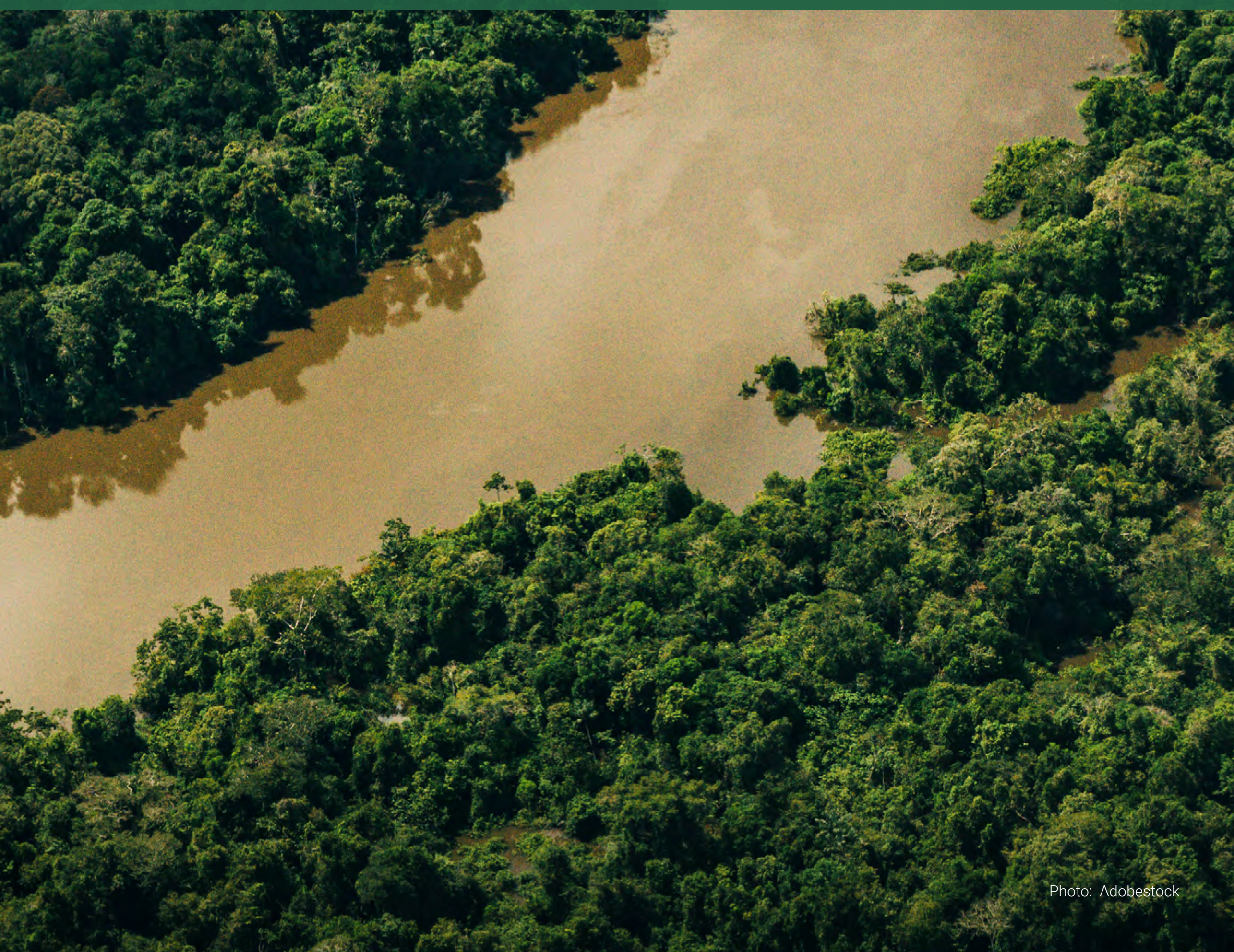
Mobilizing capital for sustainable landscapes

Innovative financial mechanisms for a nature-positive net-zero transition

April 2024



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Key conclusions

This report gives an overview of landscape and jurisdictional approaches (LA/JA) and explains their importance for financial institutions committed to meeting sustainability pledges while minimizing risks and maximizing positive socio-environmental impacts. It also examines initiatives implemented by leading Latin American financial institutions to promote sustainable landscapes, underscoring CDP's role in supporting these institutions to identify and drive initiatives aligned with LA/JA criteria. The report presents three main conclusions regarding the successes, achievements and challenges associated to the mobilization of capital for promoting sustainable landscapes:

1 **Landscape approaches and innovative mechanisms to finance them will be increasingly fundamental elements for protecting financial institutions' portfolios against cascading risks at the landscape-level, so that they may meet their carbon, biodiversity, and deforestation commitments.**

2 **Financial institutions can channel capital in ways that drive the implementation of landscape and jurisdictional initiatives. However, it is crucial to count on the participation of other landscape-based actors such as unions, cooperative groups, local communities, businesses, and non-governmental organizations (NGOs), as well as of the government, to bolster positive impacts. An effective landscape action strategy requires the active collaboration of multiple stakeholders and the establishment of collective objectives and goals.**

3 **CDP can support its stakeholders in their efforts to engage, collaborate and invest in LA/JA, by promoting increased transparency from companies and governments on their landscape action through our disclosure platform, collecting and disseminating decision-useful data to the market to catalyze the transition.**

Summary

What are Landscape and Jurisdictional Approaches (LA/JA)?

Landscape and jurisdictional approaches (LA/JA) involve a management approach capable of integrating and coordinating actions by many stakeholders in a landscape or jurisdiction. This management model seeks to address challenges linked to the reality of deforestation and ecosystem degradation, which is imposing environmental, social, and economic consequences on our world. These challenges transcend the effectiveness of isolated interventions at the level of an individual project.

The implementation of projects aligned with LA/JA criteria is supported by private and public actors as part of systemic and integrated management strategies in which a diversity of stakeholders, land-use modalities, ecological functions, and development objectives are brought into harmony under a shared perspective of the overall context. Landscape approaches have the potential to maximize private sector contributions for the attainment of environmental goals and socio-ecological and economic benefits, including resilience, adaptation, and mitigation of climate change, as well as the maintenance and enhancement of ecosystem services, better human livelihoods, and increased well-being.

Landscape Approaches

A landscape approach (LA) is a multi-stakeholder collaborative strategy to advance shared sustainability goals and build resilience at landscape level. LAs seek to reconcile and optimize multiple social, economic, and environmental objectives within diverse economic sectors and land use regimes in a given landscape. These approaches are implemented by means of land use plans, policies, initiatives, and long-term investment, among other possible interventions.

Jurisdictional Approaches

A jurisdictional approach (JA) is a landscape approach defined by administrative boundaries and with high level of government involvement.

By committing to and promoting the best available practices to eliminate deforestation and conversion driven by forest risk commodities (FRCs), especially encouraging clients and investees to take landscape-scale action, financial institutions may simultaneously enable the attainment of climate goals, support biodiversity and food security, mitigate risks and prepare for future regulations.

What characterizes landscape investment?

Despite increased financial commitments and innovations in recent years to support more environmentally and socially sustainable businesses and projects, these efforts have been frequently aimed at specific investments in individual sectors. Therefore, their social and environmental benefits have been concentrated and restricted.[1]

In contrast, landscape investments direct capital to initiatives that operate at landscape-scale such as a biome, a watershed or sourcing area of a company, which may operate in an ecological or administrative area comprising ecosystems, persons, authorities and multiple land uses. In such context, the multiple objectives of different stakeholders are taken into consideration with their unique views and necessities, for the establishment of collective goals and actions that foster sustainable development, human well-being, and landscape conservation and restoration, as well as financial returns.

Landscape investment-categories encompass impact investing, agricultural production practices that contribute to landscape outcomes, restoration or protection of natural assets in public or private areas, and many other activities with large-scale impacts, which maximize environmental, social and economic benefits.[2]

However, in order to ensure that we are directing investments to initiatives truly aligned with a landscape-approach, it is essential to consider certain criteria that ensure effective and robust implementation of projects:

Scale

Operation of the initiative or strategy should be at the scale of a landscape such as a biome, watershed or company' sourcing area, or jurisdiction. Every LA/JA should demonstrate operation or alignment at the scale of a recognized ecological or administrative area comprising ecosystems, persons, authorities and multiple land-use forms.

Multi-stakeholder process or platform

The visions and needs of relevant stakeholders should be included in the design, implementation, monitoring and evaluation of an initiative. Usually, this requires an established or formal governance structure that meets in a frequent and structured way to discuss and make decisions about the course of the landscape goals and implementation strategy.

Collective goals and actions

An effective LA/JA should determine and act upon goals shared among relevant stakeholders, addressing sustainable development, human well-being and landscape conservation and restoration, as well as financial returns.

Transparent reporting or information system

Baseline assessments, transparent accountability and the integration of public monitoring systems are crucial for corporates to demonstrate action, as well as contributions to landscape level performance and outcomes. According to the 2022 CDP disclosure insights, this criterion is usually the least developed on corporate engagements in LA/JA.

In 2022, nearly half of all corporate LA/JA initiatives reported through CDP met these baseline criteria.[3] Many initiatives went even further, by integrating thorough reporting structures, strong governance systems or comprehensive action plans. Based on these criteria, companies' disclosures are assessed on three levels, as shown in the right-side column.

Comprehensive: The landscape or jurisdictional approach is robust and at a stage of maturity to deliver lasting sustainability outcomes in the landscape in question. Companies engaging in comprehensive initiatives should be able to demonstrate that the initiatives fully incorporate all four criteria of landscape and jurisdictional approaches.

Partial: The initiative is in an early or middle stage of development and demonstrates that it is progressing steadily toward maturity. The initiative should comply with the first criterion of scale and companies should be able to demonstrate that actions or investments are supporting progress toward complying with the three additional criteria.

Uncertain: The landscape or jurisdictional approach does not yet qualify as credible or mature. Initiatives not qualifying either do not operate at the scale of a recognized geographic, administrative, or ecological boundary, or do not demonstrate evidence of addressing or planning to address the additional three criteria.

1 Shames, Seth, and Sara J. Scherr. Mobilizing Finance across Sectors and Projects to Achieve Sustainable Landscapes: Emerging Models. Washington, DC: EcoAgriculture Partners. 2020.

2 Shames, Seth, Margot Hill Clarvis, and Gabrielle Kissinger. "Financing Strategies for Integrated Landscape Investment: Synthesis Report," in Financing Strategies for Integrated Landscape Investment, Seth Shames, ed. Washington, DC: EcoAgriculture Partners, on behalf of the Landscapes for People, Food and Nature Initiative. 2014.

3 Disclosure Insight Action (CDP). Meeting nature goals: Landscape and Jurisdictional Approaches. 2023.

Photo: Adobestock

What are the advantages of implementing LA/JA?

By implementing initiatives aligned to Landscape and Jurisdictional Approach criteria, we bolster a wide range of benefits that include reinforcing ecological integrity, mitigating financial risks, stimulating the diversification of income sources and countless other economic, social and environmental gains. The following section highlights the main advantages arising from the implementation of these initiatives.

Conservation and enhancement of ecosystem services

Environmental management at landscape-scale level can ensure the adequate functioning of natural systems, promoting the resilience of biophysical structures and processes that guarantee the operation of natural ecosystems –that is, the complex and dynamic living interactions among plants, animals, microbes, and physical environmental features. Such management can enhance ecosystem integrity and increase the provision of the ecosystem services resulting from these ecological interactions.

Ecosystem services are defined as benefits that human beings obtain from nature as a result of the functioning of ecosystems such as forests, pastures, mangroves, and even urban areas.[4] Such benefits can be provided at a local, regional and global scale, underpinning society and economic production:

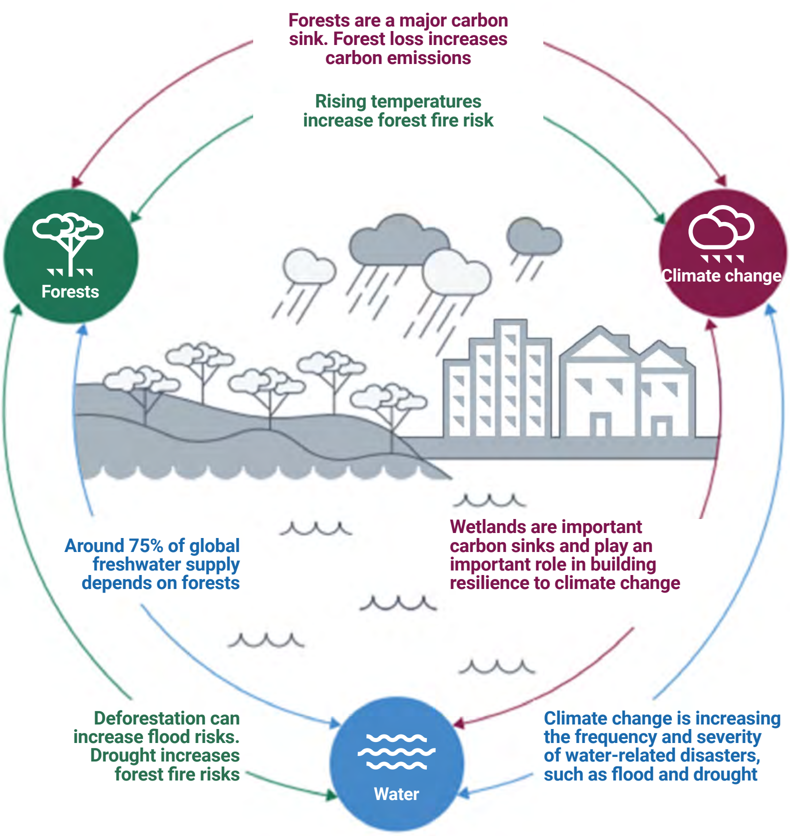
- [i] tangible goods and services such as food, timber, energy, water supply, and medicinal, biochemical, and genetic resources, among others;
- [ii] the regulation of natural processes such as carbon sequestration, air quality regulation, water security, and pest control, among others;
- [iii] cultural services such as recreation and tourism activities, scientific education, and research services, as well as symbolic, spiritual and artistic activities, among others; and
- [iv] services that support nutrient cycling and soil formation, protection and decontamination, etc.

It is worth mentioning that biodiversity – understood as the variety of species and all life on Earth – is a crucial aspect for maintaining the ecological interactions and processes that lead to ecosystem services.[5] Consequently, the loss of habitats and accelerated species extinction cause a decrease in the provision of environmental services. In the agricultural and livestock sectors, this can lead to higher production costs and crop failures, due to extreme variations between rain and drought periods, and an increasing incidence of pests, for instance. Such impacts especially affect conventional agricultural systems, which are often disconnected from nature around them and highly depend on production inputs.

Climate change resilience

Even though climate and nature are often treated separately with priority towards actions to fight climate change, it is important to stress that there is a synergistic and complex interaction between these two dimensions with strong feedback mechanisms, as shown by the image below.

Climate change, forests and water resources are interconnected



Climate change and rising global temperatures are among the factors that have contributed to nature's degradation through floods, forest fires, acidification of oceans and other phenomena. Meanwhile, such natural loss increases the pace of climate impacts due to nature's reduced capacity to sequester carbon and to alterations in natural infrastructure – which is a key factor for climate resilience – or to land use changes to meet bioenergy-needs.

Neglecting the relationship between climate and nature may propel our planet to dangerous and irreversible tipping points. It is increasingly necessary to revert negative feedback processes and establish a virtuous cycle by promoting a transition to a prosperous economy not only focused on net-zero emissions, but also on nature-positive outcomes.

Management of risks and opportunities

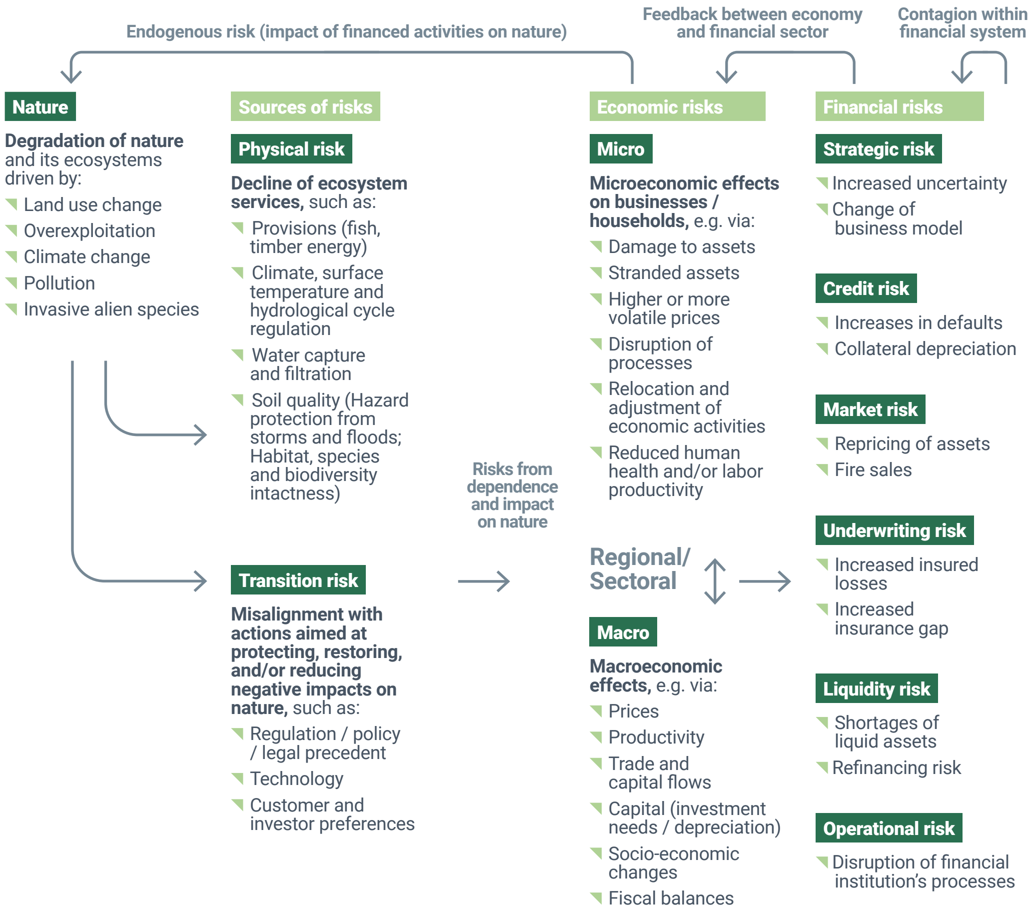
Investments in sustainable landscapes can also help mitigate the materialization of risks associated with nature beyond climate-related financial risks, alleviating the negative feedback cycle described above, which, in turn, can contribute to improved scenario analyses based on historical data and risk pricing.

The information presented on the next page has been adapted from the technical document produced by the Network for Greening the Financial System, a global group of central banks and other financial market regulators and supervisors. It shows how nature-related risks can materialize from the economic and financial standpoint.
If such nature-related risks are not adequately priced, underestimating them may lead to impacts on the stability of the entire financial system. It is also worth highlighting that landscape investments have potential impacts not only in terms of mitigating emissions, but also of promoting other positive outcomes for nature and local communities. They may prevent leakages and severe consequences that are unforeseen when actions are exclusively concentrated on mitigation and climate adaptation. Further, it is important to consider that these investments can help maximize potential synergies that only a comprehensive and holistic approach between climate and nature can promote, with positive effects in terms of gains in scale and increased cost efficiency.

New revenue streams

Landscape approaches may also support and expand the implementation of Nature-based Solutions (NbS). Nature-based Solutions are actions aimed at preserving, sustainably managing and restoring natural or modified ecosystems that address societal challenges effectively and adaptatively, providing human well-being and biodiversity benefits. When incorporated and implemented within landscape approaches, NbS are integrated into wider ecosystems, amplifying their

Transmission channels



Source: Adapted from Network for Greening the Financial System Technical, 2023, p. 8.

positive impacts. Annually, USD18 billion in private finance is allocated toward the execution of initiatives aligned to Nature-based Solution (NbS) criteria, covering a wide range of investment categories that include the promotion of sustainable supply chains, biodiversity offsets and private equity impact investments.[6]

However, NbS investments need a three-fold increase by 2023 and a four-fold increase by 2050, in order to address our planetary crisis.[7] Financial institutions have created innovative financing mechanisms to bolster the implementation of Nature-based Solutions, ensure new revenue streams and enable the attainment of their commitments linked to net-zero emissions and a nature-positive economy. A notable example is JGP's ESG Credit Fund launched in November 2020, which achieved the best performance levels among the company's funds, with annual returns of CDI8+3.1% in 2022. These results show that it is possible to combine financial returns and impact.

Regarding restoration, JGP has been developing financial mechanisms for the recovery of degraded areas through the implementation of agroforestry systems. It has also issued a BRL32 million Agribusiness Receivables Certificate (CRA) for Tobasa – a company that operates with non-timber forest products in the world's largest oilseed tropical forest: the Mata dos Cocais located in the transition between the Cerrado and the Amazon –, enabling the financial rebalancing and expansion of the company, which involves a network of 1,500 families who extract babassu oil in one of Brazil's most socially and environmentally vulnerable regions.

The institution has also provided ESG Advisory and financed part of BRL150 million in sustainable CRAs issued by Capal, a cooperative group of rural producers with more than 3.7 thousand individual members in the states of São Paulo and Paraná. The funds will benefit almost 800 cooperative members committed to zero-deforestation goals, covering more than 140 thousand hectares of land. The objective is to promote the alignment of Brazilian cooperativism with the best low-carbon agricultural practices to accelerate the Brazilian agribusinesses transition toward climate efficient, socially inclusive, and nature-positive models.

High-Quality Carbon Credits

Investing in landscape initiatives grounded in landscape approach-criteria can also foster the production of high-quality carbon credits in line with the best practices for guaranteeing impact and credibility in the voluntary use of these credits.[8]

While carbon-crediting standards vary, some require projects to demonstrate co-benefits, in addition to mitigating emissions, which can range from landscape conservation and biodiversity enhancement to improved food security and other social benefits.

4 Millennium Ecosystem Assessment. Ecosystems and Human Well-Being: Opportunities and Challenges for Business and Industry. 2005.

5 Taskforce on Nature-related Financial Disclosures (TNFD). Recommendations of the Tasforce on Nature-related Financial Disclosure. 2023.

6,7 United Nations Environment Programme. State of Finance for Nature: The Big Nature Turnaround Repurposing $7 trillion to combat nature loss. 2023.

8 Disclosure Insight Action (CDP). Position Paper on Carbon Photos. 2023.

How can capital flows be mobilized for Sustainable Investments?

Capital markets play a key role in connecting Issuers, who are looking for sources and better financing conditions for sustainable projects, and Investors seeking to diversify the allocation of their funds and/ or align such funds to net-zero and nature-positive economy commitments by combining returns and positive impacts. In this regard, among several available investment approaches, the debt market proves to be quite promising, having issued more than USD2 trillion in 2022.

To ensure this market's integrity, the International Capital Markets Association (ICMA) made a widely adopted framework available on sustainable bonds labeling with volunteer process guidelines on the use and management of funds, assessment and selection process for eligible projects, and reporting. Furthermore, external validation is highly recommended both in the pre- and post-issuance stages, and the ICMA also provides guidelines for External Reviews.

Two types of investment may be identified in this market, namely investments based on the targeted use of proceeds – which are labeled according to specific criteria – and sustainability-linked investments:

Bonds and securities based on the use of proceeds

Funds must be necessarily targeted at eligible projects according to the bond' specific objective. Bonds can be labeled as Green Bonds, Social Bonds, and Sustainability Bonds. These types of bonds must have clear-cut environmental or/and social objectives and benefits. As much as possible, these objectives and benefits must be quantifiable.

Sustainability-linked bonds or securities

Funds can be used for diverse aims by the Issuer. Therefore, they are not labeled according to their target use. However, ESG goals are defined for these bonds, which must be met by the Issuer during the term of financing. This modality ties the bond's coupon to performance in the attainment of these goals; thus, coupon rates may vary according to their fulfillment or not. For this reason, they are called sustainability-linked Bonds.

Bond labeling is a fundamental aspect so that investors may choose where to allocate their funds, by identifying the financial products that correspond more consistently to their profiles, objectives, and strategies. However, a widely used, global common taxonomy is not yet available, and the ICMA framework does not go into the merits of this matter for bond labeling purposes.

Globally, despite the use of articles 8 (investments to promote social and environmental characteristics) and 9 (sustainable investment) of the Sustainable Finance Disclosure Regulation (SFDR) as if they were articles covering product labeling, it is important to highlight that this regulation is aimed at increasing transparency in the financial sector at the entity-level, as well as at the product-level. In Brazil, the Brazilian Financial and Capital Markets Association (ANBIMA) issued a set of self-regulatory normative rules, through which securities based on the targeted use of proceeds may be categorized by the suffix IS in their legal names. Consistency and transparency are, thus, required between their label and their objectives, governance, strategies, and management.

Investments in Sustainable Landscapes may be labeled as sustainability bonds whenever their criteria are fully met, since they involve the use of funds in projects that generate economic, environmental, and social benefits with a focus on the target populations around a positively impacted landscape. Performance-based investments may also be used to benefit Issuers in a given landscape, including goals so that these Issuers can attain positive impacts on the environment where they are operating.

Based on their Second Party Opinions (SPOs), Moody's has recently published that structures based on the targeted use of proceeds usually have a higher quality than performance-based structures. This may be explained mostly as a result of the early stage in which sustainability-linked structures are developed, as well as of the heterogeneity and ambition in the setting of goals. However, the agency believes that the quality of sustainability-linked structures may increase as the market evolves. Bearing this prospect in mind, landscape approaches can strengthen these structures by going beyond the Issuer's vision and into the Issuer in their operations' surroundings.

On the next pages, we present the Climate Bonds Initiative' perspective on the overall labeled-debt market scene.

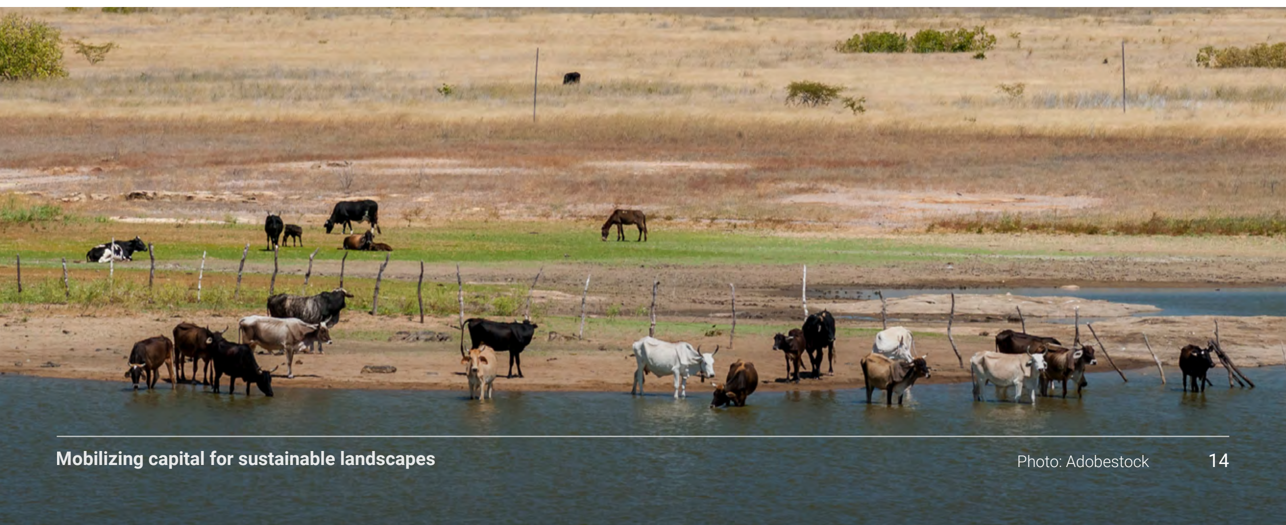


Photo: Adobestock

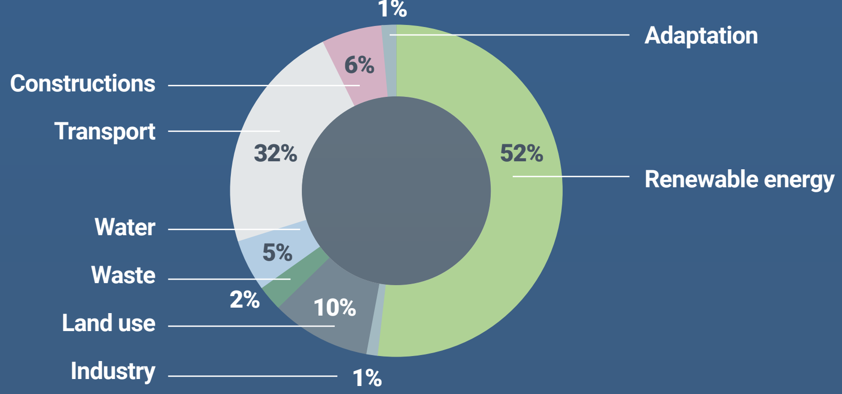
Climate Bonds INITIATIVE

How does the overall picture of the sustainable debt market look like?

The increasing use of innovative financing instruments to foster a greener economy is a fundamental pillar for enabling the transition towards resilient and low-carbon agricultural systems, acting as a catalyst of integrated landscape financing and management. Therefore, the bonds labeled as green, social, sustainability and sustainability-linked bonds (GSSS) represent an opportunity for Development Finance Institutions (DFIs) and private investors to finance green projects and be interested in acting as anchor investors in local labeled bond issuances, thereby increasing issuers' perceived credibility and the market's trust. Labeled bonds can also help kickstart and expand local markets, by attracting a diverse pool of investors, including international investors interested in increasing their sustainable portfolios through ready-made investment instruments. In Latin America and the Caribbean (LAC), the issuance of GSSS instruments rose from USD10 billion in 2019 to USD41 billion in 2022.

Whereas globally, the proportion of labeled bonds vis-à-vis traditional bonds has remained the same, in LAC these instruments have been increasing. A more in-depth analysis of financing opportunities in the GSSS-scene shows that by late 2022, the sectors of Agriculture, Forests and Land Use (AFOLU, for its acronym in English) had received 10% of the green bonds' used funds and 12% of the sustainability bonds issued in the LAC region.

Percentages in the use of green funds per sector



Source: Climate Bonds Initiative, 2023.

Sectors and their shares of global CO_2 emissions and use of green funds

SECTOR	GLOBAIS CO_2 EMISSIONS	USE OF GREEN FUNDS
Renewable energy	**29.3%**	**52%**
Transport	**25.8%**	**23%**
Constructions	**11.5%**	**6%**
Land use	**11.3%**	**10%**
Waste	**3.2%**	**2%**
Industry	**19.0%**	**1%**
Others (water, ICTs, etc.)	**0.2%**	**5%**

Source: Climate Bonds Initiative, 2023.

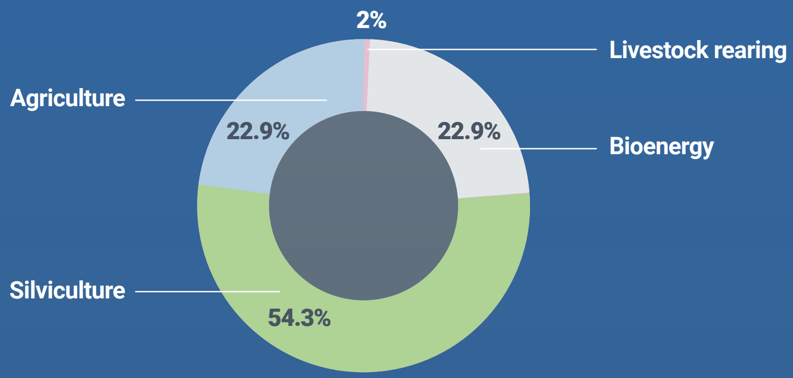
The use of funds from labeled bonds or capital allocations to AFOLU sectors varies according to each country's needs and opportunities. For instance, in Mexico, labeled funds-capital is mainly targeted at protected agriculture and irrigation systems under the leadership of the country's agricultural development bank FIRA. The bank has been financing not only mitigation in the agricultural sector, but also adaptation and resilience projects with the first resilience bond issued in the region, which is worth USD154.9 million.

In the case of Brazil, corporate companies have dominated in the issuance of bonds for the Forest and Agriculture sectors, with accumulated issuances totaling USD5.7 billion and USD 2.4 billion, respectively, by 2022. Forest bonds have allocated capital primarily to refinancing paper and cellulose production plants and sustainable forest management, whereas agricultural bonds have allocated funds predominantly to efficient and low-carbon machinery and production equipment, as well as to intelligent management systems for agricultural production.

Bioenergy raw materials are also an excellent financing opportunity via labeled instruments, since companies can have access to sustainable financing to bolster the attainment of emission-goals and allocate the use of such funds to expand investments in smaller-scale projects. The bioenergy sector in Brazil has experienced an exponential increase, and the largest accumulated financing of USD2.4 billion was allocated to this sector via labeled instruments that initially funded OPEX and CAPEX in the production of corn ethanol and sugarcane ethanol, as well as in industrial plants and circular economy projects.

Climate Bonds INITIATIVE

Silviculture is the AFOLU sector most financed by GSSS bonds



Source: Climate Bonds Initiative, 2023.

The present report was produced by CDP with contributions from Climate Bonds on the current sustainable debt market prospects. Report authors express their gratitude for the support received from Climate Bonds in the document's production, as well as for its feedback and shared knowledge. The analysis and conclusions presented in this report are the sole responsibility of CDP and might differ from the views presented in Climate Bonds' documents and reports.

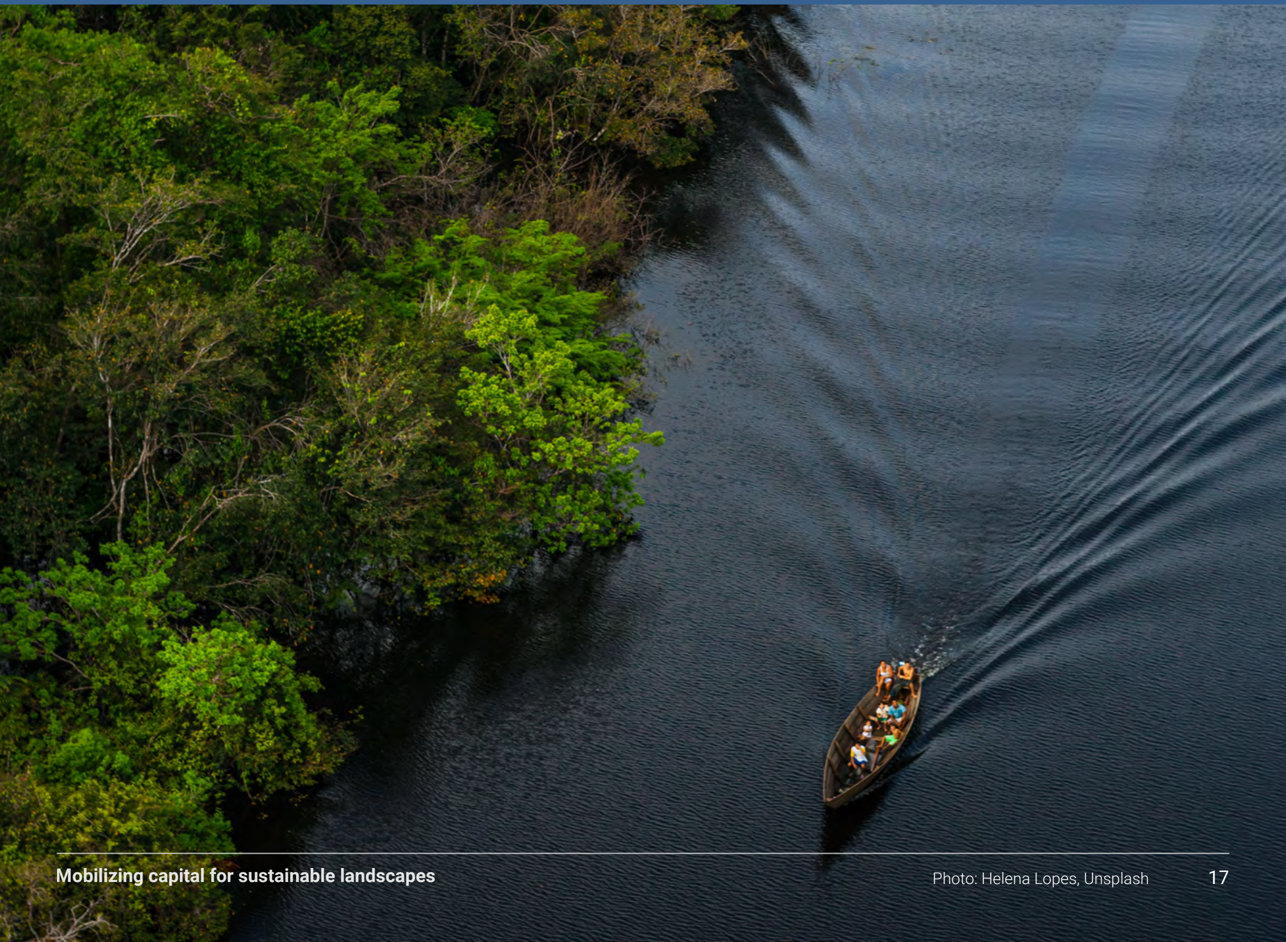


Photo: Helena Lopes, Unsplash

What has the market done to support landscape financing?

An increasing trend has become visible amid financial institutions that allocate capital to projects aligned to Landscape / Jurisdictional Approach (LA/JA) criteria – particularly, in regard to landscape approaches. These investments are emerging as a new prospect for enhancing the economic, social and environmental gains of innovative financial instruments.

Vert Capital

With the objective of propelling territorial development, while increasing the production of bioingredients by cooperative groups and associations of agricultural and nature-based producers to contribute to the Amazon's preservation, VERT Capital, the Brazilian Biodiversity Fund (FUNBIO) and Natura have joined forces to implement the Financing Mechanism Amazônia Viva. This mechanism adopts a blended finance approach encompassing a financing vehicle and a non-reimbursable investment fund, both of which are aligned under the same governance process.

The first of these instruments is an Agribusiness Receivables Certificate (CRA in Portuguese) managed by VERT. It offers annual financing to cooperative groups and associations from the Amazon' socio-biodiversity at an interest rate of 8% per annum. Natura has played a crucial role in this process, by recommending cooperative groups and associations to receive the credit, in addition to participating as a CRA investor. Natura's presence as an offtaker by anticipating harvest purchases contributes to mitigating risks for other investors, closing thereby a virtuous cycle between credit and market access.

The second instrument is the Enabling Fund (ECF) managed by FUNBIO. The ECF is a non-reimbursable fund that invests in capacity-building, conservation, regeneration, digitalization and infrastructure for strengthening socio-biodiversity chains and the associated territories. The combined action of these two instruments enables synergies capable of prompting virtuous cycles between anticipated financing and investment structures, already taking into account Natura's operations in the Amazon.

The mechanism Amazônia Viva began its pilot phase in December 2023, and already counts on capital inputs totaling nearly BRL6 million by the CRA and another BRL6 million by the ECF at this initial stage. The first CRA disbursements were targeted at 10 associations and cooperative groups that supply to Natura. At the same time, the ECF has begun operations with the provision of technical assistance to strengthen the financial management of these organizations, by preparing them first to obtain access to the CRA and, subsequently, by following up on the credit's planned use.

This mechanism significantly exemplifies the feasibility of promoting a development model in the Amazonian landscape, by reconciling environmental conservation with income generation and socio-economic benefits for local communities. Natura's engagement with its supply chain in collaboration with cooperative groups, together with access to financing with interest rates adapted to the local reality, and technical assistance, perform crucial roles for the initiative' success. However, it is essential to underscore the importance of building partnerships both with the governmental and non-governmental sectors, to promote and strengthen positive impacts at the landscape-level.

BTG

BTG is Latin America's biggest investment bank. It has invested in projects including Nature-based Solutions, in order to protect and enhance critical ecosystem services in areas under its management. Among several initiatives, in 2021, the bank launched a Reforestation Strategy, in addition to investments (i) in the carbon credit developer Systemica, which is actively involved in conservation initiatives in the Amazon; and (ii) in a company of açaí-based products, named OAK, which undertakes activities aimed at the sustainable development and management of the fruit's production.

The Reforestation Strategy has an objective of buying approximately 270 thousand hectares of degraded lands in Brazil, Uruguay and Chile, and allocating 50% of these lands to the protection and restoration of native ecosystems, and another 50% to establishing commercial farms, which will operate based on sustainable forest management.

Conservation International serves as an impact advisor to this strategy. Its initial goals include planting approximately 200 million trees in nearly 135 hectares of degraded areas, through the protection and restoration of ~135 thousand hectares of native ecosystems, together with the production of forest products with positive climate impacts via vertical integration, generating more than 32 million tons of carbon credits, in addition to the potential benefits in terms of new direct and indirect jobs in the impacted regions.

By implementing initiatives aimed at protecting and restoring natural ecosystems, the Reforestation Strategy becomes aligned with the criteria for investing in

Nature-based Solutions. The project counts on a series of monitoring programs to closely follow up on the conditions of properties, including photo traps, water quality measurements and soil samples. Finally, the strategy is also aimed at understanding the life conditions of local populations in the region. This includes an assessment of their access to public transportation, medical assistance, education, and even mobile phone services. The reason for paying attention to all these aspects is the objective of generating tangible positive impacts in the communities' general wellbeing.

Rabobank Brazil

Renova Pasto is a financing product created in a partnership between Rabobank, Agri3Fund and IDH, which offers financing of up to 10 years to encourage customers to implement recovery practices in low-productivity and degraded pasture areas in Cerrado and Amazon regions. The initiative combines rural credit, long-term credit guarantees and technical assistance in agricultural production, to support producers in their transition towards increasingly productive and sustainable livestock production practices. As an example of its scale, Renova Pasto's financing model guarantees financial support for the implementation of the best sustainable production practices in farms within the supply chain of one of the largest global beef producers and a leading producer of hamburgers. This initiative enables livestock-activities of low environmental impact, contributing to the reduction of deforestation from production. The program's potential for standardization and replicability enables a significant scaling opportunity, making it possible for the project to reach small and medium producers.9

Through its responsibilities to provide technical assistance to producers, the project involves IDH's participation to ensure support to activities that are not cash generating, such as forest conservation. However, it is only when collaboration between the private sector, local communities, rural producers, NGOs and local governments is ensured that the initiative can be considered an example of compliance with the multiple stakeholders-criterion. Likewise, it is only when the landscape' stakeholders agree to a common view of sustainable development, by aligning themselves through collaborative workshops for establishing goals and objectives in the project's initial stages that the criterion of collective goals and actions is met.

Renova Pasto could potentially be seen as an example of landscape Inovação Financeira para Amazônia, Cerrado e Chaco (IFACC). IFACC 2022 Market Report. 2023. investment, since it already meets the scale criterion. However, in order to enhance its landscape

9 Inovação Financeira para Amazônia, Cerrado e Chaco (IFACC). IFACC 2022 Market Report. 2023.

financing strategy, the next stages require considering the needs of a diversity of stakeholders distributed over the landscape, including cooperative groups and traditional local populations, during the project's implementation. It is crucial to incorporate initiatives aligned to collective goals and actions among the relevant stakeholders. Finally, the execution of monitoring activities to ensure transparency and public monitoring is essential for demonstrating the initiative's advances and contributions to outcomes at the landscape-level.

Photo: Helena Lopes, Unsplash

Concluding remarks

The increase in action from companies and financial institutions choosing to implement initiatives aligned to landscape and jurisdictional approaches, and to maximize benefits at the landscape-level in recent years is a promising signal. From a capital markets standpoint, these initiatives present opportunities to protect against risks, create new income sources and promote a resilient environment.

However, since these initiatives are a relatively new concept for many, they still lack a performance record which affects their ability to raise new funds in the market. Despite an increasing interest in impact investment, there is still a considerable number of professional and/or retail investors who have not yet learned about this issue and/or are skeptical.

This can affect and pose a barrier to the scale required by these approaches from an economic and financial, as well as from a socio-environmental and climate standpoint. This aspect has been particularly remedied by blended finance structures, albeit at levels which are still insufficient for promoting a deeper change in the allocation and distribution of funds toward long-term sustainable investments. The provision of capital aimed at climate-related issues, for instance, has stagnated since 2017 and continues significantly below the necessary levels for meeting crucial goals. According to recent estimates of the United Nations Conference on Trade and Development (UNCTAD), an additional USD6 trillion in climate investment for developing economies by 2030 is an essential requirement for fulfilling only half of countries' Nationally Determined Contributions (NDCs).[10]

Landscape and/or jurisdictional approaches (LA/JA) may help scale up these investments, since they comprise a multi-stakeholder agenda of collective objectives and goals. The active participation of additional regional actors such as unions, cooperative groups, local communities, companies, non-governmental organizations (NGOs) and the government is an essential element of these initiatives for disseminating positive impacts over landscapes.

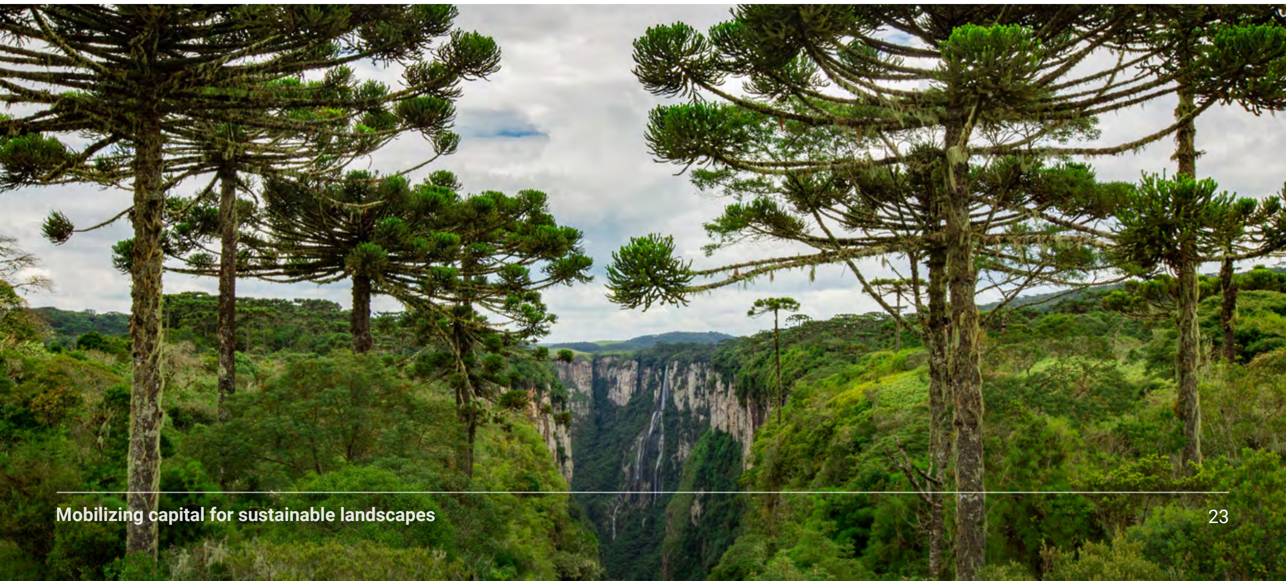
Thus, to magnify the results of market initiatives while considering landscape and jurisdictional approaches, it would be important to create and strengthen alliances of different parties, as well as among competitors and/or even between private and governmental actors, **to promote more horizontal and better coordinated landscape management** among these diverse stakeholders.

In order to fully meet their potential, landscape approaches require a propitious political and institutional setting based on innovative forms of systemic thought. This means to recognize landscape partnerships within policy structures to enable the opportunity of transforming the current scene and execute a diversity of goals.

A successful case of jurisdictional approach has been coordinated by the Instituto Produzir, Conservar e Incluir (PCI), created by the state government of Mato Grosso – the region that represents more than 90% of the country's overall production of soy and corn, and also has the largest cattle herd in Brazil. PCI brings together governmental bodies, civil society organizations, rural producers' organizations and companies to help address the multifaceted challenges experienced in the state of Mato Grosso, in order to increase commodities' productivity, cut deforestation rates and include family-based agriculture and traditional populations in the local economy. To meet these objectives, PCI is playing the role of connecting a diversity of involved actors, managing projects, developing norms, indicators and procedures for environmental management at the landscape-level, in addition to identifying fundraising opportunities together with public and private donors and investors. The initiative is looking for an estimated financing of USD30 billion until 2030 for fully implementing its strategy. 80% of this sum must be provided by the private sector and targeted to actions such as the restoration of landscapes and planted forests.

It is also important to underscore that transparency, certification and monitoring of stated objectives are key factors for the success of these initiatives. The disclosure and consistency of the information provided to the market, as well as of the governance aspects, enable attracting more investments to these financial instruments while allocating capital more efficiently and sustainably.

10 Convergence. The State of Blended Finance. 2023.



Data-based decision making

How CDP has been supporting the capital markets

CDP is the world's largest repository of corporate environmental data, and is an essential actor as it provides access to consistent, comprehensive and comparable information across geographies to investors, policymakers and other stakeholders. Through CDP, investors can have unique access to businesses' reporting on governance and management of risks and opportunities in connection with climate, biodiversity, forests, water security and management of plastic waste, which are key elements relating to nature. It is relevant to point out that the 2023 CDP Forests Questionnaire included a module particularly aimed at capturing corporate initiatives linked to landscape and jurisdictional approaches (LA/JA):

- **8.15** Você se envolve em abordagens de paisagens (incluindo jurisdicionais) para alcançar metas compartilhadas de uso sustentável da terra?
- **8.15.1** Indique os critérios que você considera ao priorizar paisagens e jurisdições para engajamento em abordagens colaborativas para o uso sustentável da terra e forneça uma explicação.
- **8.15.2** Forneça detalhes de seu envolvimento com abordagens de paisagens/jurisdicionais para o uso sustentável da terra durante o ano de relatório.
- **8.15.3** Para cada uma das commodities divulgadas, forneça detalhes dos volumes de produção/consumo de cada uma das jurisdições/paisagens em que você se envolve.

In addition to the expected expansion of themes to cover all planetary boundaries, CDP's questionnaires will be integrated in all existing themes already in 2024, thus reducing overlapping sections for respondents and providing inputs so data users may attain a more holistic vintage point.

The data collected by CDP and the Scores it produces can support Investors in:

- Structuring innovative financial vehicles, such as the ones presented in this report, while selecting potential companies for establishing partnerships, based on their performance in disclosing their environmental and climate management reality.

These companies may act as partners in the vehicle's implementation by mobilizing their value chains and/or other stakeholders within a landscape, while expanding financing capacity, in particular to cooperative groups and rural producers. These companies can also provide support with concessionary capital (considering blended finance structures), mitigating risks and attracting private capital.

More broadly:

- In the assessment of portfolio exposure to deforestation and environmental degradation risks arising from key commodities, namely: timber, cattle, soy, coffee, cocoa, rubber and palm oil;
- In the development and/or strengthening of responsible investment theses, as well as in the establishment of selection criteria for monitoring assets.

For additional information on how CDP can facilitate action at the landscape level and help increase the availability of data on corporate engagements with landscape initiatives, our blog "From calls to action to action on nature: a landscape approach".

Alignment to the Taskforce on Nature-related Financial Disclosures (TNFD) framework

As it was done when CDP undertook a pioneer work of aligning its questionnaire on climate change to the Taskforce on Climate-related Financial Disclosures (TCFD)'s recommendations, as well as in its more recent alignment with the IFRS S2 disclosures, the same will be done in relation to the Taskforce on Nature-related Financial Disclosures (TNFD).

CDP's alignment supported by the TNFD will accelerate the implementation of a long-awaited financial disclosure framework for nature covering the entire global economy. Through CDP, investors, traders and policymakers can access nature-related information in a consistent, comparable and standardized format.

CDP is delighted to announce our intention to align our global disclosure platform with the TNFD framework, which is an exciting opportunity for a unified response to the crisis of nature loss. With more than 18,700 companies, worth half of global market capitalization, disclosing through the CDP in 2022 alone, this alignment will be critical in implementing the TNFD framework across the global economy, increasing harmonization, enabling access to standardized data, reducing the reporting burden on companies and paving the way for robust regulation on nature-based disclosure.

Nicolette Bartlett, Chief Impact Officer do CDP

The Non-Disclosure Campaign (NDC)

The Non-Disclosure Campaign (NDC) is a collaborative initiative through which CDP Signatory Investors can directly engage companies that have not yet responded to CDP's questionnaires on climate, forest and/or water security. The NDC operates together with CDP's main disclosure request to bolster corporate transparency and disclosure levels. Investors can join voluntarily and decide either to lead an engagement, when they are directly in contact to encourage companies' disclosures, or to co-sign engagements, when they add their name in support of other Investors' requests. In so doing, they perform a vital role in leveraging corporate transparency – companies are twice as likely to respond if they have been directly engaged through this campaign. Investors can particularly help increase corporate disclosure on nature-related themes through the NDC by engaging the companies of their portfolios and prompting them to report and to improve their information disclosures on forests and LA/JA initiatives. As a result, these investors will have improved access to data in support of their decision-making processes.

Photo: Adobestock

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