to assess potential nature-related impacts and dependencies at these sites.

→ The analysis may also help CLP explore key material topics related to nature and biodiversity, for which it may set corporate-level targets and commitments to address associated risks and opportunities.

→ source: GettyImage

Energy member: CLP Holdings Limited
continued

Stages 2 & 3 in the Roadmap to Nature Positive – Commit & Transform

This section illustrates how the company, after identifying the material DIROs, is implementing practical and concrete actions, setting its commitments and improving its nature-related strategy.

CLP has a set of Group-wide short-term and long-term environmental targets covering air emissions, waste and water management. To drive continuous improvements and meet external stakeholder expectations, the Group tracks and reviews Group-wide environmental targets annually.

The biodiversity-sensitive area analysis will provide further insight into impacts and dependencies at nature-sensitive locations and assets across CLP's operations. The Group plans to use the results of this initial assessment to identify crucial nature-sensitive areas across its operations, where to strengthen risk management and how to explore potential material topics related to nature and biodiversity.

Moreover, the **gaps identified can inform and establish the Group's upcoming strategy** throughout its project cycle. This may include:

→ Strengthening the EDD process with the application of **IBAT**;

→ Applying its **Biodiversity Impact Assessment Guideline** in the pre-development phase of projects;

→ Conducting asset-level **LEAP** assessments to identify site-specific impacts, dependencies, risks and opportunities, as well as associated metrics for priority sites; and

→ Adopting the SBTN **AR3T action framework** to determine nature-related targets for no net loss or nature positive.

Stage 4 in the Roadmap to Nature Positive – Disclose

This section illustrates how the company is currently disclosing and planning to disclose, including any relevant disclosure requirements it aligns with.

CLP continuously updates and improves its climate-related and nature-related disclosures through a yearly integrated **Annual Report** and **Sustainability Report**. The nature and biodiversity-sensitive area analysis CLP has recently undertaken aims to identify key areas of improvement between the Group's existing practices and the recommendations of the TNFD **LEAP approach**. This may support in developing short- and medium-term action plans to enhance current reporting practices for better transparency on nature and biodiversity risks as well as material opportunities to its business.

Datasets/databases & tools:

→ The **Integrated Biodiversity Assessment Tool (IBAT)**

→ **ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)**

→ **World Resource Institute's Aqueduct Water Risk Atlas**

Key challenges & lessons learned

One of the main challenges CLP encountered was **obtaining granular information from existing environmental databases,** especially historical site-level monitoring and measurement data, and translating data on nature impacts and dependencies into financial value. Thoroughly conducting this exercise would require the support of ecologists to analyze ecological and geographical findings and energy industry experts specializing in different asset types to evaluate the materiality of identified impacts and dependencies for specific operational assets.

Furthermore, while the current assessment identifies the potential impacts and dependencies of CLP's operations, a more **detailed on-site assessment would be necessary** to determine whether the impacts and dependencies identified would pose actual nature risks material to CLP's business. CLP also carried out the analysis using specific radius buffers (assessment zones in proximity to operational sites) for different types of power generation assets. The Group will carry out a more thorough review of the effectiveness of these buffer zones to refine the assessment areas to best reflect the interaction between identified sensitive areas and CLP's business operations.

Lastly, another challenge is how to **translate the data retrieved on local nature-sensitive issues into a group-wide strategy** or approach that covers a broader context of nature-related impacts on a national or even global level.

Outcomes & benefits

By conducting a nature and biodiversity-sensitive area analysis, CLP aims to **strengthen its environmental management processes, enable the assessment of group-level impacts and dependencies, and standardize its disclosures** on nature and biodiversity, while establishing a better synergy of its reporting approach with TNFD **LEAP** disclosures. The effectiveness of the biodiversity-sensitive area analysis in achieving these goals is subject to the review of the assessment results.

Key Partnerships:

WBCSD

→ Honeysuckle flowers grow underneath elevated solar panels at CLP's Xicun Solar Power Station. This agrivoltaic model, which combines agricultural activity with solar generation, has transformed the previously desert-like sandy area into cultivated farmland and brings benefits to local farmers. The Group may identify potential opportunities to apply this model across its portfolio through the biodiversity-sensitive area analysis.

Acknowledgements

Disclaimer

This document showcases a practical example of a corporate approach to building a nature strategy for the energy sector. The primary intention is to offer a real-life case illustrating how an industry player is undertaking their nature journey and implementing the WBCSD Roadmap to Nature Positive: Foundations for the energy system.

The example does not prescribe a one-size-fits-all approach. Each case depicted is specific to the context of the respective company and may not be directly applicable to all situations. Given the evolving nature of sustainability practices, it is advisable to continuously review and update strategies in line with emerging industry standards, regulatory changes and evolving best practices.

Acknowledgements

This publication is a resource complementing **WBCSD's Roadmap to Nature Positive: Foundations for the energy system guidance**.

ERM supported WBCSD in the development of this resource, which was written by CLP Holding's Limited (CLP). It represents CLP's perspective and position. It is by no means a disclosure document.

The report has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice.

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We accelerate value chain transformation across key sectors and reshape the financial system to reward sustainable leadership and action through a lower cost of capital. Through the exchange of best practices, improving performance, accessing education, forming partnerships, and shaping the policy agenda, we drive progress in businesses and sharpen the accountability of their performance.

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