

# Cape Capital

EBS Case Study  
2023



- 1 ▶ Our global economy depends on nature
- 2 ▶ The case for integrating nature into decision-making
- 3 ▶ The Taskforce on Nature-related Financial Disclosures
- 4 ▶ Company in focus: Neste Oyj
- 5 ▶ Case study

# Contents

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# 100% of our global economy depends on nature's vitality



We live in an ecological overshoot and our economic relationship to nature must change.

Humanity's ecological footprint has well surpassed the Earth's biocapacity to regenerate. The Planetary Boundaries demonstrate as such: 6 out of 9 boundaries have been overshoot by early 2022, causing a high risk of abrupt environmental changes.

Biodiversity, the variety of living species on Earth, is fundamental to sustaining life as it provides a vast array of ecosystem services upon which humanity relies for its survival, e.g., the provisioning of food and water, but also carbon storage or pollination. But biodiversity loss is accelerating at a pace never seen before, threatening the very functioning of our economy. According to the WEF, \$44 trillion of economic value generation highly or moderately relies on nature. However, we want to argue that 100% of our global economy depends on nature as nature is critical to any value chain, and any investment.

Research has long highlighted the main drivers of biodiversity loss, and now is the time for companies and financial institutions to integrate nature into decision making

A large, ancient tree with thick, gnarled roots and dense green foliage, with sunlight filtering through the leaves.

Our future depends on a multitude of ecosystem services provided by nature.

# Integrating nature into corporate and investment decision-making

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Standardized, nature-related financial disclosures is the way ahead to assess and manage risks and opportunities.

Nature loss poses a major risk to businesses, while moving to nature-positive investments offers opportunity. The market-led, science-based Taskforce on Nature-related Financial Disclosures (TNFD) framework is enabling companies and financial institutions to integrate nature into decision making by building a risk management and disclosure framework that can be used by organisations of all sizes in all jurisdictions to identify, assess, manage and disclose nature-related dependencies, impacts, risks and opportunities.

The Taskforce consists of 40 individual Taskforce Members representing financial institutions, corporates and market service providers with over US\$20trn in assets.

TNFD is adopting an open innovation approach that encourages market participants to co-create the TNFD framework. The final full prototype representation of the beta TNFD framework was released on March 28<sup>th</sup> 2023, whereby market participants will provide their latest feedback before the launch of the official v1.0 of the TNFD framework in September 2023.



A science-based, yet practical global framework for nature-related risk management and disclosures.



Dashboard

Introduction to the Framework +

Framework and guidance +

Piloting the Framework +

Framework toolkit and resources +

Provide Feedback **NEW** +

# Welcome to the TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework

v0.4 Beta Release

TNFD's risk management and disclosure framework aims to enable organisations to report and act on evolving nature-related risks.

The Taskforce invites you to participate in the development process by testing and providing feedback on framework prototypes through this interactive online platform.

Executive summary

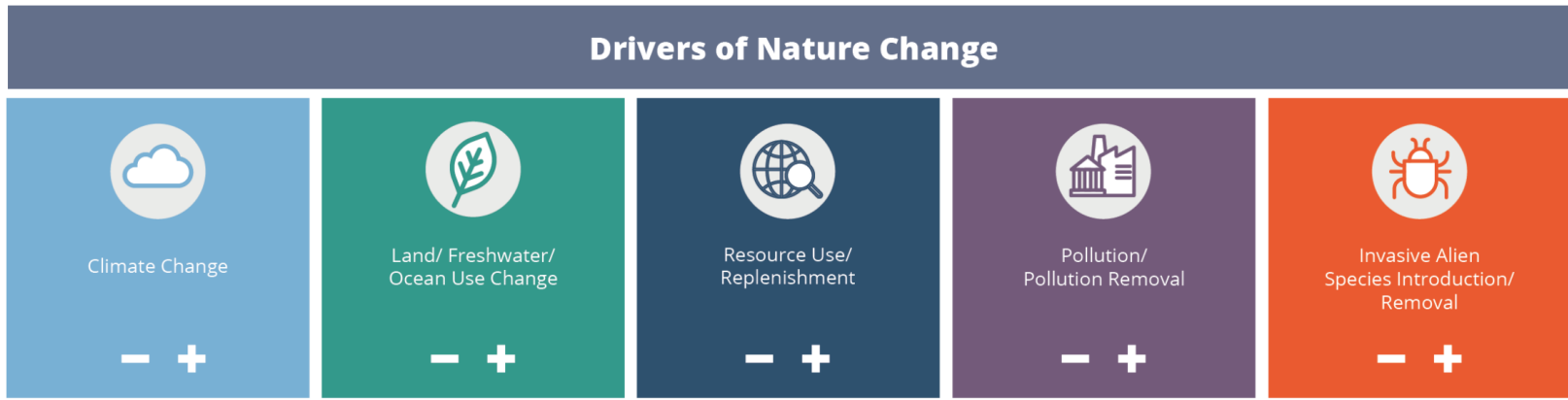
Explore the framework



# The Taskforce on Nature-related Financial Disclosures

Organisations must understand how their impacts and dependencies on nature create both risks and opportunities. The TNFD recommends corporations to disclose on the following subjects.

Governance	Strategy	Risk & impact mgmt	Metrics & targets
<p>The ways in which the organisation's oversight and decision-making functions take nature-related risk and opportunities into account.</p>	<p>The integration of actual and potential effects of nature-related risks and opportunities on the organisation's business model, strategy and financial planning.</p>	<p>How the organisation integrates nature-related risks into its overall risk management approach.</p>	<p>Quantitative and qualitative performance indicators and aims related to nature-related risk and opportunities, based on nature dependencies and impacts.</p>
2 recommended disclosures	4 recommended disclosures	5 recommended disclosures	3 recommended disclosures



# Neste Oyj (NESTE)

Neste Oyj is an energy company that provides renewable and oil products globally.

Segment	Description
Renewable Products	<p>The Renewable Products segment is Neste's fastest growing segment. It offers renewable biofuels for road transportation, aviation as well as renewable materials as a substitute feedstock for the production of polymers and other chemicals.</p> <ul style="list-style-type: none"><li>▪ Neste's Renewables Platform enables the company's global renewables production, renewable raw material sourcing, and delivery of renewables to its global customer base</li><li>▪ NEXBTL is Neste's proprietary process that transforms renewable raw materials into renewable products (see next slide)</li></ul>
Renewable Aviation	<p>Neste MY Sustainable Aviation Fuel™, which reduces GHG by 80% compared to fossil jet fuels over a life cycle</p>
Renewable Polymers & Chemicals	<p>Neste RE™ is a drop-in solution made entirely out of renewable and recycled raw materials to replace fossil feedstock in the production of polymers (plastics) and chemicals. Neste RE™ can reduce GHG emissions by more than 85% compared with fossil feedstock.</p> <ul style="list-style-type: none"><li>▪ Drop-in means that it can be used as a complete substitute in the existing infrastructure</li></ul> <p>The business unit is also advancing chemical recycling for the plastics and chemicals sectors together with value chain partners to enable higher recycling rates for plastic waste.</p>
Renewable Road Transportation	<p>Neste MY Renewable Diesel™, a drop-in solution which allows customers to reduce GHG emissions by up to 90% compared to fossil diesel over the life cycle</p>
Oil Products	<p>Neste's largest segment in terms of revenue relates to high quality oil products used for road transportation, non-road transportation from aviation to maritime as well as for oil and petrochemical industries.</p>
Marketing & Services	<p>The Marketing &amp; Services segment markets and sells petroleum products and associated services to private motorists, industry, transport companies, farmer, and heating oil customers.</p> <ul style="list-style-type: none"><li>▪ Neste operates a station network that consists of 723 stations in Finland and 224 stations in the Baltic countries</li><li>▪ In Finland, Neste MY Renewable Diesel is available at over 150 stations and in the Baltics at over 10 stations</li></ul>
Other	<p>Engineering and technology solutions.</p>

# Case study

Our goal is to better understand how we, as investors, can use the TNFD framework to be equipped with actionable, nature-related insights when we analyse and value companies.

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1. Synthesize the latest insights from TNFD (v0.4 from March 2023) for investors who want to integrate the concepts of nature-related dependencies, impacts, risks and opportunities within their company analyses.
2. Apply these insights to the company Neste Oyj (NESTE). The objective is for Cape Capital to understand how it should, based on TNFD guidance, consider the nature-related dependencies, impacts, risks and opportunities faced by NESTE when analysing the company. The NESTE company analysis that will be provided outlines how Cape Capital performs company analysis. More company information can be found on NESTE's investor relations page. Please note that the company may disclose a very limited amount of nature-related data. For this matter, the purpose of the case study is for students to provide a framework based on which Cape Capital should include nature-related dependencies, impacts, risks and opportunities within its company analysis.
3. Comment on the observations you have made. Which benefits and limitations do you see to the integration of the TNFD recommendations to the company's analysis?
4. Comment on the limitations you see to the TNFD framework, and on improvements you would recommend to the Taskforce.

## Sources to consider and that will be provided:

- Neste Oyj company analysis
- Neste Oyj [investor relations page](#)
- [TNFD Framework website](#), including Introduction to the framework, Concepts and definitions, Draft recommended disclosures, LEAP risk and opportunity assessment approach, TNFD methodologies.