

BIODIVERSITY MANAGEMENT AND DISCLOSURE

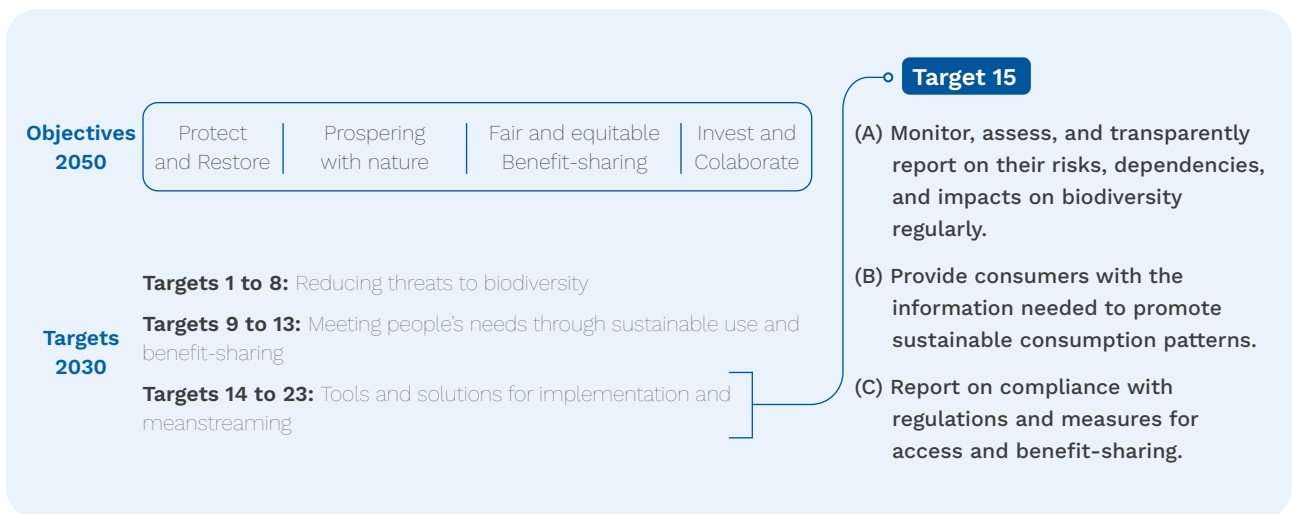


More than half of the planet’s production depends on biodiversity, posing material risks to business. Managing and publicizing biodiversity in business could be the key to reducing the industry’s exposure to the associated risks.

Global Biodiversity Framework

At the 15th Conference of the Parties (COP), held in 2022, countries adopted the Kunming-Montreal Global Biodiversity Framework, also called the Biodiversity Plan or GBF. The Plan defines 4 objectives and 23 targets to tackle the challenges related to biodiversity loss by 2030, with a vision of valuing, conserving, restoring and utilizing nature, maintaining ecosystem services, sustaining a healthier planet and delivering essential benefits to the population by 2050¹.

The targets are set for the Parties to make commitments and adopt public policies, and also reflect obligations for the private sector. **Target 15 is addressed to the business sector and provides for transparency and reporting on biodiversity in business.** The general objective of this target is to encourage and enable companies and financial institutions to report on their relationship with nature in order to **reduce their negative impacts and increase their positive impacts on biodiversity.**



Results of COP15 on biodiversity for Brazilian industry. National Confederation of Industry. - Brasília: CNI, 2023. Available at: https://static.portaldaindustria.com.br/media/filer_public/3d/0f/3d0f1a6f-1b43-453f-8b7c-52fcff664c99/resultados_da_cop15_de_biodiversidade_pa-ra_a_industria_brasileira.pdf.

Biodiversity and the Industry

The loss of biodiversity is already being considered as one of the main risks to business by the World Economic Forum², which affects ecosystem services resulting in a great potential for disruption in different segments of the global economy and society in general.

The industrial sector depends on ecosystem services, including soil stabilization and erosion control, flood and storm protection, climate regulation, as well as the provision of biomass, inputs and raw materials for production.

Importance of the topic in the business context

- Stakeholder relations
- Reputational risk
- Access to sustainable capital
- Regulatory and technological transition risks
- Pressure on the value chain
- Dependencies in the supply chain

Reporting on biodiversity impacts, dependencies and risks has already become relevant in some countries due to countries signaling to make reporting mandatory, in line with Target 15.

Target 15 - Disclose risks, dependencies and impacts

Currently, there are different **frameworks, methodologies** or **tools** for reporting on sustainability in general, including information on greenhouse gas emissions, biodiversity or nature. While some of these are aimed at structuring and guiding reporting, others facilitate the **management** (assessment and understanding) of biodiversity in the business, allowing the identification of opportunities related to this natural resource.

Biodiversity and nature vary according to each region, which is why different methodologies and metrics can be applied in a complementary way for their analysis and reporting.

One of the frameworks aligned with target 15 is the Taskforce for Nature-related Financial Disclosures - **TNFD**. The initiative structures and guides how to report impacts, risks and dependencies on nature in 14 public disclosures.

Another widely used framework is the Global Reporting Initiative - **GRI**, which structures sustainability reports according to numbered topics. The updated 2024 version includes elements related to the disclosure of impacts and dependencies on biodiversity.

In Europe, the European Sustainability Reporting Standards - **ESRS** predominates, a regulation that establishes mandatory guidelines for companies in the economic bloc.

² World Economic Forum Global Risks Perception Survey 2023-2024. <https://www.weforum.org/agenda/2024/01/why-businesses-are-waking-up-to-the-threat-of-nature-related-risks/>

Approaches that can be used to achieve Target 15 in Brazil

Taskforce on Nature-related Financial Disclosures (TNFD)

Impacts

Identification

Quantification

Dependencies

Identification

Quantification

Risks

Identification

Quantification

Opportunities

Identification

Quantification

Purpose

Helps companies report to investors on their material risks related to nature (including biodiversity). Establishes parameters for assessing impacts, dependencies, risks and opportunities in relation to nature using the LEAP methodology (Locate; Estimate; Assess; Prepare).

Usefulness for Brazilian industry and alignment with other toolsA TNFD

The TNFD can be a guide for measuring the objectives of the Global Biodiversity Framework (GBF) at a national level. In addition, it is focused on risks and opportunities, and its adoption provides the opportunity to structure business strategy in relation to nature. It is one of the frameworks most closely aligned with other initiatives, allowing for great interoperability.

Global Reporting Initiative (GRI)

Impacts

Identification

Quantification

Dependencies

Identification

Quantification

Risks

Identification

Quantification

Opportunities

Identification

Quantification

Purpose

Used to structure the reporting of various sustainability and financial components.

Helps companies report their impacts related to sustainability material topics, of which biodiversity can be a part.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

The GRI is a reporting standard that structures a large part of the Brazilian industry's sustainability reports. Its adoption facilitates the reading and transmission of key information to investors and stakeholders, including on biodiversity. In 2024, GRI announced the alignment of GRI 101: Biodiversity 2024 with the TNFD, the release of a document that provides an overview of how the framework aligns with the TNFD, as well as the intention to align as much as possible with the IFRS.



Carbon Disclosure Project (CDP)

Impacts

- Identification
- Quantification

Dependencies

- Identification
- Quantification

Risks

- Identification
- Quantification

Opportunities

- Identification
- Quantification

Purpose

It helps companies report to investors on their material risks related to environmental aspects, including biodiversity.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

The CDP can be a guide for assessing bottlenecks for improvement in climate, forestry and biodiversity management, as well as water security. The CDP score is important for Brazilian publicly traded industries, as it is a criterion for inclusion in the B3 ISE (Corporate Sustainability Index) portfolio. CDP intends to align itself more and more with TNFD, just as it intends to align itself with other frameworks such as ISSB and CSRD.

ESRS Standards (CSRD)

Impacts

- Identification
- Quantification

Dependencies

- Identification
- Quantification

Risks

- Identification
- Quantification

Opportunities

- Identification
- Quantification

Purpose

Mandatory sustainability regulation for the European Union. As it is aligned with various voluntary frameworks, it can facilitate the adoption of these frameworks on a voluntary basis.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

It is expected to come into force from 2025 (fiscal year 2024) for companies that were already subject to similar commitments in Europe, and will extend to small and medium-sized companies, as well as companies in third countries (including Brazil), until 2029. Thus, this reporting standard has led to changes in the due diligence process of European multinationals with a parent company in Brazil, as well as in the contracting of suppliers in Brazil. Alignment between TNFD and CSRD is high and there is a cooperation agreement between them.

Science Based Targets Network (SBTN)

Impacts

- Identification
- Quantification

Dependencies

- Identification
- Quantification

Risks

- Identification
- Quantification

Opportunities

- Identification
- Quantification

Purpose

Provides guidance on how to set nature-related targets. Helps companies report to investors on their objectives and targets in relation to nature (including biodiversity).

Usefulness for Brazilian industry and alignment with other toolsA TNFD

One of the few frameworks providing guidance on how to define nature-related (and scientifically compliant) metrics and targets in a business context. Information on metrics and targets is required by some frameworks and initiatives (e.g. TNFD and CDP). TNFD recommends the adoption of SBTN to answer two statements and to assist one of the LEAP steps, with at least eight common outputs produced adhering to TNFD or SBTN.

International Sustainability Standards Board (IFRS Foundation Sustainability Council)

Impacts

Identification

Quantification

Dependencies

Identification

Quantification

Risks

Identification

Quantification

Opportunities

Identification

Quantification

Purpose

It guides organizations in disclosing information about sustainability-related risks and opportunities that could reasonably affect the entity's prospects (in aspects such as cash flow, access to financing and cost of capital).

Usefulness for Brazilian industry and alignment with other toolsA TNFD

From 2026, Brazilian publicly traded companies will have to follow ISSB standards in their reporting of financial information related to sustainability. Recently, the council announced that it will use the TNFD as a benchmark for future developments. However, the ISSB's approach is expected to be different, since the TNFD applies dual materiality and the ISSB only financial materiality. The ISSB is also in the process of aligning itself with the GRI.

Sustainability Accounting Standards Board (SASB)

Impacts

Identification

Quantification

Dependencies

Identification

Quantification

Risks

Identification

Quantification

Opportunities

Identification

Quantification

Purpose

Currently part of the IFRS Foundation, SASB helps companies from 77 sectors to report to investors on their risks and opportunities in 5 dimensions: environment, human capital, social capital, business model and innovation, and leadership and governance.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

SASB is important in the context of applying ISSB standards. Several of its biodiversity metrics have been reused and readapted by TNFD and other frameworks.

Climate Disclosure Standards Board (CDSB)

Impacts

Identification

Quantification

Dependencies

Identification

Quantification

Risks

Identification

Quantification

Opportunities

Identification

Quantification

Purpose

Currently part of the IFRS Foundation, although discontinued, it helps companies report their sustainability agenda (social and environmental, including biodiversity) to investors.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

Although it is being reworked in conjunction with the IFRS, this may be one of the most comprehensive and important frameworks for biodiversity, along with the TNFD. The CDSB provides a mapping of which steps in its biodiversity guide relate to steps in other biodiversity-related international reporting frameworks.

◦ Natural Capital Protocol (NCC)

Impacts

- Identification ✓
- Quantification ✓

Dependencies

- Identification ✓
- Quantification ✓

Risks

- Identification ✓
- Quantification ✓

Opportunities

- Identification ✓
- Quantification ✓

Purpose

It helps to identify, measure and value the impacts and dependencies of natural capital, which can include biodiversity.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

The NCC provides guidance for sectors and is a management framework aligned with the TNFD. The 'Estimate' phase of the TNFD was developed based on the 'Measure and Value' phase of the Natural Capital Protocol, and there is even a publication that guides how to relate them. Companies that are early adopters of the TNFD use the Natural Capital Protocol in parallel, as part of the Capitals Coalition, which assesses Natural, Social and Human capital.

◦ Life KEY

Impacts

- Identification ✓
- Quantification ✓

Dependencies

- Identification ✓
- Quantification ✓

Risks

- Identification ✗
- Quantification ✗

Opportunities

- Identification ✗
- Quantification ✗

Purpose

It integrates environmental information, including information on biodiversity.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

A biodiversity management methodology that has the advantage of being Brazilian. Life KEY is closely aligned with TNFD, and can assist in all stages of LEAP. The comparison of companies is carried out in a similar way to the Global Biodiversity Score (GBS), developed by CDC Biodiversité, but the benchmark is not publicly available.

◦ CDC Global Biodiversity Score (GBS)

Impacts

- Identification ✓
- Quantification ✓

Dependencies

- Identification ✓
- Quantification ✓

Risks

- Identification ✗
- Quantification ✗

Opportunities

- Identification ✗
- Quantification ✗

Purpose

Quantifies impacts, dependencies and risks to biodiversity.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

As an open management methodology that measures the biodiversity footprint, the CDC GBS is a simple solution for the Brazilian industry. Although there are limitations in the open version, it is possible to relate it to other frameworks, such as TNFD, CSRD and SBTN.

Life Cycle Analysis (LCA)

Impacts

- Identification ✓
- Quantification ✓

Dependencies

- Identification ✗
- Quantification ✗

Risks

- Identification ✓
- Quantification ✓

Opportunities

- Identification ✓
- Quantification ✓

Purpose

It assesses the impacts of a product/service from the extraction of raw materials to its final destination. Because it is comprehensive, it also considers biodiversity and ecosystem services.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

It is suitable for companies that are more mature in their understanding of their impacts and value chain, since it is not a trivial analysis and depends on previous analyses that do not necessarily cover their business or production chain. The TNFD and the Natural Capital Protocol cite LCA as an appropriate methodology on different topics. In addition, the CDC GBS and other methodologies (e.g. Biodiversity Impact Metric (BIM), Product Biodiversity Footprint (PBF) and Impact World+) use LCA to provide their impact analysis.

ENCORE

Impacts

- Identification ✓
- Quantification ✗

Dependencies

- Identification ✓
- Quantification ✗

Risks

- Identification ✓
- Quantification ✗

Opportunities

- Identification ✓
- Quantification ✗

Purpose

It helps to identify impacts, dependencies and risks to nature.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

As a management tool, ENCORE is widely recommended for a preliminary scan of business impacts and dependencies on nature (including biodiversity) in different methodologies. For the Brazilian industry, the tool is recommended for this very purpose. It should be noted that the SBTN's materiality assessment tool (STBN Materiality matrix) was drawn up on the basis of ENCORE.



WWF Risk Suite

Impacts

Identification

Quantification

Dependencies

Identification

Quantification

Risks

Identification

Quantification

Opportunities

Identification

Quantification

Purpose

Helps identify and quantify risks related to biodiversity

Usefulness for Brazilian industry and alignment with other toolsA TNFD

It is an open and standardized tool with a biodiversity risk assessment, and is a simple solution for the Brazilian industry. However, many of the different risks assessed have low resolution, so their application should be preliminary. The WWF Biodiversity Risk Filter and the WWF Water Risk Filter are cited as useful tools for assessing biodiversity-related risks from the TNFD. They can also be used in relation to SBTN and TNFD.

Integrated Biodiversity Assessment Tool (IBAT)

Impacts

Identification

Quantification

Dependencies

Identification

Quantification

Risks

Identification

Quantification

Opportunities

Identification

Quantification

Purpose

It provides information on endangered species, protected areas and key areas for biodiversity conservation in various business locations.

Usefulness for Brazilian industry and alignment with other toolsA TNFD

It is a tool that generates automated reports and does not require high levels of in-house expertise, but registration is in foreign currency. TNFD suggests IBAT/STAR as a preliminary assessment tool in conjunction with, for example, ENCORE and WWF Biodiversity Risk. In addition, BIAF applies IBAT/STAR to measure “positive nature” scores. the TNFD. They can also be used in relation to SBTN and TNFD.



Global Forest Watch and Resource Watch

Impacts

Identification

Quantification

Dependencies

Identification

Quantification

Risks

Identification

Quantification

Opportunities

Identification

Quantification

Purpose

They provide georeferenced information on biodiversity, including priority areas for conservation, biodiversity integrity, among others. Furthermore, it provides maps of land use, climate and carbon,

Usefulness for Brazilian industry and alignment with other toolsA TNFD

As it is simple to use and open, it is useful for gaining a first insight into industry's interface with nature and biodiversity.

It has been widely used in TNFD pilots, especially for more qualitative assessments of deforestation in the value chain.



Find out more about the complete study on the integration of biodiversity into business here

