

Nature-related disclosures in a megadiverse country:

a case study of the finance and development sector

Locate phase of the Taskforce on Nature-related Financial Disclosures



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GENERAL COORDINATION

Vanessa de Souza Pereira, CEBDS

SUPPORT

Gabriella Marinho Araújo da Silva, CEBDS

AUTHORS**CEBDS:**

Vanessa de Souza Pereira

Fundação Dom Cabral:

Ana Cristina Assunção Gazzola

Edgard Pitta de Almeida

Carlos de Camargo Penteado Braga

Ernst & Young:

Mariana Faria

Lara Vitale

Paolo Lerayer

GENERAL REVIEW

Vanessa de Souza Pereira, CEBDS

Juliana Lopes, CEBDS

Gabriella Marinho Araújo da Silva, CEBDS

Ana Lúcia Salvador Ormond Bergamini Lima, CEBDS

Mariana Faria, EY

Lara Vitale, EY

Coordination of the CEBDS Nature-related Disclosure Pilot Project: TNFD case - Locate Phase:

Vanessa de Souza Pereira, CEBDS

Focal point of the CEBDS Nature-related Disclosure Pilot Project: TNFD case - Locate Phase:

Gabriella Marinho Araújo da Silva, CEBDS

Partners of the CEBDS Nature-related Disclosure Pilot Project: TNFD case - Locate Phase:

FDC (Institutional Partner)

Arcadis (Technical Partner)

EY (Technical Partner)

I Care (Technical Partner)

Companies participating in the Finance and Development Sector Group of the CEBDS Nature-related Disclosure Pilot Project: TNFD case - Locate Phase:

Brazilian Development Bank (BNDES)

Caixa Econômica Federal

Banco Bradesco

Banco Itaú Unibanco

Banco Santander

Graphic Design and Layout:

IG+ Comunicação Integrada

CEBDS Social Media:

cebds.org

Facebook.com/CEBDSBR

Twitter.com/CEBDS

Youtube.com/CEBDSBR

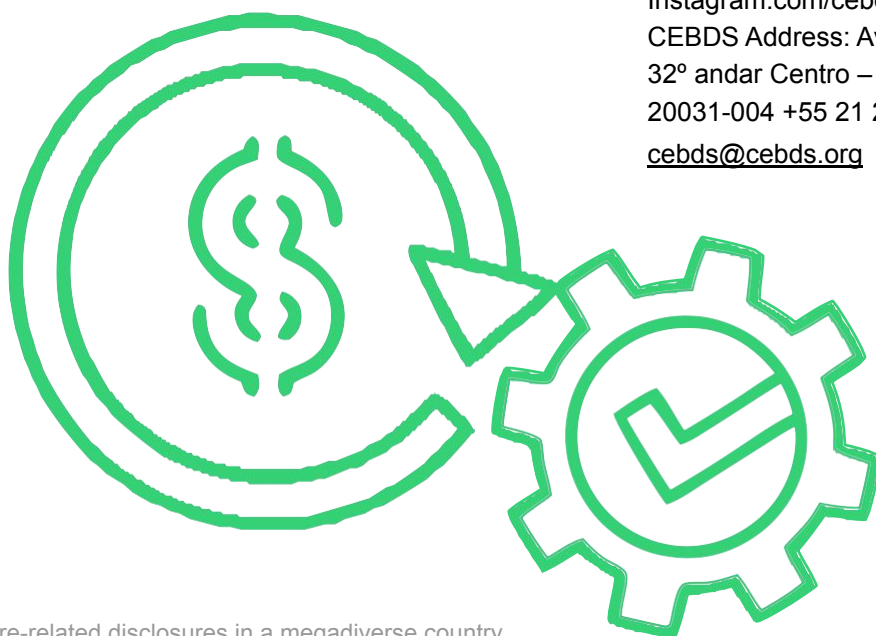
Instagram.com/cebds_sustentavel

CEBDS Address: Av. Almirante Barroso, 81 –

32º andar Centro – Rio de Janeiro – RJ – CEP:

20031-004 +55 21 2483-2250

cebds@cebds.org



Summary

LETTER OF PRESENTATION > 4

THE CEBDS NATURE-RELATED DISCLOSURE PILOT - TNFD CASE > 6

SESSION 1:

THE STRUCTURE OF THE TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES (TNFD) AND ITS LEAP METHODOLOGY > 12

SESSION 2:

THE LOCATE PHASE OF THE TNFD AND THE COMPANIES AND FINANCIAL INSTITUTIONS OPERATING IN A MEGADIVERSE COUNTRY: A LOOK AT THE BRAZILIAN REALITY > 22

SESSION 3:

THE FINANCE AND DEVELOPMENT SECTORAL CASE FOR PILOTING THE LOCATE PHASE OF THE CEBDS PILOT PROJECT ON TNFD > 28

REFERENCES > 47



Letter of Presentation

The loss of biodiversity in Brazil and around the world threatens the functioning of ecosystems and thus human life on earth. With the aim of halting and reversing the current decline in global levels of biological diversity, the Kunming-Montreal Global Biodiversity Framework (GBF) was signed during the 15th Conference of the Parties to the Convention on Biological Diversity (COP15) in December 2022.

This international agreement consists of four long-term goals aimed at leading the planet to live in harmony with nature by 2050 and 23 action targets to be achieved by 2030 by all signatory countries to the Convention on Biological Diversity.

Each target is preceded by a set of indicators that countries must follow, to monitor progress towards achieving the targets over the years. These indicators will be discussed and agreed during the 16th Conference of the Parties to the Convention on Biological Diversity (COP16), which will take place in Cali, Colombia this year.

The countries that have signed the agreement are currently internalizing the targets set at the international level through the National Biodiversity Strategies and Action Plans (NBSAPs).

Among the 23 targets of the framework, it is worth highlighting Target 15, which is directly linked to the private sector and financial institutions. It requires the private sector to

report on its risks, impacts and dependencies on biodiversity, progressively reducing the negative impacts and increasing the positive impacts of the economy on biodiversity.

One of the indicators of Goal 15 refers to the accession of companies to the Taskforce for Nature-Related Financial Disclosures (TNFD). The TNFD is a global initiative launched in 2021 and led by the financial market. Its focus is to provide financial institutions and companies with a complete view of environmental risks to structure reporting on impacts and dependencies on nature.

The Brazilian Business Council for Sustainable Development (CEBDS) and its members recognize the importance of biodiversity management by companies, considering the use of scientific targets and internationally recognized reporting tools to measure the risks, impacts and dependencies of the economy on biodiversity.

Recognizing the importance of the Kunming-Montreal Global Biodiversity Framework and deepening discussions on the impacts, risks and dependence of the economy on biodiversity, the CEBDS has implemented actions and training initiatives on measuring impacts on biodiversity over the past four years.



These technical discussions on the targets of the framework and the sustainability indicators aim to improve companies' knowledge of nature-related reporting.

In addition, CEBDS acted as coordinator of the TNFD Consultation Group in Brazil and played a leading role during the drafting of the standard between 2021 and 2023, conducting online seminars and workshops with the Brazilian business sector to discuss versions of the framework and share experiences and perceptions of companies and financial institutions on its application through recommendations to the TNFD technical team.

On this journey, the Council launched the Action for Nature Platform in Montreal in 2022 during the 15th UN/CBD Biodiversity Conference (COP15), which was restructured in 2023 with the “Nature-related Disclosure Pilot - TNFD case”.

The aim of the project is to support companies in reporting on the TNFD in Brazil and to contribute to greater transparency regarding nature-related financial information in the country. This project adopts the community-of-practice model, which offers participants the opportunity to create an environment for learning and sharing experiences between organizations from different sectors and at different levels of maturity of the TNFD standard. The pre-competitive environment provided by this community of practice allowed us to systematize the challenges and lessons

learned from nature-related reporting for companies operating in megadiverse countries, taking into account the territories' perspective on biodiversity, as well as the specificities of the different biomes, ecoregions and ecosystems they comprise.

Divided into four phases following the TNFD LEAP methodology (Locate, Evaluate, Assess and Prepare), the pilot is based on the joint piloting of the TNFD by 20 companies from different segments of the real economy and financial institutions, divided into three macro sectors: (i) land use, (ii) energy and infrastructure, (iii) finance and development.

This publication was prepared jointly with EY, the technical coordinator of the Finance and Development Group, and Fundação Dom Cabral, CEBDS' institutional partner for the Locate phase of the project. It provides a general overview of the structure of the TNFD and brings lessons learned from the joint CEBDS exercise of the locate phase of the TNFD, followed by impact statements from companies that participated in the pilot.

With this more specific and targeted look at financial institutions, we aim to reflect in this publication the challenges and specificities of the finance and development sector and to present the mapping of environmentally sensitive sites identified by the group in a clear and objective manner. We also share the findings on the most representative sectors in terms of the volume of active loans and the number of clients in loan portfolios. We also highlight the heat map, which includes the analysis of materiality data on nature impacts and dependencies, cross-referenced with financial information, as well as recommendations for the sector considering the lessons learned scenario.

Have a good reading!

The CEBDS Nature-Related Disclosures Pilot - TNFD Case



The Pilot Project on TNFD



THE BRAZILIAN TNFD CONSULTATION GROUP

Over the past four years, CEBDS has worked on actions and training initiatives to measure the net impact on biodiversity and provided technical debates on the targets of the Kunming-Montreal Global Biodiversity Framework and the sustainability indicators to improve companies' knowledge of nature-related disclosure.

On this journey, in 2021 CEBDS became the coordinator of the TNFD Consultation Group in

Brazil and played a leading role during the drafting of the standard.

During this period, workshops were held with Brazilian real economy companies and financial institutions to discuss and contribute with recommendations for the versions of the standard and to exchange experiences and perceptions of companies on the application of the TNFD framework.



THE ACTION FOR NATURE PLATFORM INITIATIVE AND THE NATURE-RELATED DISCLOSURE PROJECT - TNFD CASE

CEBDS, the Brazilian representative of the WBCSD, led by more than 100 major companies, launched the Action for Nature Platform at COP15 in 2022 to drive changes in the perception and management of natural resources in the territories where companies operate, depend on and influence, by developing science-based targets and guidelines for positive, consistent and credible nature-related actions.

The initiative, reformulated in 2023, has a positive impact axis whose main

objective is to train companies in nature-related disclosure.

In this context, the “CEBDS Nature-related Disclosure Pilot Project - TNFD case” was structured as one of the actions promoted by the initiative, with the aim of supporting companies in their endeavor to become leaders in the responsible biodiversity management by promoting, through a community of practice, a space for the exchange of experiences and learning between organizations from different sectors of the real economy and financial institutions with different levels of maturity of the LEAP methodology.

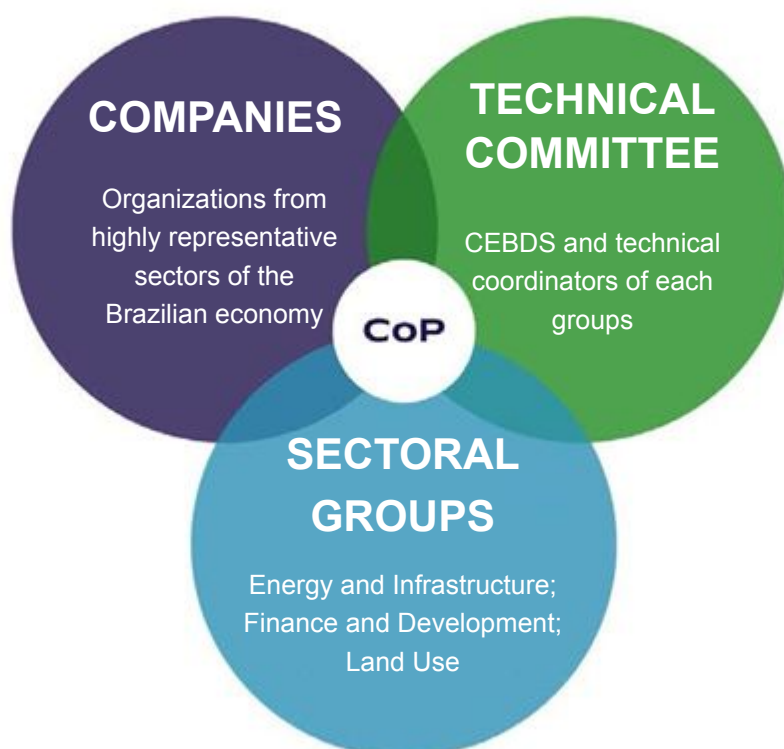


CEBDS COMMUNITY OF PRACTICE ON TNFD

The project is structured according to the Community of Practice (CoP) model and aims to increase the knowledge of participating companies on TNFD through the exchange of experiences, as well as to promote the development of new tools, metrics and

databases adapted to the Brazilian reality and even create new knowledge to support the construction of nature-related reporting in the country:

CEBDS Nature-Related Disclosures Pilot: TNFD case



MAIN GOALS OF THE PROJECT

The main foundations of the project are built around the following pillars:



1. Business capacity building: preparing companies to report on TNFD through a space for learning and sharing experiences with a focus on Brazil.



2. Local reality: aligning metrics and understanding the activities, processes, dependencies and impacts of companies operating in a megadiverse country such as Brazil;



3. Sectoral cases and positive impacts: mapping risks and opportunities related to natural assets and services that ecosystems provide for positive sectoral action in nature;



4. Best practices at scale: sharing the results obtained at national and international events and with business, civil society and political leaders with the aim of transforming the performance of the business sector in a positive direction



PROJECT GOVERNANCE

The initiative has a participatory governance consisting of the Executive (CEBDS) and two Committees, the Steering Committee and the Technical Committee, as well as the institutional partner and participating companies that have defined a common sector strategy aligned with key global commitments to define priority sensitive territories through a co-creation process.

The Technical Committee, formed by CEBDS and the technical coordinators of each sector group, Arcadis, EY and I Care, played a very important role in the implementation of the pilot, acting jointly in the elaboration of all phases, procedures, orientations and definitions of tools and all technical contents related to the joint piloting of the Locate phase.



SECTORAL CASES

Each sectoral group is technically coordinated by one of the technical partners, consisting of 20 companies from different segments of the real economy and financial institutions, divided into three macro-sectors: land use, energy and infrastructure, and finance and development.

In the piloting of the individual TNFD, the analyses focus on understanding the business and value chains of the individual organizations using their asset-level information and data.

In the case of the collective exercise that makes up the project, data from participating companies in each sector will be consolidated to understand sectoral materiality within the group. Overlay data for the companies' priority territories and their participating supply chains will be aggregated during analysis using GIS software.

Phase 1 of the Project: The Locate Phase



DURATION OF THE LOCATE PHASE

The project, which began in September 2023, completed its first phase (the Locate phase) in September this year, in which twenty companies from different sectors participated with the technical partners

Arcadis, EY and I Care, as well as Fundação Dom Cabral - FDC as an institutional partner supporting the systematization of knowledge.

LESSONS LEARNED FROM THE CEBDS COMMUNITY OF PRACTICE IN THE TNFD LOCATE PHASE

The Locate phase provided a safe and representative environment for technical discussion on the piloting of the TNFD framework and provided the project companies with three major experiences:



Knowledge of the Locate phase: deepening of technical knowledge about each step of the L phase, with special attention to the Brazilian reality, as well as sharing experiences on data collection;



Sectoral learning: technical coordination and sharing of challenges and experiences within each sectoral group;



Collective experience: a monthly meeting with the 20 companies involved in the project to present the progress of each step of the L phase in each sectoral group, share the experiences and questions of each group, calibrate the data and share the experiences of the companies that have already piloted the TNFD individually.



FINANCE AND DEVELOPMENT SECTORAL CASE

The finance and development sectoral group of the TNFD CEBDS Pilot is composed of companies that are members of the CEBDS, with 60% of the financial institutions from the private sector and 40% from the public sector, as shown below.

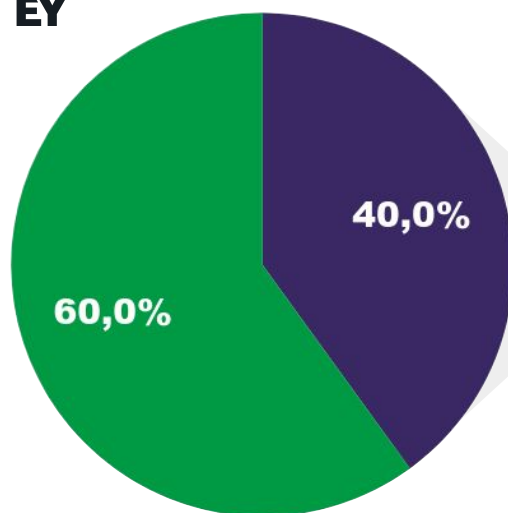
Notably, for the Locate phase, the data obtained from each sectoral group were combined with international and national databases that are widely accepted and recommended internationally to assess the integrity and importance of ecosystem

services on the territories identified as priorities by the sectoral group, presenting in this publication: (i) the layers used to map the ecologically sensitive territories, the results on the most representative sectors in terms of the volume of active loans and the number of clients in the loan portfolios, (iii) the heat map with the analysis of the materiality data on the impacts and the dependencies on nature with cross-references to the financial information.

FINANCE & DEVELOPMENT 5 participating companies



EY



- Public bank
- Private bank



Session 1:

The structure of the
Taskforce on
Nature-related Financial
Disclosures (TNFD) and its
LEAP methodology





The TNFD is a global initiative designed to provide companies and financial institutions with a framework for reporting and acting on growing nature-related risks and opportunities.

Launched in 2021, it is based on the market's experience with climate-related disclosures over the past decade, as well as on the work of the Task Force on Climate-related Financial Disclosures (TCFD), on whose reporting framework it is based.

The TNFD plays a critical role in providing a framework that supports companies and financial institutions in meeting the requirements of Target 15 of the Global Biodiversity Framework.

The Kunming-Montreal Global Biodiversity Framework was adopted at the 15th Conference of the Parties to the Convention

on Biological Diversity (COP15) in Montreal in December 2022. This framework sets out a series of goals and targets to halt and reverse biodiversity loss by 2030, with a long-term vision for 2050 in which humanity will live in harmony with nature.

The Global Biodiversity Framework has four main goals and 23 specific targets. The goals include:

- > Improve the integrity and connectivity of ecosystems.
- > Ensure the sustainable use of natural resources.
- > Ensure equitable sharing of the benefits arising from genetic resources.
- > Provide the financial and technical resources needed to implement the framework, especially to developing countries.

Goal 15 of the Global Biodiversity Framework is particularly relevant to the corporate sector as it requires governments to encourage large companies and financial institutions to:

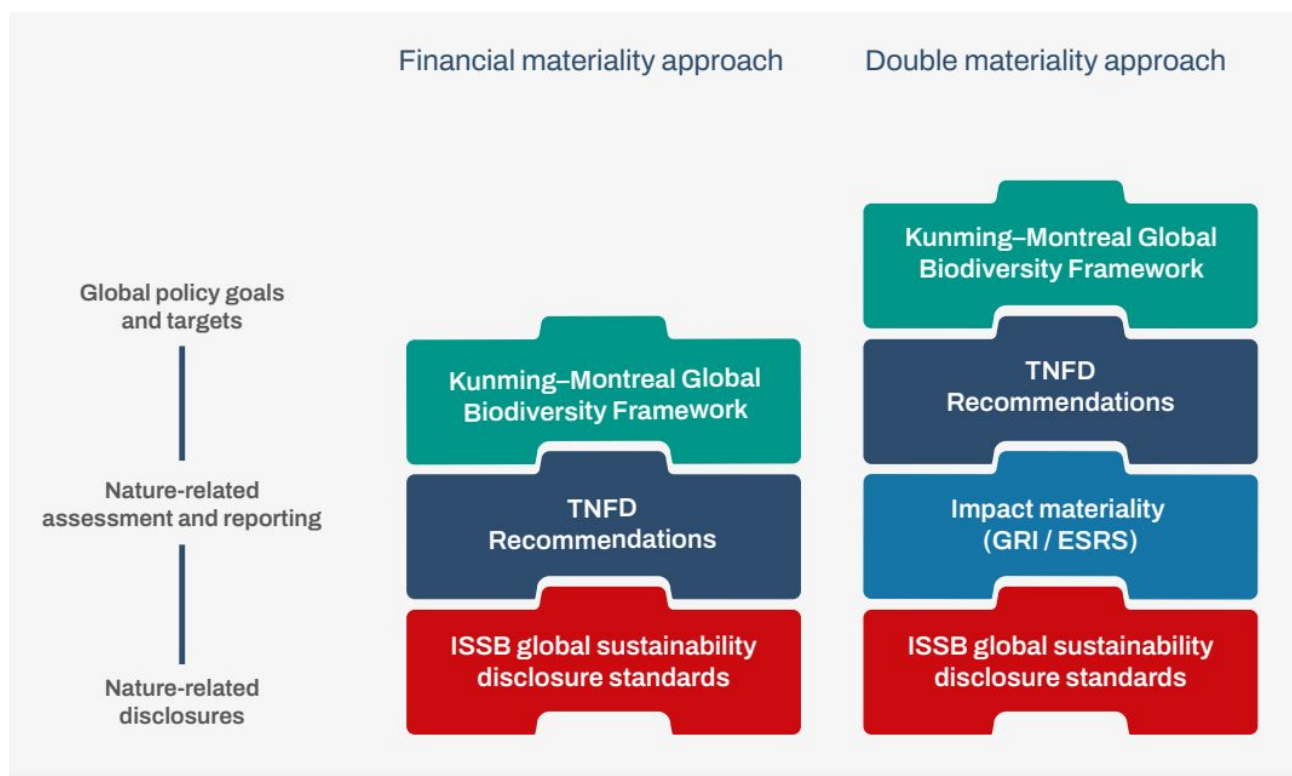
- > Monitor, assess and disclose their risks, dependencies and impacts on biodiversity.
- > Provide necessary information to consumers to promote sustainable consumption patterns.

In short, we can say that the elements that make up Target 15 promote transparency and corporate responsibility. This promotes more sustainable business practices and facilitates the mobilization of financial resources for projects that promote nature conservation. In addition, these disclosures

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help integrate biodiversity considerations into financial decisions and align them with the goals of the Global Biodiversity Framework.

IMAGE 1: alignment with global reporting goals and baselines



Source: Recommendations of the Taskforce on Nature-related Financial Disclosures, 2023.

Opportunities for companies that join the TNFD

The TNFD was established to promote a change in the mindset and behavior of companies and financial institutions through corporate and portfolio risk management and by integrating nature into corporate reporting.

The initiative recognizes that the degradation of nature and actions to conserve, restore and use it sustainably pose significant risks and opportunities for business, finance and society. It aims to promote transparency and action on nature-related risks and opportunities so that companies can make more sustainable decisions and contribute to a positive future for nature.

The TNFD framework addresses the significant economic value that depends on nature, with more than half of global GDP being moderately or highly dependent on natural services. By providing a structured approach to nature-related disclosures, the TNFD aims to:

- > Improve transparency and comparability of reporting.
- > Support informed decision-making and strategic planning.
- > Align business practices with global sustainability goals as outlined in the Kunming-Montreal Global Biodiversity Framework.



TNFD framework

The TNFD framework consists of four main pillars that mirror the structure of the TCFD and recommends 14 disclosures to encourage companies to provide investors

and other capital providers with clear, comparable and consistent information, as shown in the figure below.

IMAGE 2: Draft TNFD disclosure recommendations

Governance	Strategy	Risk & impact management	Metrics & targets
Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.
Recommended disclosures	Recommended disclosures	Recommended disclosures	Recommended disclosures
A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities. B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities. C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term. B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place. C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios. D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	A(i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations. A(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s). B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities. C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process. B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature. C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.

Source: Recommendations of the Taskforce on Nature-related Financial Disclosures, 2023

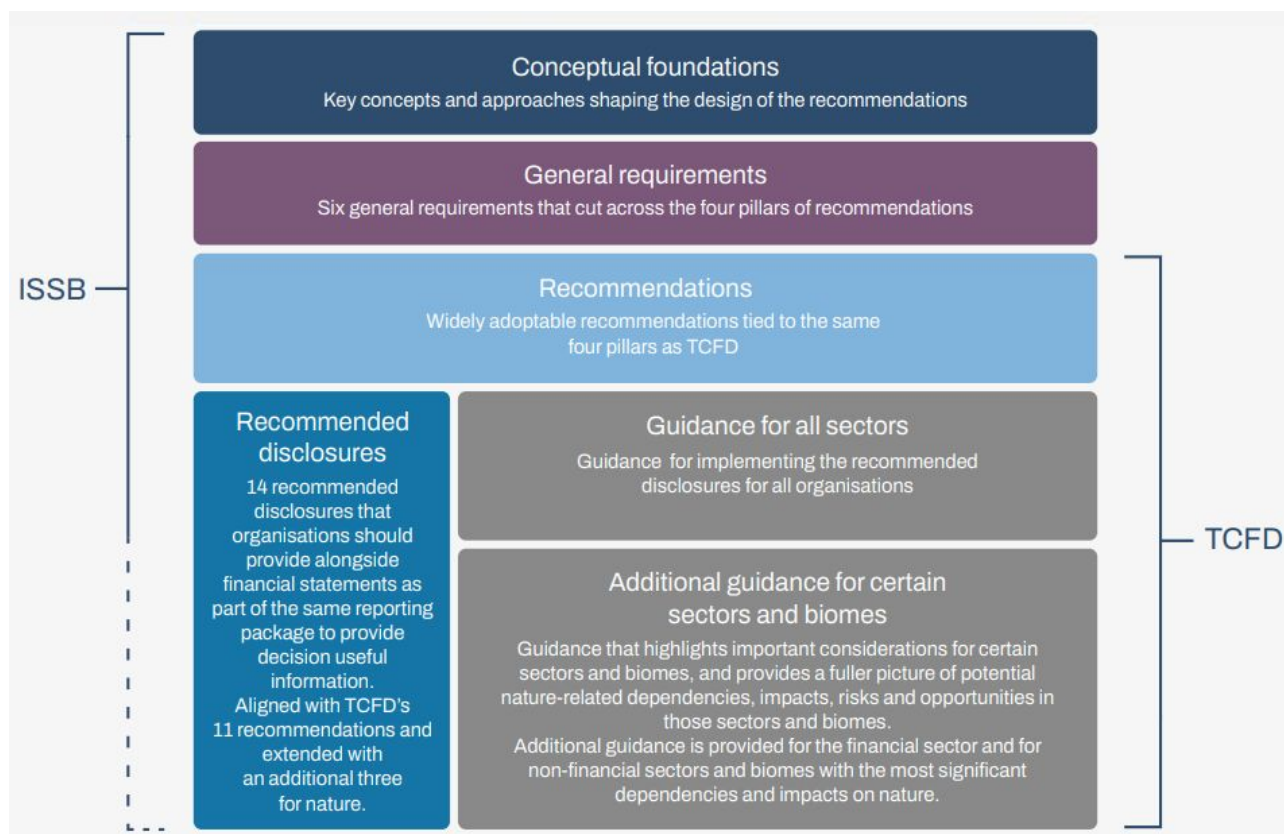
In addition, the methodological framework proposed by the TNFD focuses on general requirements, which is a differentiator from the TCFD approach:

1. Approach focused on the relevance of materiality;
2. Scope of disclosures, both in terms of the company and the value chain;
3. Consideration of dependencies and related impacts, risks and opportunities related to nature, based on an assessment of impacts and dependencies;
4. Specific localization of the interface with nature as an integral part of the assessment;
5. Integration with other sustainability topics, including climate-related disclosures;

6. Involvement of stakeholders in the disclosures.

The recommendations are voluntary and the TNFD expects disclosure of nature-related issues to improve over time as market understanding of nature-related issues and organizational capacity increases. The TNFD recommendations consider different approaches to materiality by meeting the material information needs of capital providers (in line with the ISSB IFRS Standards and TCFD - Financial Materiality recommendations) or the impact-related information needs of stakeholders (in line with GRI and ESRS - Impact Materiality).

IMAGE 3: TNFD architecture and alignment with global standards



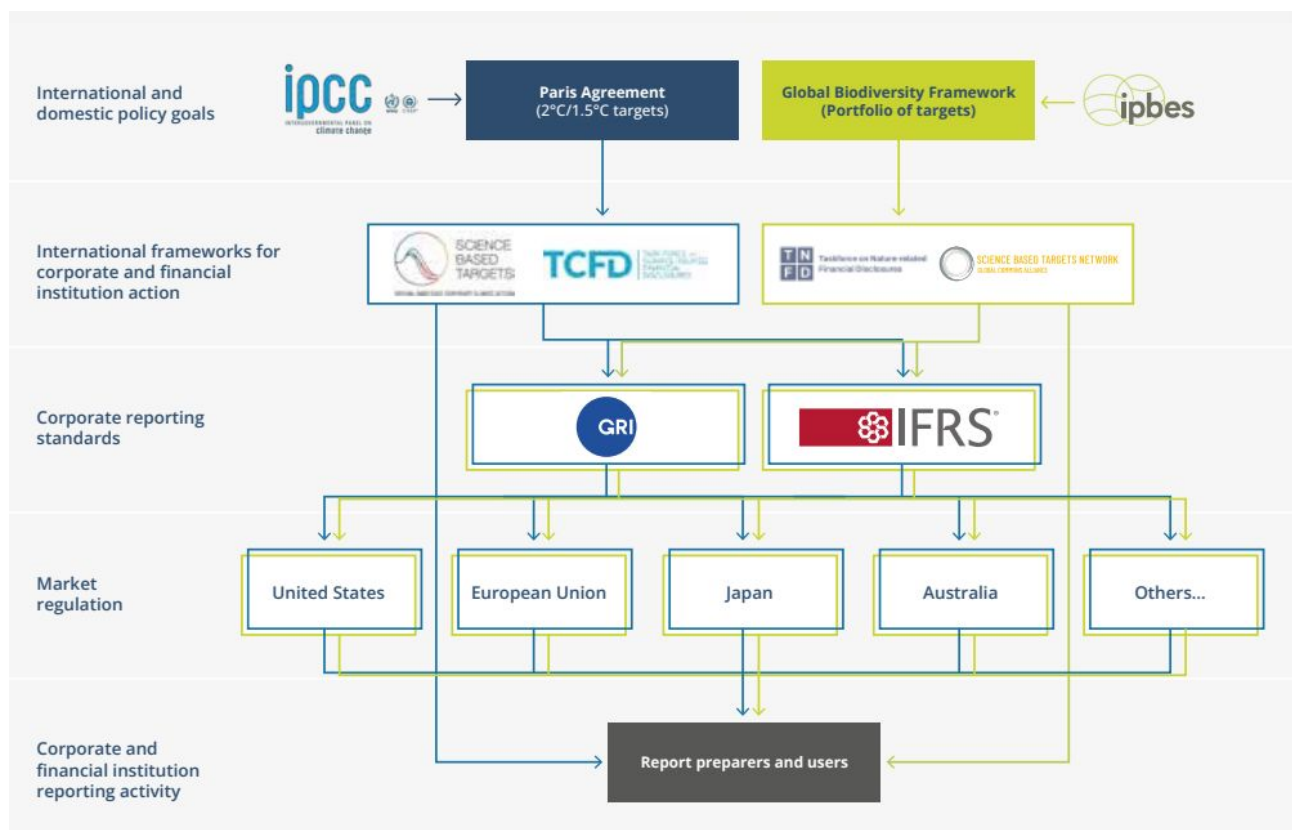
Source: Recommendations of the Taskforce on Nature-related Financial Disclosures, 2023

The development of the TNFD framework followed an open innovation approach involving scientific, standard and corporate reporting organizations, market participants, NGOs, civil society organizations and representatives of indigenous peoples.

The TNFD also relied heavily on existing frameworks such as the TCFD recommendations and sustainability reporting standards from the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) to ensure consistency and comparability with existing corporate disclosures.



IMAGE 4: Where the TNFD fits into the emerging global reporting architecture



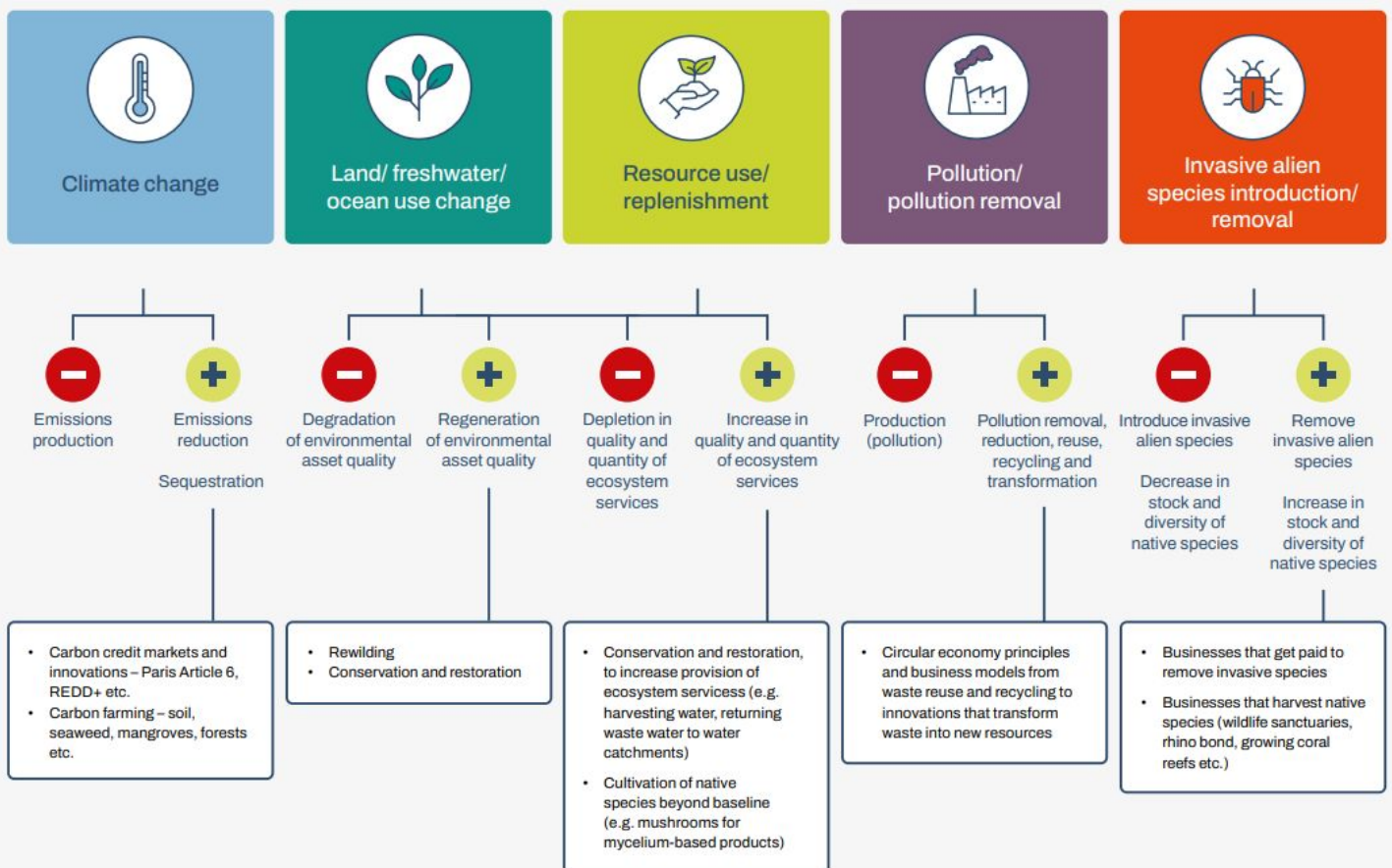
Source: Recommendations of the Taskforce on Nature-related Financial Disclosures, 2023.

The development of the TNFD framework followed an open innovation approach involving scientific, standard and corporate reporting organizations, market participants, NGOs, civil society organizations and representatives of indigenous people.

In its methodology, the TNFD considers the positive and negative impacts of the business and has the following impact drivers:



IMAGE 5: TNFD impact drivers (vectors of change in nature for business)



Source: Recommendations of the Taskforce on Nature-related Financial Disclosures, 2023.

TNFD

methodology: LEAP

The TNFD has developed the **LEAP** (*Locate, Evaluate, Assess, and Prepare*) methodology, a guide to help companies and financial institutions **identify, evaluate, assess, and disclose** their nature-related dependencies, impacts, risks, and opportunities.

The methodology was designed to help organizations identify what is potentially relevant and then apply their chosen materiality approach to the analysis to determine what they should disclose to the primary users of their sustainability reports and other stakeholders.

This methodology was developed based on existing frameworks and tools such as the Natural Capital Protocol and the Science Based Targets Network (SBTN) methodologies, drawing on data and guidance from other leading organizations that align with the TNFD principles, and has been tested by more than 200 organizations in different sectors, regions and biomes around the world.

LEAP is an internal analysis tool that is optional for companies wishing to adopt the TNFD recommendations, but not mandatory. The TNFD emphasizes that LEAP is not a rigid process, but a flexible guide that can be adapted to the specific needs of each company.

The LEAP methodology is structured in **four phases**:



LOCATE: In this phase, companies must identify their interfaces with nature at different levels: geographically (countries, regions, biomes), by activity sector and at the and value chain. The aim is to map where nature-related dependencies and impacts are most evident.



EVALUATE: After mapping the interfaces, the Evaluate phase involves describing and analyzing the company's dependencies and impacts on nature in detail. Companies must identify the ecosystem services essential to their operations and the impacts of their activities on these services.

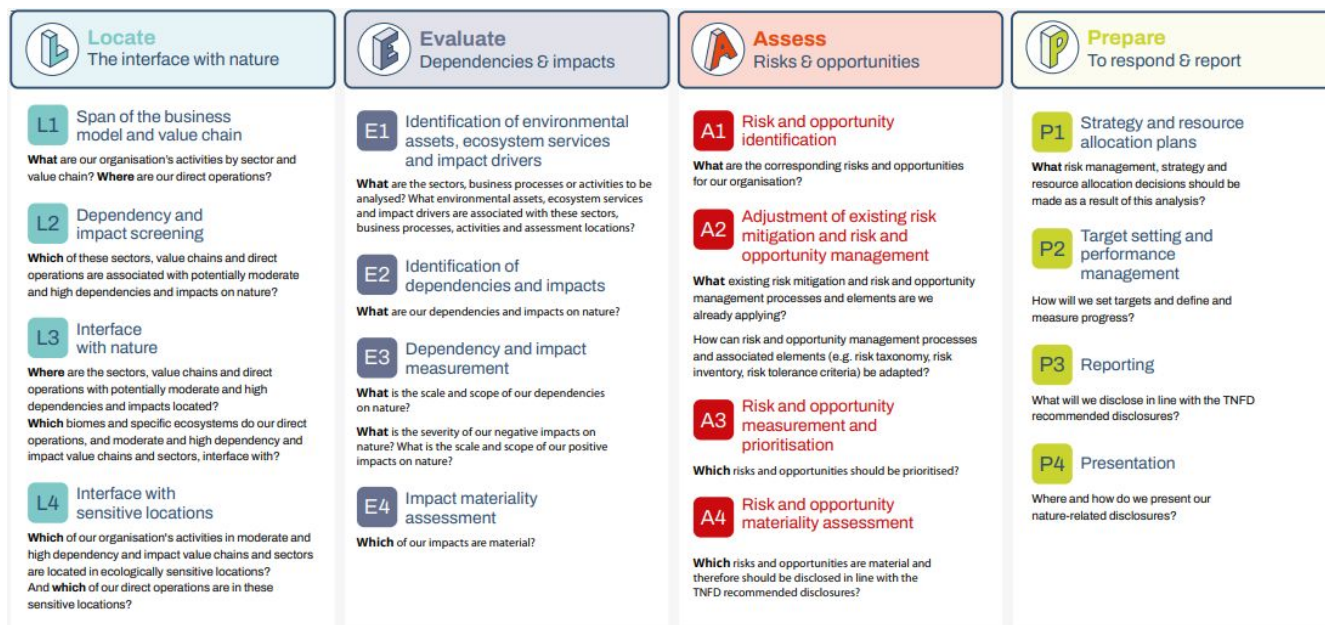


ASSESS: Based on the assessment of dependencies and impacts, the Assess phase aims to identify, analyze and prioritize nature-related risks and opportunities. It is crucial to determine the extent of these risks and opportunities, for which tools such as heat-mapping, asset tagging and scenario analysis can be used.



PREPARE: The final phase of the LEAP methodology focuses on how the company should prepare to respond to the risks and opportunities mapped in the previous phases. This includes integrating nature-related risks into existing risk management processes, setting goals and indicators to monitor progress, and producing reports to disseminate the relevant information to stakeholders in accordance with the TNFD's recommendations.

IMAGE 6: LEAP approach



Source: Recommendations of the Taskforce on Nature-related Financial Disclosures, 2023.

Session 2:

The TNFD's Locate phase
and the companies and
financial institutions
operating in a
megadiverse country: a
look at the Brazilian
reality



Conserving biodiversity in a megadiverse country such as Brazil

Brazil, which has 15-20% of the planet's biodiversity, can lead the fair transition to a carbon-neutral, equitable and nature-friendly economy and has the potential to drive strategic global action to halt and reverse biodiversity loss.

In this context, the business sector has an important role to play in driving necessary changes in production chains and business models so that impacts on nature are considered and reported as a basis for decision-making.

The CEBDS and its partners recognize the importance of biodiversity management and the conservation and sustainable use of natural resources based on sustainable production and consumption patterns. To this end, we recognize that the use of scientific targets and internationally recognized reporting tools to measure risks, impacts and business dependence on biodiversity is essential.

The TNFD plays a critical role in this process and has the potential to become an important framework to support the corporate sector to fully consider the conservation and sustainable use of biodiversity in its business model and decision making.

According to reports from companies that have already started piloting the TNFD, the Locate phase (L phase) is considered one of the most challenging. This is because, as we have already seen, the company must analyze the

interface of its activities with nature and try to identify the sites it operates that are most sensitive to biodiversity in terms of the impacts and dependencies of its activities.

Prioritizing the sites of dependencies and impacts of companies, financial institutions and their value chains is still a major challenge for companies around the world. This task is even more demanding when we consider companies operating in a megadiverse country, as the specificities of these territories in terms of biodiversity must be considered, since the activities in each region and biome have a specific context.

In a country like Brazil, for example, with such an abundance of biomes, ecoregions and ecosystems, as well as the existence of several endemic species, it is much more difficult to identify which areas are a priority for biodiversity conservation,



since, according to international bases, most of the territory could be considered a priority.

To understand the complexity of identifying priority areas for biodiversity conservation in a megadiverse country, it is important to know what this term means. According to the Convention on Biological Diversity (CBD), megadiverse countries are those that have high levels of biodiversity and collectively host at least two-thirds of the planet's biodiversity, despite only representing about 10% of the world's land area.

Also according to the CBD, a country must have at least 5,000 endemic plants and marine ecosystems within its borders to be considered megadiverse. There are 17 megadiverse countries: South Africa, Australia, Brazil, China, Colombia, Ecuador, United States, Philippines, India, Indonesia, Madagascar, Malaysia, Mexico, Papua New Guinea, Peru, Democratic Republic of Congo and Venezuela.

Brazil tops this list, hosting between 15 and 20% of the world's biodiversity (United Nations, 2019), with 120,000 species of invertebrates such as insects, 9,000 species of vertebrates such as mammals, and more than 46,000 species of plants, algae and fungi, not to mention the average of 700 new species discovered in the country each year, according to the CBD. It is worth highlighting how difficult it is to maintain these figures given the size of the country and the heterogeneity of its regions.

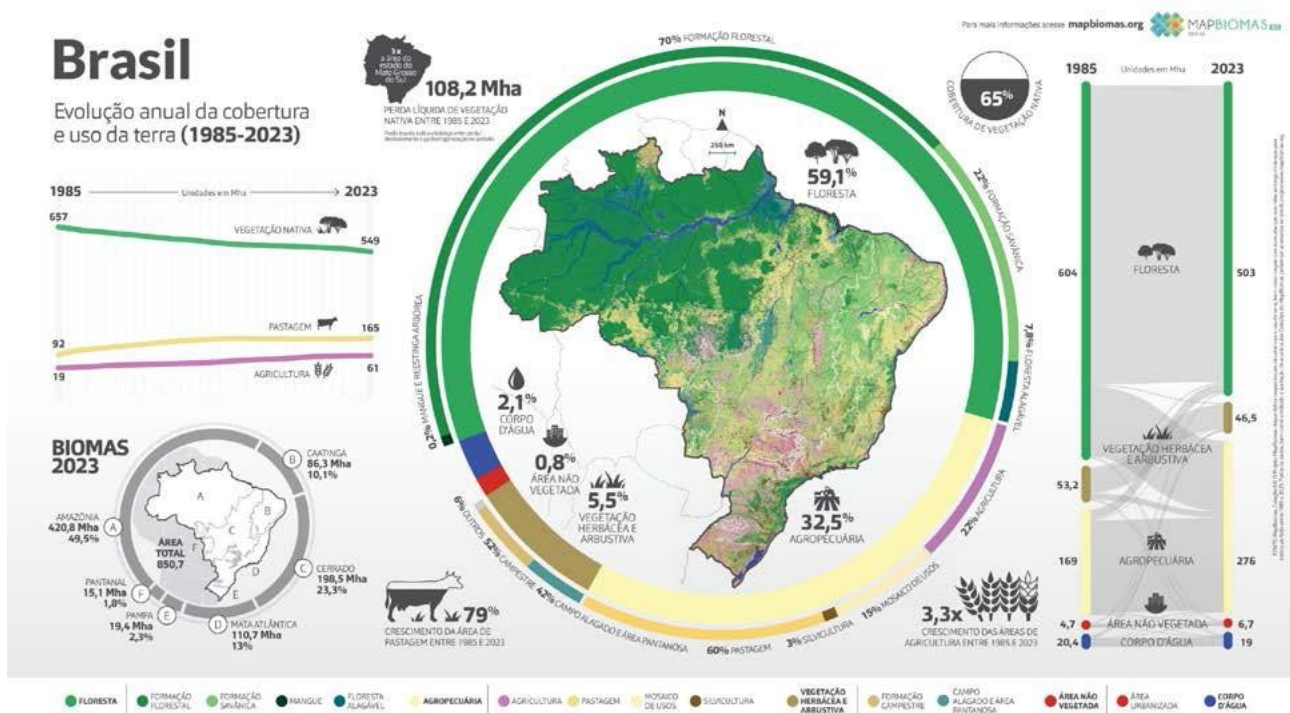
Currently with only 65% of native vegetation in Brazil (MapBiomass, 2024), Brazilian biomes have suffered and continue to suffer major losses in biodiversity, which affects not only the maintenance of the ecological dynamics of the affected regions, but also the entire chain of consumption of natural resources, including production and the economy that uses these resources and environmental services, either directly or indirectly.

Currently with only 65% of native vegetation in Brazil (MapBiomass, 2024), Brazilian biomes have suffered and continue to suffer major losses in biodiversity, which affects not only the maintenance of the ecological dynamics of the affected regions, but also the entire chain of consumption of natural resources

With six biomes, Brazil faces conservation challenges, as each biome requires different strategies adapted to social and cultural specificities. As shown in Figure 7, according to MapBiomass, the Amazon, the largest biome in terms of extension, occupies 49.5% of the territory, with 420.8 million hectares. Next comes the Cerrado with 198.5 million hectares, representing 23.3% of Brazil's territory, followed by the Atlantic Forest with 110.7 million hectares (13%), Caatinga with 86.3 million hectares (10.1%), the Pampa with 19.4 million hectares (2.3%), and finally, the Pantanal, with a smaller extension, which is concentrated in the central-western region and covers 15.1 million hectares on Brazilian territory, which corresponds to 1.8%.

It should be emphasized that the Pantanal, despite having a small area compared to other biomes, is the largest floodplain in the world and, in addition to being included in the World Heritage List by Unesco, has been awarded the title of "Biosphere Reserve". With a unique cultural richness, it is home to important traditional, indigenous and *quilombola* communities, as well as many workers who live in and depend on these waters.

IMAGE 7: Vegetation cover in Brazil by biome from 1985 to 2023



Source: MapBiomas (2024)

Given this biodiversity and complexity, it is obvious how important it is to select the most sensitive or urgent sites in which to focus conservation efforts. In this sense, hotspots stand out, a concept developed in 1988 by the English ecologist Norman Myers to characterize areas of great importance for biodiversity associated with the high occurrence of endemic species, i.e., those that are exclusive to a region. In addition, these sites are subject to great human pressure and the strong effects of climate change.

According to conservation researcher Russell Mittermeier, former president of Conservation International, hotspots originally covered 16% of the Earth's surface, and today this figure has decreased by almost 90%, with only 2% of the world's surface still having these features. Around half of the world's endemic plant and vertebrate species are concentrated in these

2%. Brazil has two hotspots: the Atlantic Forest and the Cerrado.

Despite the importance of Brazilian biomes and ecosystems, they are all experiencing a greater or lesser loss of vegetation cover due to deforestation caused by certain human interventions.

The Atlantic Forest and the Cerrado require attention with regard to the risk of species extinction due to pressures from human activities. Additionally, the latest Annual Deforestation Report in Brazil by MapBiomas shows that there was an increase in deforested area in the Cerrado (67.7%), the Pantanal (59.2%) and the Caatinga (43.4%) in 2023 when compared to 2022, while the Atlantic Forest today has less than 29% of its original cover.

In light of this, the CEBDS, aware of the importance of conserving and sustainably using natural resources and the challenge for

companies to identify robust metrics and methodologies to measure their risks, impacts and business dependence on biodiversity, considering the specificities of a megadiverse country, has jointly piloted the Locate phase of the TNFD, which is divided into four main components:

L1: Coverage of the business model and value chain:

- > **Goal:** Understanding the key components of the organization's direct business activities and upstream and downstream value chains.
- > **For the real economy:** The assessment can be done by organizational unit, product line, process or activity, using asset-level data from internal sources and from other due diligence processes.
- > **For financial institutions:** It is crucial to consider financed, facilitated, investment and/or insured activities and assets, and it is more appropriate to evaluate by sector, geography and asset class.

L2: Analysis of dependencies and impacts:

- > **Goal:** Identify the sectors and value chains where the organization is likely to depend on and/or have an impact on nature.
- > **For companies:** It is recommended to start with the sectors of activity and value chain activities identified in L1 and use tools such as ENCORE, IBAT, Trase and WWF Biodiversity Risk Filter.
- > **For financial institutions:** We recommended to start with the portfolios

and use techniques such as heat maps to identify potential risks related to impacts and dependencies on nature.

L3: Interface with nature:

- > **Goal:** Identify the geographic locations where the organization's sectors and value chains interface with nature.
- > **For companies and financial institutions:** Offices and other operational locations should be considered as they may have dependencies and impacts on nature that create operational risks and opportunities. In the case of financial institutions, locations in their value chain should be selected.
- > **Tools:** Aqueduto, ENCORE, Global Forest Watch and other relevant tools from the TNFD Tool Catalog.

L4: Interface with sensitive sites:

- > **Goal:** From the sites identified in L3, determine which are considered environmentally sensitive, using the relevant tools and datasets.
- > **For companies and financial institutions:** It is recommended to understand the areas of influence around the locations of their activities. And in the case of financial institutions, selected locations in their value chain.
- > **Tools:** IBAT, IUCN Red List, Protected Planet and other relevant tools.

The CEBDS collective pilot and adaptations to the steps of the Locate phase

Due to the specificities of a collective pilot, adaptations have been made to the steps of the Locate phase, as shown in the table below:

Individual Leap	CEBDS collective pilot Leap
L1: Coverage of the business model and value chain – What are the activities of our organization by sector and value chain? Where are our direct operations?	L1: Coverage of the business model and value chain – Where are the interfaces with nature across the companies in each group in terms of regions and sectors, including or not the value chains (direct, upstream and downstream operations)?
L2: Analysis of dependencies and impacts – Which of these sectors, value chains and operations are associated with potentially moderate and high dependencies and impacts on nature?	L2: Overview of dependencies and impacts – Given the companies that make up each group, which direct operations (and value chains, if any) are associated with potentially moderate and high dependencies and impacts on nature?
L3: Interface with nature – Are any of these sectors, value chains and direct operations associated with potentially moderate and high dependencies and impacts on nature? What specific biomes and ecosystems do our direct operations and value chains and sectors with moderate and high dependencies and impacts interact with?	L3: Interface with nature – From the perspective of each group under consideration, where are the operations with potentially moderate and high dependencies and impacts, considering the value chains or not? With which specific biomes and ecosystems do the direct operations of the group's companies and, where applicable, their value chains with high dependency and impact interface?
L4: Interface with sensitive sites – Which of our organization's activities in value chains and sectors with medium and high dependencies and impacts are located in ecologically sensitive sites? And which of our direct operations are located in these sensitive sites?	L4: Interface with sensitive sites – Which of the group's companies' activities, direct operations and/or value chains with high dependency and impact are located in ecologically sensitive sites?

Notably, the data of the companies involved in the project were collected and analyzed by the consulting firms responsible for each sectoral group to protect their confidentiality.

All data is presented on maps as a single fictitious company that represents the entire sample and shows biomes, ecosystems or regions at a macro level, taking into account the specificities of each sector, but always preserving the anonymity of the data of the participating companies.

Session 3:

The Finance and Development
sectoral case for
piloting the Locate
phase of the CEBDS
pilot project on TNFD



The Brazilian Finance and Development Sector and its interface with nature

The Finance and Development sector was selected for the CEBDS pilot due to its strategic importance and its potential impact on promoting sustainability and nature conservation.

The main reasons for choosing this sector and its impact on nature include:

Influence on resource allocation

Financial institutions play a fundamental role in directing investments and financing for economic projects and activities. By incorporating sustainability criteria into their decisions, they can channel resources towards more sustainable initiatives.

Multiplier effect

The financial sector has the opportunity to influence various other economic sectors through its credit and investment policies. By adopting strict sustainability criteria, it can bring about positive changes throughout the production chain.

Management of environmental risks

Financial institutions are increasingly aware of the risks associated with climate change and biodiversity loss.

Development of green financial products

The sector develops and promotes financial products that encourage sustainable practices, such as green bonds, loans with ESG criteria, and environmental insurance.

Impact on Nature of Companies in the Finance and Development Group

In terms of impact on nature, although the financial sector does not have a significant direct impact, its indirect impact can arise through the activities it finances, such as:

By focusing on these sectors, the CEBDS pilot on TNFD aims not only to put the methodology into practice, but also to promote a significant change in the way companies interact with and influence nature, especially in a megadiverse country with such great ecological importance as Brazil.

Funding of high-impact projects: Investment decisions in sectors such as energy, infrastructure and agriculture can have a significant impact on biodiversity and ecosystems.

Promotion of sustainable practices: By encouraging the adoption of sustainable practices by its clients, the sector can help reduce negative impacts and promote positive impacts on nature.

Mitigation of environmental risks: Proper assessment of environmental risks can help mitigate these risks for activities with a large impact on nature and/or vulnerability.

Promotion of innovation: Through targeted funding, the sector can stimulate the development of innovative technologies and solutions to environmental challenges.

Transparency and accountability: By requiring greater transparency and reporting on risks, impacts and dependencies on nature, the financial sector can encourage greater corporate accountability for their impacts and dependencies on nature.

Challenges for Companies from the Finance and Development Group

The challenges faced by the Finance and Development Group in implementing the TNFD reflect the complexity of integrating sustainability criteria into financial operations and the need to adapt global methodologies to the local context.

Financial institutions have investments across Brazil, covering different biomes and environmentally sensitive areas. This diversity presents a challenge when assessing interfaces with nature, as each biome and region has unique characteristics and sensitivities.

The need to map these interfaces accurately and comprehensively is a major challenge, especially given the variability of operations and the different levels of environmental impact.

Another major challenge is the inclusion of value chain analysis in the assessments. For financial institutions, the logic of value chain analysis is essential, as direct operations do not have as significant an impact as operations in their loan and investment portfolios. Determining which investment portfolios should be analyzed and which sectors are most representative in terms of investment volume and number of clients is a complex process.



Application of the Locate Phase

For the implementation of this pilot project, it was essential to collect data on the banks' loan volume and number of clients, as well as the geolocation of a specific site within the sectors prioritized based on the heat map performed.

This information was kept strictly confidential and was only accessible to the financial institution providing the data and the specialized consulting team.

The results presented in the group meetings remained aggregated and sector-specific, so that none of the financial institutions involved had access to detailed information about the others. All analyses were carried out by the specialized consulting firm and the results were shared in regular meetings with each Financial Institution and then in joint meetings with all stakeholders.

Given the experimental nature of the project, a number of issues arose during the implementation, so an effective communication channel had to be maintained between the consulting firm and the participants in order to maximize learning outcomes for both parties.

Step-by-step implementation

The structure of the “Locate” step for Financial Institutions consisted of four sub-steps. Sub-steps L1 and L2 focused on the process of screening and heatmapping the loan portfolio to identify nature-related impacts and dependencies. The following sub-steps, L3 and L4, analyzed the interactions between the investment portfolio in each sector and the nature-related dependencies and impacts.

a. Step L1

This step focused on evaluating the portfolios that should be selected for the overall sector assessment. This involved determining and categorizing which financial criteria should be used to understand which sectors are most representative overall. The key points for this assessment were (i) the definition of the base year for the analysis and (ii) the scope of the loan portfolio to be considered in the analysis. The assessment was therefore carried out considering the following criteria:



- > Which sectors were the most representative in terms of the volume of active loans as of December 31, 2022 (in percent)? (see Table 1)
- > Which sectors were the most representative in terms of the number of clients in active loan portfolios as of December 31, 2022 (in percent)? (see Table 2)

To answer the criteria mentioned, the Brazilian classification already used by the banks (National Classification of Economic Activities - CNAE) had to be adapted to the international classification (Global Industry Classification Standard – GICS) used by the nature-related impact and dependency analysis tools (ENCORE) highlighted in Step L2.

b. Step L2

The assessment of financial criteria was combined with criteria for impact materiality and dependency on nature of each sector. As a reference, the ENCORE¹ tool was used, which aggregates databases and classifies dependencies and direct potential impacts of production processes on ecosystem services and natural capital assets. The data was evaluated at sector level (11 categories) with a focus on the following criteria:

- > Which sectors have the greatest potential for high nature-related impacts and dependencies?
- > What are the most significant impacts and dependencies by sector?

Using the ENCORE data, we can classify impacts and dependencies on nature as very low, low, medium, high, very high, or not significant, to which numerical weightings have been assigned.

Using the ENCORE data, we can classify impacts and dependencies on nature as very low, low, medium, high, very high, or not significant, to which numerical weightings have been assigned.

The average of the dependencies and the average of the impacts were combined with the financial criteria of the sector in a matrix that allowed the creation of a heat map with the selected criteria based on the scale of the indicators.

The result of the sector prioritization (heat map) was calculated by multiplying the average dependencies and impacts of each sector (ENCORE data) and the data on credit volume and number of clients of each Financial Institution. ENCORE has a numerical scale from 3 to 9, where 3 stands for very low dependency/impact, 4.5 for low, 6 for medium, 7.5 for high, and 9 for very high. For financial data, each class of loan volume and number of clients was assigned a weighting, i.e. less than 5% equals weight 1, between 5% and 15 % equals weight 2, 15% to 30% equals weight 3, 30% to 70% equals weight 4, and 70% to 100% equals weight 5. Based on these criteria, a ranking was made as to which sectors were most significant for the participating Financial Institutions (see Table 4). The aim of the heat map was to identify the sectors with the highest priority (highest score) and to guide the geolocation of sites and the assessment of their interface with nature on this basis.

c. Step L3

This step involves evaluating interfaces with nature for sites that are relevant to the loan portfolio of the Financial Institutions. The goal of this step was to assess the following criteria:

- > Where are the sites with the most significant impacts and dependencies?
- > What is their interface with nature?

After defining the four priority sectors, five sites were evaluated, one for each Financial Institution participating in this pilot, to ensure that all priority sectors were represented. The sites were selected to ensure the greatest possible diversity of interfaces with nature within the pilot in order to maximize the experience. The Financial Institutions nominated the sites based on the following selection criteria:

- > They should have an operational character linked to the core activity and not be purely administrative buildings or similar;
- > If possible, preference should be given to operational units with high relevance to the business, for example the most representative of the sector or with the highest productivity index;
- > Priority should be given to sites that are more likely to have more interfaces with nature.

To carry out the analysis, it was recommended that the sites could be provided in a file with the exact boundaries of the site (shapefile), the geographical coordinates, or the full address of the site. In addition, to qualify the indication, it was recommended to use the WWF Biodiversity Risk Filter, which allows comparing different sites in relation to different relevant natural aspects, ranking the sites according to their risk level.

After selecting the sites, the data were processed and standardized using map processing software. In accordance with the TNFD methodology, analysis zones must be defined for each asset, considering the Areas of Direct Influence (AID). For this analysis, the definition standards of CETESB - Environmental Company of the São Paulo State - were used.

Interfaces with nature were then assessed for the indicated sites using the following criteria:

- > Characterization of biome and ecoregion
- > State of nature
- > Extent of nature
- > Water stress



- > Land use and cover
- > Presence of priority areas for conservation
- > Presence of legally protected areas
- > Presence of areas where traditional peoples and communities live

All information was obtained from public databases. Information on the *status of species* was not included in this analysis as no current and adequate public data were found.

After defining the four priority sectors, five sites were evaluated, one for each Financial Institution participating in this pilot, to ensure that all priority sectors were represented.

d. Step L4

In addition to allowing us to understand the site and nature of the interface with nature, the data obtained in the previous step was used in step L4, focusing on the assessment of the following criterion:

- > Which analyzed sites are located in sensitive locations?
- > The following criteria were used to identify sensitive sites:
 - > Important areas for biodiversity, including species
 - > Areas with high ecosystem integrity
 - > Areas with a rapid decline in ecosystem integrity
 - > Areas with high physical risk to water
 - > Important areas for the provision of ecosystem services, including benefits to indigenous peoples, local communities and other stakeholders



TABLE 1. Layers used to map the ecologically sensitive sites.

Layers	Data source	TNFD criteria for ecologically sensitive sites
Conservation Units	Chico Mendes Institute for Biodiversity Conservation (2024)	1) Important areas for biodiversity 2) Areas with high ecosystem integrity 3) Important areas for the provision of ecosystem services
Indigenous Territories	National Foundation for Indigenous Peoples - FUNAI (2020)	1) Important areas for biodiversity 2) Areas with high ecosystem integrity 3) Important areas for the provision of ecosystem services
Quilombola Communities	National Institute for Colonization and Agrarian Reform - INCRA (2024)	1) Important areas for biodiversity 2) Areas with high ecosystem integrity 3) Important areas for the provision of ecosystem services
Terrestrial Ecoregions	World Wildlife Fund -WWF (2001)	1) Important areas for biodiversity 2) Areas with high ecosystem integrity 3) Areas with a rapid decline in ecosystem integrity
Priority Areas for Biodiversity Conservation	Ministry of Environment and Climate Change - MMAMC (2018)	1) Important areas for biodiversity 2) Areas with high ecosystem integrity 3) Important areas for the provision of ecosystem services
Aqueduct Water Risk	World Resources Institute - WRI (2023)	1) Areas with high physical risk to water

The areas of interface with nature were assessed in hectares for the information layers of water stress, land use and cover, the presence of priority areas for nature conservation, and the presence of legally protected areas. The weighting of each data

category was done using the Delphi method (a technique that aims to systematically gather expert opinions on a specific topic in order to reach a reliable and scientifically valid consensus).

Results

The main results of the L1 and L2 sub-steps consist of the heat map of the sectors and the identification of the most significant sectors. The materiality analysis carried out using ENCORE took into account the materiality of the dependencies, measured by the ecosystem services associated with each production process per sector, and the materiality of the impact related to the impact drivers of each activity.

List of assessed Dependencies (ecosystem services):

- > Energy produced by animals
- > Fibers and other materials
- > Genetic material
- > Groundwater
- > Surface water
- > Maintenance of nursery habitats
- > Pollination
- > Soil quality
- > Aeration
- > Maintenance of water flow
- > Water quality
- > Bioremediation
- > Dilution by the atmosphere and ecosystems
- > Filtration
- > Mediation of sensory impacts
- > Buffering and damping of mass flows
- > Climate regulation
- > Disease control
- > Flood and storm protection
- > Mass stabilization and erosion control
- > Pest control



List of assessed Impacts (impact drivers):

- > Water consumption
- > Use of terrestrial ecosystems
- > Use of aquatic ecosystems
- > Use of marine ecosystems
- > Use of other resources
- > GHG emissions
- > Non-GHG emissions
- > Water pollutants
- > Soil pollutants
- > Solid waste
- > Disruptions

The results for the most representative sectors in terms of the volume of active loans and the number of clients in active loan portfolios can be seen in Tables 1 and 2 below:

TABLE 1: Most representative sectors in volume of active loans as of December 31, 2022

	Less than 5%	Between 5% and 15%	Between 15% and 30%	Between 30% and 70%	Between 70% and 100%
Energy	50%	50%	0%	0%	0%
Materials	25%	75%	0%	0%	0%
Industrials	25%	25%	50%	0%	0%
Consumer Discretionary	50%	0%	50%	0%	0%
Consumer Staples	25%	25%	50%	0%	0%
Health Care	100%	0%	0%	0%	0%
Financials	50%	50%	0%	0%	0%
Information Technology	100%	0%	0%	0%	0%
Communication Services	100%	0%	0%	0%	0%
Utilities	25%	25%	25%	25%	0%
Real Estate	75%	25%	0%	0%	0%

TABLE 2: Most representative sectors in the number of clients in active loan portfolios as of December 31, 2022

	Less than 5%	Between 5% and 15%	Between 15% and 30%	Between 30% and 70%	Between 70% and 100%
Energy	100%	0%	0%	0%	0%
Materials	75%	25%	0%	0%	0%
Industrials	25%	25%	50%	0%	0%
Consumer Discretionary	0%	50%	0%	50%	0%
Consumer Staples	0%	75%	25%	0%	0%
Health Care	100%	0%	0%	0%	0%
Financials	100%	0%	0%	0%	0%
Information Technology	100%	0%	0%	0%	0%
Communication Services	100%	0%	0%	0%	0%
Utilities	100%	0%	0%	0%	0%
Real Estate	75%	25%	0%	0%	0%

The data on materiality of impacts and dependencies on nature were cross-referenced with the financial information, resulting in the following sector prioritization:

TABLE 3: Priority sectors for the assessment of dependencies and impacts.

Sector Priority	
Consumer Staples	1st
Consumer Discretionary	2nd
Utilities	3rd
Industrials	4th
Materials	5th
Energy	6th
Real Estate	7th
Financials	8th
Communication Services	9th
Health Care	10th
Information Technology	11th

1st Consumer Staples: Companies involved in the production or sale of essential products, including food, beverages, tobacco, and hygiene and cleaning products.

2nd Consumer Discretionary: Companies that produce or sell non-essential products and services, such as cars, durable goods, clothing, hotels, restaurants, leisure and retail.

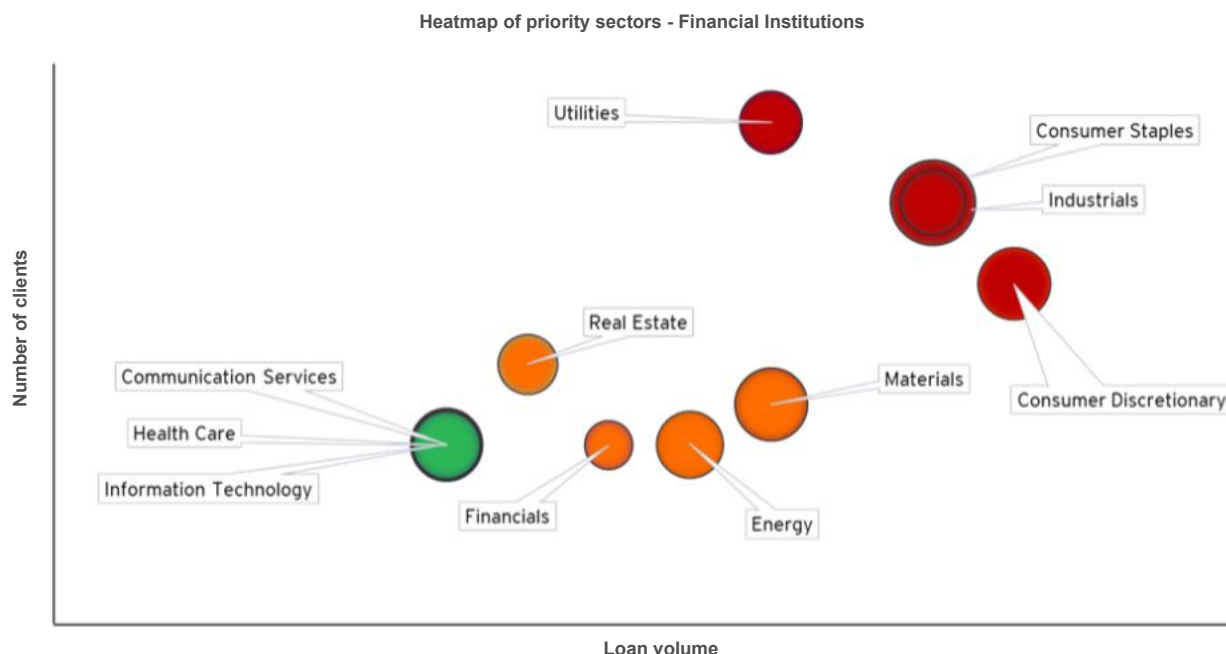
3rd Utilities: Companies that provide public utilities such as electricity, gas and water.

4th Industrials: Companies that manufacture and distribute capital goods. This includes aerospace and defense, construction and engineering, industrial machinery, transport, etc.

TABLE 4: Heatmap of sectors based on the ENCORE scales and data from financial institutions

		Encore Scale	Financial Scale			Priority
		Dependency materiality (ecosystem services)	Impact materiality (impact drivers)	Loan volume	Number of clients	
GICS Sectors	Energy	Medium	Very high	Low	Low	Medium
	Materials	Medium	High	Low	Low	Medium
	Industrials	Medium	High	Medium	Medium	High
	Consumer discretionary	Medium	High	Medium	High	High
	Consumer staples	High	High	Medium	Medium	High
	Health care	Medium	High	Low	Low	Low
	Financials	Low	High	Low	Low	Low
	Information technology	Medium	High	Low	Low	Low
	Communication services	High	High	Low	Low	Low
	Utilities	Medium	High	Medium	Medium	High
	Real estate	Medium	High	Low	Low	Medium

IMAGE 8: Graphic representation of the materiality of the sectors (financial criteria and nature criteria).



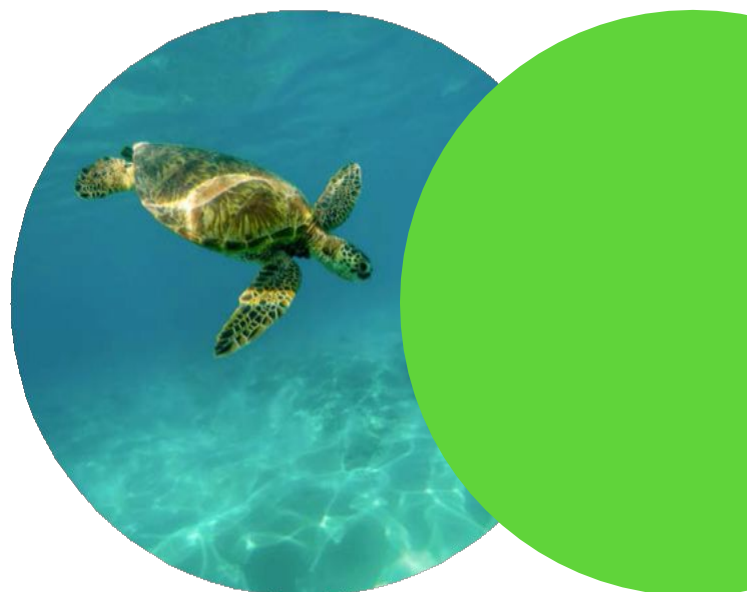
Source: own preparation, EY

To carry out this pilot, locations were presented for the following sectors: Hydroelectric power generation; Power transmission line; Logistics (port); Agribusiness; and Civil Construction. The result of sub-step L3 indicates a wide diversity of types of interfaces with nature. Among the mapped assets, the following interfaces stand out:

- > The locations were distributed among the Amazon, Atlantic Forest and Cerrado biomes, involving the terrestrial ecoregions of the Madeira-Tapajós Moist Forests, Purus-Madeira Moist Forests, Serra do Mar Coastal Forests, Araucaria Moist Forests; Interior Forests of Bahia and the marine ecoregion of Southeast Brazil.
- > The locations involved the following Watersheds: Madeira River, Coast of Rio de Janeiro, Paranaíba River, Iguaçu River, Upper São Francisco and Doce River. Areas of low to medium water stress correspond to

86% of the total area evaluated, while those of low water stress correspond to 13.3% and those of high water stress correspond to 0.8%.

- > No location presented an interface with indigenous lands or quilombos.



The analysis of sensitive locations (sub-step L4) indicated that the most important areas for analysis are those that, among the five locations under analysis, presented the following characteristics, in order of relevance:

- > 1st Largest interface with forested areas;
- > 2nd Largest interface with Conservation Units;

- > 3rd Largest interface with Priority Areas for Conservation.

Those assets with a large interface with urban (non-vegetated) and agricultural areas indicated lower environmental sensitivity compared to the others.

IMAGE 9: Indication of ecoregions and Watersheds with interface with locations.



Source: own preparation, EY

From the Locate Phase: particularities for Brazilian financial institutions

Key lessons and recommendations

The preparation of an assessment of impacts and dependencies in nature for Financial Institutions presents several challenges, ranging from the lack of qualified data for carrying out a location-based analysis to broad coordination with diverse actors, from priority clients in the loan portfolio to the internal areas that control the necessary information.

Below we highlight the main lessons learned and recommendations from this pilot:

Standardization between national and international standards:

Standardization between national and international industry classification standards (CNAE for GICS, for example) requires effort for adequate framing. The standards do not maintain a clear correlation, which can generate a mismatch in identifying the materiality of impacts and dependencies in nature.

Clear scope of analysis period and type of financial data:

At the beginning of the process, the importance of defining a clear scope of analysis period and type of financial data to be used was identified. In this pilot, the standard “volume of active loans” and “number of active clients” on the

date of “December 31, 2022” was defined together with the Financial Institutions. This date may vary depending on the scope of analysis of each Financial Institution and the data available.

Adaptation of terminology:

The term “asset” was abandoned in the context used by the TNFD, as a synonym for “location”, as it presents an ambiguous meaning in the financial sector. Standardized the use of the term “location” or “site” to refer to geolocated data used in the analysis.

Definition of data used:

There is a significant difference between data in a *shapefile*, with exact layout of the location limits, and data with geographic coordinates or addresses, mainly with regard to the refinement of the analysis. Understanding the exact layout of the location, especially those involving large-scale activities, allows for analyses that are closer to reality and avoids the exclusion of important interfaces, especially for criteria or areas of greater sensitivity.

In this pilot, the standard “volume of active loans” and “number of active clients” on the date of “December 31, 2022” was defined together with the Financial Institutions.



Size of the analyzed area:

For this pilot there was a significant difference in the size of the area analyzed (sites with hundreds of hectares, sites with hundreds of thousands of hectares). A larger area tends to be located in more intact areas, and also have more diversity of interfaces with nature and, consequently, greater priority in sensitivity analysis. For a complete analysis of the sector or companies in isolation, we need to define as a parameter a broader scope of assets for analysis, which guarantees a territorial analysis with greater representativeness in the area analyzed.

Locations analyzed:

There were difficulties on the part of Financial Institutions in indicating the locations for analysis, mainly in obtaining data and information in an organized manner that would meet the analysis requirements. Not all types of sectors or loan portfolios maintain location data on financial transactions. It is necessary to dedicate more time, make adjustments to the approaches of future projects and seek alternatives so that this analysis is streamlined, especially when dealing with a sector that deals with a large volume of data from different sources. Furthermore, the need to have an adequate and complete database for the financial sector to collect information is reinforced.

Sectoral Lessons Learned Scenario by the Finance and Development Group

This pilot of the Locate phase of the LEAP approach brought to light important solutions and key challenges facing the sector. With this report, the expectation is that the lessons learned will serve as guides for companies to continue their journey in nature reporting, with the TNFD as guidance.

Thus, based on the analyses presented and the lessons learned through a knowledge sharing space with a focus on the Brazilian reality, we present below the lessons learned considering three scenarios: (i) Community of Practice of the CEBDS collective pilot, (ii) the project's Finance and Development sectoral case and (iii) best practices for the Finance and Development sector.

Such scenarios are presented taking into account factors such as: governance, fundamental methodological premises, data, local reality and opportunities and challenges.

Factors	CEBDS Collective Pilot Community of Practice	Finance and Development Sectoral Case	Best Practices for the Finance and Development Sector
Governance	Has a well-structured governance in which all technical decisions regarding the piloting of the TNFD are made by the Technical Committee (TC) and the companies jointly in a process of co-creation. The TC is made up of CEBDS and three technical consulting firms associated with CEBDS that have expertise in TNFD. Each of the consultancies technically coordinates a macro sectoral group: land use, energy and infrastructure, finance and development.	Each technical coordinator is responsible for: > Conducting alignment meetings > Guiding data collection > Analyzing the data received > Presenting and discussing the results	It is important that the company: > Has a good governance > Clear and precise internal processes > Integrated action between departments to collect data necessary for analysis > Clarity about its database
Fundamental methodological premises	Three premises were defined: > Use of two common tools for all 3 sectoral groups that make up the project, namely: ENCORE (Natural Capital Finance Alliance) + High Impact Commodity List and Materiality Screening Tool (SBTN) > Standardization of data layers to be used. > Joint publication of the results obtained by sector.	Collectively, the following were stipulated: > Project scope: analysis of a site (location) referring to the value chain of each Financial Institution. > Analysis period: loan volume and number of active clients as of December 31, 2022.	It is important that the company: > Determine a clear scope, period of analysis, and type of financial data to be used.

Factors	CEBDS Collective Pilot Community of Practice	Finance and Development Sectoral Case	Best Practices for the Finance and Development Sector
Data	Obtaining geolocated data is essential for pilot management. In this context, it is extremely important that the company is aware of this need, and other areas within the company may be involved to access this data.	Points of attention in data collection and analysis: > Standardization between national and international industry classification standards (CNAE, GICS, etc.) > Standardization of geolocated data (shapefiles, geographic coordinates, etc.)	It is important that the company: > Understand the best type of data to use as a standard. > Keep the same format for all data collected/analyzed.
Local reality	The application and adaptation of international frameworks to the reality of Brazil, a megadiverse country, presents various difficulties and challenges. Therefore, we need to adapting them so that they are relevant and effective in the Brazilian context.	Considering that Brazil is a megadiverse country, the following measures were necessary: > Refinement/revision of Encore according to the national context > Adaptation of prioritization criteria, data, extent and relevance of national biomes.	It is important that the company: > Evaluate the results, considering its operational reality.
Opportunities and challenges	There are countless challenges considering operations in a megadiverse country.	Brazil has one of the greatest biodiversities in the world, with different biomes of high relevance for conservation. Each of these biomes has ecosystems with unique characteristics and requires specific approaches for conservation and sustainable use of natural resources.	It is important that the company: > Apply a holistic approach, considering the socio-environmental context of the site.

While the Locate phase can present considerable challenges in terms of data collection and analysis, it is essential to establish a solid foundation that will allow you to move on to subsequent steps.

With the insights gained, it is expected that the lessons learned will serve as guidance for the next steps in the reporting process: Estimate Dependencies and Impacts and Assess Risks and Opportunities, following the guidelines of the Taskforce on Nature-related Financial Disclosures (TNFD).

While the Locate phase can present considerable challenges in terms of data collection and analysis, it is essential to establish a solid foundation that will allow you to move on to subsequent steps.



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Special session:

Impact Statements from companies participating in the Finance and Development Sector Group and the TNFD

Brazilian Development Bank (BNDES)

Tereza Helena Gabrielli Barreto Campello

Socio-Environmental Director

BNDES has been actively seeking to contribute to achieving the goals of the Convention on Biological Diversity (CBD). At COP 16 we will launch the document “Biodiversity: BNDES’ commitment to nature” and present the results already achieved on three fronts of action: resource mobilization, risk and impact management, and transparency and communication.

As a member of the TNFD forum, we seek to train ourselves to understand and overcome the challenges related to adopting its recommendations for information disclosure. In this context, the pilot initiative led by CEBDS, of which we were part, offered a valuable opportunity for learning and reflection.

The lessons learned from this experience have shown us important areas for improvement so that we can continue to promote progress in the dissemination of information on the impacts



and dependencies of the activities we finance on biodiversity. Especially with regard to the need to adapt global methodologies to the Brazilian reality – a mega-biodiverse country that concentrates at least 15% of the world's biodiversity – and to improve the quality of data on the location of supported economic activities, considering the different client profiles and BNDES's operating methods.

Bradesco

Fabiana Costa
Senior Sustainability
Manager

Our collaboration with CEBDS in the pilot project was fundamental to deepening our commitment to biodiversity. As a Financial Institution, we have invested significantly in implementing our climate strategy, conducting several pilots and joining key voluntary commitments such as the TCFD and the Net Zero Banking Alliance.

Practical integration of the biodiversity agenda is vital to align this agenda with our climate strategy. These agendas must be strategically interconnected.

The financial sector has a crucial role in promoting a low-carbon economy, supporting biodiversity



conservation. We contribute to the preservation of Brazilian biomes, financing companies and their production chains, in addition to supporting social initiatives in favor of biodiversity.

We recognize that this is an evolving journey. It is imperative that we act in an increasingly strategic and sectoral manner to drive this agenda in Brazil.

CAIXA

Luis Felipe Bismarchi

National Superintendent of Impact
Business and Sustainability

CAIXA's participation in the collective pilot was an educational experience, an opportunity for applied and continuous learning to include Nature in the equation of business composition, in the assessment of risks and opportunities in order to better support our choices, portfolio composition and other business strategies.

With a view of the whole and the components, connections and interdependencies of LEAP, it will be possible to structure an organization and capacity development plan both for the Sustainability area and for the Business and Controllershship areas so that we have the appropriate information to support decision-making and its subsequent communication to society.

With the L phase pilot, it was possible to identify gaps in organization and availability of information about Nature so that we can reflect on how to solve them. Another interesting point of discussion and reflection was the incompatibility of the parameters used with the reality of Brazilian biomes, which will require adjustments by Global Canopy, and the need to advance in expanding the



sectors and their dependencies and impacts on Nature in order to cover as much as possible within the technology we have.

The TNFD is certainly one of the biggest challenges we will face in qualifying our business portfolios and perhaps the biggest opportunity to rethink and define a way of doing business that generates genuine prosperity for everyone involved in a lasting way. This pilot was crucial for us to materialize this understanding and also to understand the size of the challenge. It is difficult and extremely interesting work for anyone who wants to become a professional in the development and evaluation of business models, operations and risks linked to biodiversity.

Itaú-Unibanco

Fabio Luiz Guido
Head of Sustainability

The pilot with CEBDS allowed us to enter more practically into the process of internalizing the TNFD recommendations, helping companies collectively identify their challenges and solutions common to the sector. For the Finance and Development group, the value chain has greater materiality, given the relationship with the most diverse sectors, with operations distributed throughout the national territory. This specificity requires even more collaborative action between the financial sector and very close to our clients to support them in strengthening biodiversity



conservation practices and protecting ecosystem services, which are extremely necessary for the sustainability of businesses and the quality of life of the population.

Santander Brazil

Maria Silvia Chicarino
Head of Socio-Environmental and Climate Risk

The implementation of the Locate phase pilot (LEAP approach) in partnership with CEBDS was an important framework for the biodiversity agenda in financial institutions. By focusing on the practical application of the topic, we obtained important lessons that made clear the great challenge mainly regarding the lack of availability of primary data and tropicalized databases to assess impacts and dependencies. This challenging scenario suggests the need for joint efforts at the sectoral level, including aligning expectations with our stakeholders and engaging and supporting best practices for maintaining biodiversity with clients. It is crucial that we move forward within a process that reflects the particularities of



Brazilian megabiodiversity, focusing our efforts on addressing impacts on biodiversity in an integrated manner with the climate agenda.

Taskforce for Nature-related Financial Disclosures (TNFD)

Emily McKenzie
Technical Director

TNFD's consultation groups, such as CEBDS in Brazil, are supporting companies in their regions with the assessment of nature-related dependencies, impacts, risks and opportunities. These groups are fostering collaboration among stakeholders and providing a platform for dialogue and sharing experience.

Use cases help demonstrate the application of the TNFD recommendations and LEAP approach across different geographies and industries, helping others to learn and drive change within their sectors.



CEBDS' use cases offer valuable insights into how to operationalize the Global Biodiversity Framework in a megadiverse country like Brazil, where corporate actions can be pivotal in contributing to global biodiversity conservation.



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Technical sheet of the CEBDS Nature-related Disclosure Project: TNFD case Finance and Development Sector Group

Project Manager - Executive



Technical Coordinator of the Finance and Development Sector Group



CEBDS Institutional Partner in the Nature-related Disclosure project:
locate phase of the TNFD



Companies Participating in the Finance and Development Sector Group



Thematic Chamber on Biodiversity and Biotechnology of CEBDS

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