Understanding the Science Based Targets for Nature

ESG voices podcast series

Musical intro

Host:

Hello and welcome to another episode of ESG Voices. This podcast series addresses the opportunities and challenges within ESG. Through interviews with ESG specialists from KPMG and beyond.

Throughout this series, we will discuss a broad range of environmental, social and governance issues aiming to support governments, businesses and communities in creating an equitable and prosperous future. In almost every part of our lives, we interact with the natural environment.

Human pressures on nature have increased substantially over time with land use, change, climate change and pollution, all contributing to unprecedented nature loss. Halting and reversing this loss is a significant challenge, bringing with it risks to corporate and financial stability, but also opportunities. It is clear that the time to recognize the value of nature is now and that businesses have a critical role to play in leading the way towards the future when nature can thrive.

For today's episode, I am joined by Stephane Baude, Director, ESG Center of Excellence, KPMG in France, Fiorella Sanchez, Biodiversity Lead, KPMG in Belgium and Carolin Leeshaa, Natural Capital and Biodiversity National Lead, KPMG, Australia, who will be discussing the Science Based Targets for Nature and what they mean for businesses on their journey towards nature - positive solutions. Let's start by setting the scene on the Science Based Targets Network. Fiorella can you provide us with an overview?

Fiorella Sanchez:

Yes, sure. So the Science Based Target Network is a collaboration of global non-profit organizations that are working together to equip companies, but also **cities** with a comprehensive framework to set science based targets for nature. And we talk about nature in the broader sense,

meaning not only biodiversity, but also freshwater, land, ocean, climate and, of course, biodiversity. So this is a network that is talking about the (Science Based Target Initiatives (SBTI's), **that** is a common framework at the moment in terms of climate, but is encompassing a science based target point into a broader framework, which is that science based targets for nature. There **are** two main points hat the network is aiming for. The first is to, as I just said, to create measurable, actionable and time bound objectives informed by the best available data. And the second is to maximize synergies and minimize trade offs with other market initiatives such as the TNFD, and regulations like the CSRD or Reporting Requirements **like the Global Reporting Initiative (**GRI**)**, for example, that I think we're going to cover later on in the in the process. But just to give a nutshell on the framework, the overview, it's composed of five steps, starting with the first one that is Assess, which is the method of identifying the materiality of geographies and activities that are creating a pressure on nature, **at** the sector level at the company level. Then the second one is Interpret and Prioritize at this step is where we are defining which areas of the company in terms of the entire value chain and which geographies have to be addressed with the targets. And defining what target the boundaries would look like. The third step is to Measure, Set and Disclose. So this is a very critical point, of course, where each of the different points of this framework. So freshwater biodiversity, ocean, a climate we'll have to define a science based targets. Then we have to Act, which is the step four, which is the guidelines on how to avoid, reduce, restore and regenerate, and ultimately to transform from negative impacts to positive impact on nature. And the last point is to track, of course, the step of ongoing monitoring and reporting on organizations impacts on nature.

Host:

Great. Thank you for setting the scene Fiorella. Stephane, the Science Based Targets Network launched the first science based targets for Nature framework on May the 24th. Can you share details on what exactly has been released?

Stephane Baude:

What you have to keep in mind is that this is science based targets **release is the** first release and it would be followed by other release**s** that will complete what has been released in May. The first release is addressing the three first steps of the process that Fiorella has described. The step of assessment that is fully covered, the step of interpretation, prioritization that is fully covered to, some resources about the step three of measurement setting and disclosing targets, but not a comprehensive set of guidance. So for the first step, we have another view that's introducing the step of assessment, some technical guidance that are walking at the reader through the different sub steps of step one. We have also some toolbox that is describing and pointed out some free to use tools that companies can use to collect data for this assessment step. A tool for mat**eriality** screening that will help the companies in screening their materiality of direct operation also value chain. Finally, a high impact commodity list. So this is **for the** first step of assessment, for second step during this overview and a technical guidance, **there** is for the third step **what** is covered in a first, a full version is the freshwater technical guidance and resource. So a bet**a** version of the land technical guidance, with also some frequently asked questions for both **freshwater** which were the la**nd** and the target validation process.

So what we have to keep in mind is that for this, this first release of the science based targets network guidance, the companies are required to address both their direct operations and also part of their upstream value chain. So upstream value chain they need to address is the purchased goods and services and activities that are involving material or resource extraction and manufacturing and processing of the purchases. But for example, it is not required to address the waste generated in operations, the transportation and distribution, the employee committee, commuting, etc. So th**e** scope that need be covered is less extensive then for example, a carbon footprint assessment. So speaking about pressures, there are also some limitations of the scope first for ecosystem use and use changed journey to be fully cover **ed** with the land use and land use change in freshwater ecosystem use and change and marine ecosystem use and change for **the** resource exploitation **that** companies need to address water us**e**. Also other resource like minerals, fish, other animals, etc. For climate change, they need to address GHG emissions and for pollutions they need to address water pollutants and soil pollutants, but not, for example, solid waste. And for th**e** invasive species that are not covered by this version of the SBTN. And so all this, it would need to be covered for th**e** steps of assessment and prioritization. But some parts are not yet covered for the step of target setting and namely the freshwater ecosystem use and change , the marine ecosystem use and change. And the other resource used are still not covered in version one of SBTN and will be covered in a second version.

Host:

Carolin, what does the SBTN mean for a company? What are some of the benefits and limitations of the framework?

Carolin Leeshaa:

So much like climate, until companies start setting targets in a report on their progress towards those targets publicly in their transition plans, investors and other stakeholders will not be able to hold companies to account for their impacts on biodiversity. The SBTNs are grounded in robust best available science and give companies the necessary guardrails to know they are taking enough of the right actions in the right places. Measure the right indicators at the right time across their value chains, beginning with their direct operations and upstream activities. This provides companies with the benefit of confidently addressing their most urgent impacts and credibly prioritize and communicate how the resources they are investing have a lasting impact to move in the right direction and contribute towards staying within the planetary boundaries. Nature is of course, much more complex than reporting on climate. KPMG's recent global sustainability survey found that less than half of the world's largest organizations are currently explicitly reporting on biodiversity commitments. There is, of course, still a lot of learning needed for companies to become fluent in nature impacts outside of carbon, and now is a great time to begin. Companies that start this work early can also better and more gradually align with existing and emerging nature related corporate disclosures such as the Task Force on Nature related financial disclosures and getting ahead of the curve. Companies will have different impacts, dependencies and targets depending on the nature of their business and the industry sector they operate in. So there is no one overarching nature target as there is for climate, and we can expect that there will be separate targets for freshwater use, pollution, land use change, climate change and so on. The SBTN framework is still a work in progress and it's not expected to be completed by 2025. So watch this space. And given the complexity of nature I've just touched upon, another benefit worth highlighting is that the SBTN are taking a consolidated approach and are designed to recognize the interconnectedness of issues areas. Eventually, the SBTI would allow companies to take action on multiple issues across nature, climate and social equity in an efficient and effective manner. Ultimately, this will allow companies to make better, more nature smart decisions and build greater resilience and mitigate risks.

Fiorella Sanchez:

So in addition to what Carolin has highlighted, there are several benefits of having such a framework as the SBTN. Initially as previously mentioned, one of the main benefits that we have now is that we are trying to maximize synergies between reporting frameworks in different parts of the world so that different companies in different types of maturity in terms of these big topics, that is nature can start the journey. The second benefit that we can also highlight is the fact that it this is answering to the growing needs of investors to address the impacts that companies have on biodiversity and nature, but also about the dependencies that companies have on natural resources. And it's important to highlight also that the benefit of a holistic approach, the holistic approach of SBTN is giving us the opportunity to address the wider scope of what nature entails, but also allows us to look at the geographic scope. So where are these impacts and dependencies coming from, but also from a value chain perspective. So where within upstream, downstream, our own operations, we should be moving forward?

Host:

Excellent. Fiorella, where should organizations start on their SBTN journey?

Fiorella Sanchez:

It's very important to clarify that it's a journey. It's a process that has its complexities. There would be a lot of questions, but that doesn't mean that companies in different levels of maturity on what biodiversity nature means for them and for their sector shouldn't engage. And the SBTN now with the tools that Stephane has mentioned already and with the guidelines, technical guidelines that have been released gives us a good starting point for companies not to go through all the steps all together, but to start understanding what it means for them. And the first step to take is within the step one assess. Assessing of impact and dependencies. It's a materiality screening. And this the SBTN has defined a list of data requirements, let's say, so that companies should have to or ideally have to start a journey. But of course, they're at this stage of where we are as a market. There are data gaps in all companies. So the good news in here is that we can start a materiality screening with best available data and understanding from a sector perspective if there's no information at the company perspective, which would be the high level impacts and dependencies and where they should be addressed in the value chain early on. So these for the materiality screening where as Stephane mentioned, we have a materiality tool available and open sourced also for the value chain assessment, which are the two steps within the first step of the of the SBTN framework. Just by to conduct in this phase, companies are already starting a journey, a journey not only of defining an understanding, but also about understanding gaps of data collection, which is very important to start early on. So the message here of course, we can follow up into how to conduct a prioritization. But the message that I would like for you to come across is that companies can start already working on the first steps and understanding this without having all the certainties and all the data availability since the beginning, because this is a journey, a journey that most companies, even the most mature ones, are having and will be a journey moving forward as the nature topic in the for the private sector and for cities. It's evolving day by day.

Host:

Stephane what are some of the complexities in measuring biodiversity and nature targets and what are some of the methods used for measurement.

Stephane Baude:

Compared to climate, there is some additional complexity in addressing biodiversity. The reason is first impacts on biodiversity can be global and local. For example, if you release some plastics that end up as microplastics in the oceans or as microplastics, the impacts will be kind of global at the level of the ocean. But if you are responsible directly or indirectly for deforestation or erosion of biodiversity, for to the threatening of some species, all this life that is damaged, is damaged somewhere. So you have to get a geographical mindset and some geographical data that are associated to your screening of your materiality and your screening of your impacts. And it is required in target setting that you define the scope of your target. So that you define the zone that is impacted. The second source of complexity is that unlike climate, when you just have to look at emissions of greenhouse gases, you have to tackle all the pressures on biodiversity and there are four among the five pressures that are required to be covered by the

SBTN. So you have to cover, of course, climate change, but also ecosystem use and change, resource exploitation and pollutions. So the variety of the impact that you have to and the pressures that you have to address is more important. So you can either go through tools that are that are giving a global footprint like the CBF, the corporate biodiversity footprints like to global biodiversity score and add on some geographic specifications. Or you can go, not through global footprint metrics that go directly through just five pressures or the first four of them as far as that SBTN is concerned. There are a wide variety of tools that are available now, you have the global footprint tools like the CBF and the GBFs, but you have also a lot of tools that are developed by different startups that gain or different firms that are not so much startups anymore and that there are already some unicorns, for example, to screen out impacts on ecosystems through satellite imaging, through genetic soil analyses. There are even solutions that allow us to assess the different species that are present on the location based on sound recordings. There are solutions that are based on bees for example, you have some startups that could be on the locations, and this gives information by analyzing the pollen about what are the different vegetable species that are present and what are also the pollutants that are present. So depending on what is the degree of maturity of the firm, there are different granularity of tools that are available from rough, rough evaluation and a screening tool to very, very precise characterization of the of the ecosystems for a variety of means.

Fiorella Sanchez:

To add to what you are saying Stephane, I think the message is also that there is no one size fits all at this stage in terms of measurements, but we have several different types that will serve different purposes that are companies specific are location specific. So it's, yeah, it's the current status of how we have yet the measurement status at the moment.

Stephane Baude:

And what is helping here is the way the SBTNs are organized. It's organized like a funnel that helps the companies to have some global screening and assessments and to progressively narrow down towards the pressures, the locations, the parts of their value chain that have the biggest impact. So once they have narrowed it down, they can focus the measurements and get some more precise measurements through all the tools that we have mentions focused on really the parts that count.

Host:

Listeners are likely wondering how the SBTN framework relates to other nature related frameworks such as the Global Biodiversity Framework and the TNFD. Carolin, can you shed some light on this?

Carolin Leeshaa:

The agreement of the UN Global Biodiversity Framework at COP15, we are starting to see the building blocks of nature policy emerging. Nations are beginning to create plans to meet those 23 action oriented targets and specifically target 15 of the Global Biodiversity Framework aims to ensure that large and transnational companies and financial institutions monitor, assess and disclose

their nature related impact dependencies and risks in their operations, value chains and across their portfolios by 2030, the SBTN and TNFD share the same vision of the RBF and are both encouraging organizations to get ahead of the curve and start their journey towards nature positive. The SBTN is acknowledged partner to the TNFD, which is creating an integrated framework for organizations to manage and disclose their impacts, dependencies, risks and opportunities on nature. Specifically, the TNFD PATA framework has also adopted the SBTN's definitions of impact and dependencies on nature, and that actually shows a great foundational and methodological alignment between both initiatives. One key output of this collaboration between TNFD and SBTN is of course the joint target setting guidance developed as part of the TNFD's version 0.3 beta release. And the goal is really to have as integrated an approach as possible for companies. In setting targets to manage impacts on nature, including avoiding and reducing negative impacts, as well as increasing positive impacts through restoration and regeneration is a key component of the TNFD the SBTN target setting methods generate data and analytical outputs that help corporates apply part of the TNFD sleep approach for nature related risks and opportunities assessment and conversely, applying the TNFD LEAP approach can help corporates generate data needed to set science based targets for nature. Where existing guidance methods and standards exist the TNFD Better framework integrates this instead of developing new approaches. Therefore to set targets for impacts on nature. The TNFD framework recommends that corporates use the SBTN methods and the SBTN five step approach. The scope of the TNFD better framework includes target setting beyond the current SBTN methods, including targets for use by financial institutions, chains, downstream value chains, impacts on nature that cover the atmosphere reform, including air quality dependency on nature and nature related risks and opportunities. So obviously both the TNFD and the SBTN are still a work in progress, but both frameworks and organizations are working to align these further to make them easier and more efficient to use. So we can expect to see further guidance to be released covering these areas as well as transition plans in the future to reflect the latest signs, analytics and technology.

Host:

To wrap up. Fiorella How does the SBTN relate to the Corporate Sustainability Reporting Directive and European sustainability reporting standards disclosures for biodiversity?

Fiorella Sanchez:

Yeah, that's a very good question because of course the sustainability, the Corporate Sustainability Reporting Directive, the CSRD is an important, very, very relevant issue for all companies operating in Europe moving forward. And there's several synergies not only with ESRS E4, which is biodiversity disclosure and biodiversity, but there's also synergies with with the ESRS E1, which is climate change, ESRS E2 pollution, ESRS E3 water. As you can see, there is an alignment between the topics that are part of the SBTN and the topics that companies will have to disclose on their ESRS. So will be sustainability reporting standards moving forward. Most specifically, I think the synergies, apart from the topics, apart of the categories, categorization also relates to the fact that the ESRS and this CSRD are leaving as a recommendation to use science based targets and other types of initiatives to define the companies strategy on each of these topics to setting targets to setting actions. So there we see that it is a possibility to use the SBTN and through the art, prioritize all the way into monitoring as a framework for ESRS disclosures. And at the same time that ESRS is giving us a framework of disclosure requirements on the level of detail that the company would have to take into consideration for a full year compliance and on reporting on SBTN. And so let's say that SBTN is that a complementary tool and is an enabler for the ultimate goal of this use that is reporting. But of course, reporting is it's the is the face of saying all that has to happen before, which for people that have been already reading through the ESRS and the CSRD, there's a lot of detail, a lot of actions that have to happen on each of these requirement prior to reporting this. Just to sum up, there is synergies definitely is between as well as TFND as Carolin had discussed previously are enablers, are frameworks that are helping the Corporate Sustainability Reporting Directive advance in the sustainability reporting agenda.

Host:

Stephane, Fiorella and Carolin, thank you for taking the time to speak with me today. You've given listeners a lot to think about and we look forward to hearing more about what we discussed today in future podcasts.

Join us again next time for more insights from ESG leaders and innovators. You can also find latest insights covering a range of ESG topics by visiting kpmg.com/ESG

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