



Executive Summary

1. Introduction

Why do businesses need to work for biodiversity conservation? One of the reasons is that businesses depend on and have a significant impact on ecosystems in Japan and abroad through their business activities, and also play an important role in connecting with consumers and transforming markets through their products and services. In addition, in recent years, expectations for sustainable growth based on ESG compliance, including biodiversity considerations, are becoming a major factor in corporate valuations than short-term profits alone. Therefore, taking no action on biodiversity is potentially a major business risk.

Our livelihoods and economies are supported by the bounty of biodiversity-based ecosystems. The impact of human activities over the past 100 years has caused the rate of species extinctions to skyrocket at a rate unprecedented in the history of the planet, putting the Earth's biodiversity in a critical condition.

In response to this situation, the G7 2030 Nature Compact agreed to the "Nature Positive" goal of "halting and reversing biodiversity loss by 2030 to put nature on a recovery path" in 2021. The Conference of the Parties to the Convention on Biological Diversity held in December 2022 (CBD COP15) decided on the Kunming-Montreal Biodiversity Framework. Under the framework, businesses are expected to contribute to the promotion of nature positivity by taking measures to combat climate change, reduce over-consumption, produce sustainably, and invest in biodiversity. Private-sector initiatives such as Science Based Targets for Nature (SBTs for Nature) and the Task Force on Nature-related Financial Disclosures (TNFD) are also being considered in the context of growing interest in ESG investment and financing.

2. Role and key points of the guideline

In light of these domestic and international trends, we have prepared this guideline to serve as a reference for companies in their efforts to conserve biodiversity and sustainably use natural capital, in other words, for sustainable management. Please refer to this as a basic guideline for flexible and effective approaches to biodiversity conservation as a management issue. The main points of this guideline are as follows.

Key points of this guideline

- ✓ Recent trends in biodiversity (e.g., relationship with the economy, Kunming-Montreal Biodiversity Framework, national strategies, target setting, information disclosure, etc.) are added. Explanation of dependencies and impacts, risks and opportunities related to businesses, including finance [Part 1].
- ✓ Clarified "basic process" and explained the contents of efforts for each process. Clarifies the level of efforts with a focus on goal setting and information disclosure and introduces the latest international frameworks so that companies can recognize the level of their efforts and step up to a higher level [Part 2] [Part 3].
- ✓ Methods for quantitative impact assessment and target setting, specific indicators, and information disclosure, as well as SBTs for Nature and TNFD, are introduced with actual examples [Part 3].
- ✓ Q&As with advice for SMEs, financial institutions, and other practitioners [Part 4].
- ✓ Reference information on specific initiatives [Reference Materials].

3. Structure of the guideline

This guideline (3rd edition) incorporates the above points and consists of four parts.

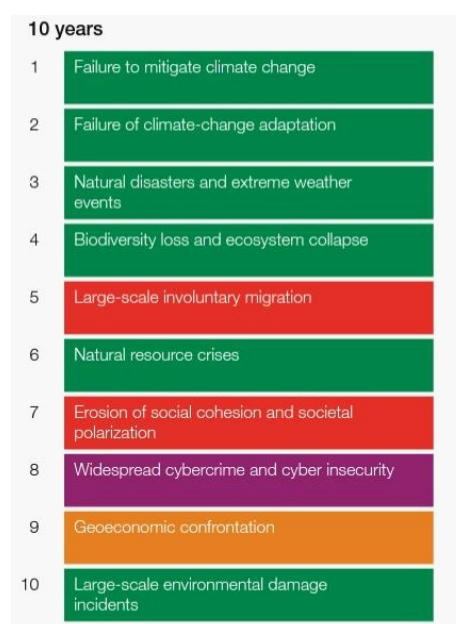
Part 1: Business Activities and Biodiversity

This section explains the basic concepts related to biodiversity, introduces major domestic and international trends in biodiversity and domestic and international targets and frameworks, including the TNFD, and describes the relationship between business activities and biodiversity.

The following is an explanation of the relationship between our business activities and biodiversity. Conserving biodiversity, as well as diversifying our business portfolio, is directly linked to reducing the risks and uncertainties of businesses dependent on biological resources and increasing the resilience of our business activities. Furthermore, it also provides an opportunity to create new businesses by stepping into areas of activity that have never existed before.

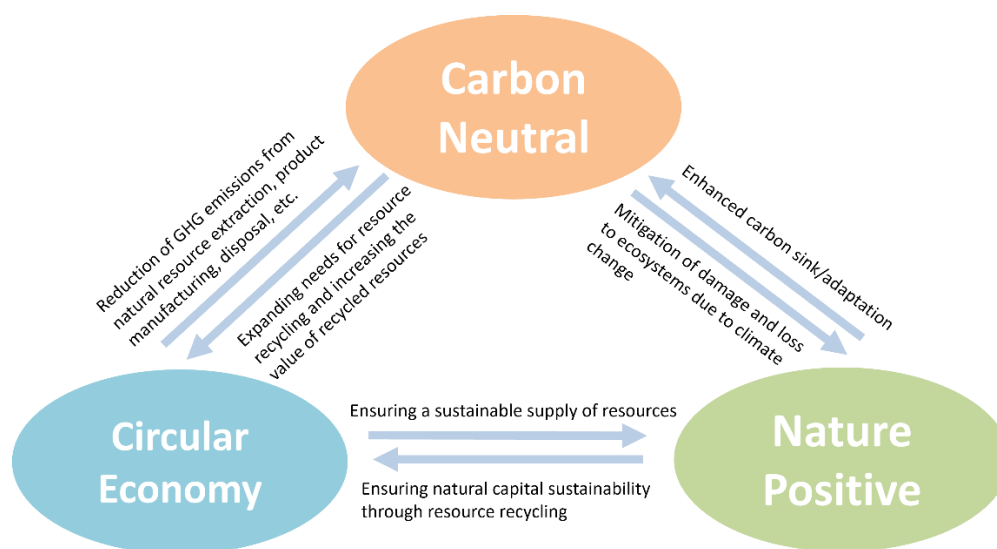
The World Economic Forum's report identified biodiversity loss as the second most serious crisis after climate change as a threat to the very foundations of existence, and that more than half of the world's GDP (about \$44 trillion) is potentially threatened by nature loss. Meanwhile, investment in a nature positive economy and transition to it will create about 395 million jobs and business opportunities worth approximately 1,150 trillion yen per year by 2030.

Biodiversity, climate change, and the circular economy are



(World Economic Forum Global Risks Perception Survey 2022-2023)

interrelated. Reducing and streamlining the consumption of natural resources will contribute to combating climate change and preserving biodiversity. It will also reduce the risk of species extinctions by limiting the rise in temperature. Some climate change mitigation measures may have a positive impact on biodiversity, while others may have a negative impact. By promoting management that integrates the three elements of decarbonization, circular economy, and biodiversity, we can efficiently and effectively implement the required environmental measures.



In order to apply the concept of nature positive to your business activities, you need to identify how your business activities affect or depend on biodiversity, and how you can reduce business risks and link them to opportunities.

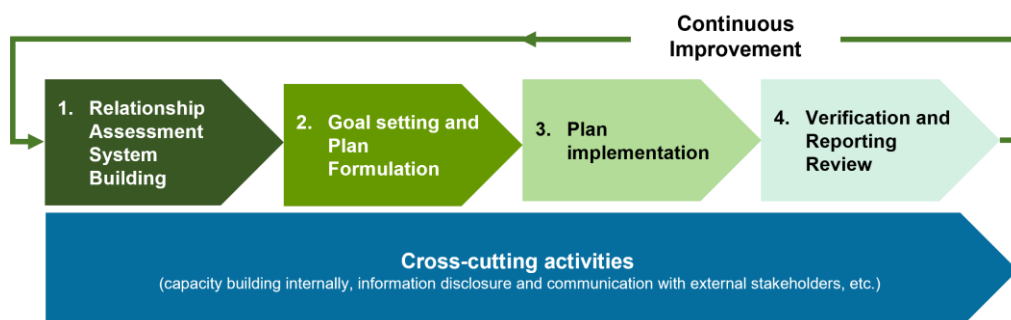
While biodiversity and natural capital conscious management is required both internationally and by financial institutions, the challenges for businesses in promoting such a process include the difficulty in setting targets and indicators, as well as in quantifying and economically evaluating the results. However, if we look at the supply chain from a bird's eye view, we can see that the company is using natural capital for raw materials to a greater or lesser extent. Although it is currently very difficult to understand all the details of your supply chain, you can start by roughly identifying processes and raw materials that are highly dependent on and impactful to biodiversity, and then focus on those processes and raw materials to understand your supply chain in detail, or using existing tools such as those described in this guideline to measure your impact.

Part 2: Processes for Biodiversity Consideration

This section describes the basic process to appropriately consider biodiversity in actual business activities and the approach for each industry and business, with a view to responding to domestic and international frameworks.

The basic process is as follows: (1) Establish an internal system and identify important management issues by understanding the impact of your business activities and supply chain on biodiversity, (2) Based on the results, establish the company's strategy or policy, set supporting

indicators and targets, and formulate a plan that includes specific measures to achieve the targets, (3) Implement specific actions based on the plan, (4) Periodically monitor and analyze the status of the company's actions, evaluate the progress and achievement of the plan, and reflect the results in the plan's revision as necessary. In addition, as cross-sectional efforts, we recommend, (5) Internal capacity building, and (6) Information disclosure and communication with external stakeholders.



Each of these processes must actually be addressed according to the type of business and other factors. First, identify actions according to your business type by using charts in this guideline, and take action. After that, it is desirable to confirm the actual status of upstream and downstream activities in the supply chain and value chain in cooperation with suppliers or other stakeholders, and take actions accordingly.

Part 3: Impact Assessment, Strategy/Target Setting and Information Disclosure, etc.

In relation to the process for biodiversity considerations discussed in Part 2, this section provides more detailed explanations of the concept of impact assessment on biodiversity and natural capital, strategy setting and target setting based on such assessment, information disclosure, etc., and also includes corporate case studies that can be used as reference.

In order to position biodiversity considerations in management and implement effective initiatives, it is necessary to quantitatively understand the impact and dependence of business activities on biodiversity as much as possible, and to analyze and evaluate the risks and opportunities for business.

Biodiversity and natural capital differ in their vulnerability, impacts, etc., depending on the location. Therefore, depending on the purpose of the assessment, it may be necessary to understand the status of biodiversity and natural capital at each location where business activities are conducted. Then, business activities and locations that have a significant impact on biodiversity and on which the business is highly dependent are identified, and risks and opportunities for the business activities and society are analyzed in detail. In doing so, it is also important to indicate negative and positive impacts without offsetting them in the assessment of impacts on biodiversity, since ecosystems are unique to a given location.

After analyzing the impacts, dependencies, risks, and opportunities in terms of business activities and biodiversity, businesses are required to set targets and take other actions, and then disclose

information to investors and other parties, mainly in areas related to financial matters. In relation to understanding impacts, setting targets, and information disclosure, various frameworks such as the TNFD Framework, SBTs for Nature, CDP, and international standards on biodiversity are being developed. Therefore, it will be more efficient to work in accordance with these frameworks. In this revision, we have indicated five levels of maturity in terms of target setting and information disclosure, so that management and employees can recognize the level of their initiatives and step up to a higher level.

Maturity levels of goal setting and information disclosure (5 levels)

Tiered approach	
1	Not implemented with respect to biodiversity
2	Implemented for a part of business activities
3	Continuous implementation based on environmental management system, etc.
4	Some activities are implemented for international frameworks (SBTs for Nature, TNFD) that will be required in the future.
5	Continuous implementation of activities in response to international frameworks

The analysis above on the relationship between biodiversity and business activities, the establishment of strategies and goals based on the analysis, and disclosure and communication with stakeholders will lead to deepening market’s understanding of your business, providing opportunities for fundraising and market reputations, and gaining awareness that contributes to innovation in the core business and to the enhancement of corporate value. In doing so, you will need a compelling story for investors, consumers, and others how their biodiversity conservation efforts will lead to increased value for your products and yourselves.

Currently, many businesses are disclosing non-financial information on biodiversity, such as reducing the impact of their business activities on nature, through integrated reports, environmental reports, sustainability reports, and so on. On the other hand, as a recent event, discussions on the TNFD Framework which is a disclosure framework on financial information are progressing. From now on, it will be necessary to respond to this framework. Since the TNFD Framework is intended for disclosure in relation to financial information, so-called CSR initiatives may not necessarily be subject to disclosure. Provided that, if you explain how initiatives such as nature conservation activities in local communities and contributions to the 30 by 30 targets are linked to risks or opportunities in your core business, promotion of understanding by local communities or improvement employee morale can be expected.

In Europe, regulatory information disclosure systems such as the Sustainability Disclosure Directive (SFDR) for financial institutions have been established, and compliance with the Due Diligence Directive and taxonomy rules is increasingly required. By paying attention to the

disclosure systems in the countries with which we do business and considering these new regulations in an integrated manner through analysis of impact, dependence, opportunity, and risk, we will be better able to respond to international market trends.

Part 4: Q&A

This section presents the questions most frequently asked by corporate practitioners when promoting biodiversity-related initiatives in their business activities, and answers to them. It is divided into sections for all companies, SMEs, and financial institutions. We hope that you will find it useful for internal explanations, as it covers as much information as possible on the new international frameworks and initiatives for 2030.

We plan to continue updating this document on the Website based on feedback we receive from our clients.

Reference Materials (separate volume, only Japanese version)

This section contains reference information on the status of global biodiversity, national and international frameworks, biodiversity organizations and initiatives, impact assessments, target setting, information disclosure and certification systems, as well as examples of corporate activities related to information disclosure and quantitative target setting.

4. Conclusion

The 10th Conference of the Parties to the Convention on Biological Diversity (CBD COP10) was held in Nagoya, Aichi, Japan, in 2010. The "Aichi Targets," in which the world should address by 2020 for the conservation and sustainable use of biodiversity, were adopted. However, as we reached the year 2020, it has been concluded that unfortunately none of the targets, including those related to business, have been fully achieved, while considerable progress has been made on most of the Aichi Targets. "Business as usual" in business and daily life will only lead to continued loss of biodiversity. In order to continue to receive the blessings of nature that we have taken for granted in our daily lives and that we have consumed for granted, we need to "take urgent action to halt and reverse the loss of biodiversity," as stated in the 2030 mission of the "Kunming-Montreal Biodiversity Framework" newly adopted at CBD COP15.

We hope that this guideline will help businesses to understand your own dependence and impact on biodiversity, take action, and take advantage of the technologies and services as your core business toward sustainable management.