Cipla

Executive Summary

Taskforce on Nature-related Financial Disclosures (TNFD) Report

Cipla Limited FY 2023-24

Nature Based Gap Assessment and Risk Analysis

Cipla

INTRODUCTION

Biological diversity or biodiversity is the variety and variability of life on earth. Biodiversity supports the ecosystem's functioning and provision of various goods and services, called ecosystem services, fundamental for all human societies and economic activities. Businesses also are directly or indirectly dependent on biodiversity for their processes. The loss of biodiversity impacts human life as well as business operations.

The pharmaceutical sector is both dependent on and impacts on biodiversity and ecosystem services (B&ES). Approximately 25 to 50 % of the pharmaceutical market is derived from active ingredients from nature (TEEB, 2010).

Biodiversity and ecosystem service risk assessment is critical for business to develop a measurable action plan to address them in timely manner. The study was conducted to assess nature related risks for 37 manufacturing units of the leading global pharmaceutical company Cipla Limited spread across India.

OBJECTIVE

The objective of the study was to assess nature related gaps and to identify impacts and dependencies on nature by Cipla's operations. The study also aimed to develop a technical standard on biodiversity, a detailed biodiversity action plan and to develop a monitoring mechanism to help the operations in reducing impacts on B&ES and measure the progress during various stages of project development.

SCOPE OF ASSESSMENT

The biodiversity risk assessment covers nature related critical areas to understand and address potential impacts on nature. The assessment was focused on:

a) Cipla Operations

The assessment focuses on Cipla own operations (37 manufacturing units).

b) Adjacent Areas to Cipla Operations

The sites (37 manufacturing units) were mapped within a 10 km radius to understand the potential impacts and dependencies the operations might have on nearby biodiversity and ecosystem services.

The assessment is based on the datasets/information provided by the sites/operations and publicly available information. The assessment was also based on four policy related aspects:

i. Biodiversity Policy of Cipla Ltd

Cipla Ltd recognizes the role of biodiversity, understands nature related impacts and dependencies that stem from the operations and are committed to implementing action plans to mitigate the impacts on and conserve biodiversity. The robust biodiversity policy of Cipla Ltd helps them to drive sustainable development.

ii. India Business and Biodiversity Initiative (IBBI) Commitment

Cipla Ltd became signatory of IBBI in January 2023 and is committed to IBBI 10-point declaration on nature related aspects and its disclosure every two years.

iii. Global Biodiversity Framework

Kunming-Montréal Global Biodiversity Framework (GBF) at the UN Biodiversity Conference (COP15) was signed in December 2022 by 196 parties committed to halting biodiversity loss by 2030. Businesses are key stakeholders to implementing GBF. Target 15 of the GBF calls businesses to reduce negative impacts on biodiversity.

iv. Taskforce on Nature-related Financial Disclosures (TNFD) Framework

The TNFD Framework provides a risk management and disclosure framework on nature related issues and encourages organisations/financial institutions to integrate nature into their strategic decision making and supports capital allocation from nature-negative to nature positive outcomes. LEAP approach is an integrated process developed to guide organisations to identify, assess and report on nature-related issues.

TNFD LEAP approach consists of four phases:

a) Locate interface with nature (e.g., location of direct assets and operations interfacing with nature).

b) Evaluate dependencies and impacts (e.g., identification of relevant ecosystem services, identification of nature-related dependencies).

c) Assess risks and opportunities (e.g., identification of corresponding business risks and opportunities, management of existing and additional risk mitigation and opportunities).

d) Prepare to respond to nature-related risks and opportunities and report (e.g., decisions on strategy and resource allocation following analysis, setting targets and measuring progress).

METHODOLOGY

The risk assessment on biodiversity and ecosystem for CIPLA operations was based on the TNFD's risk and opportunity assessment approach (LEAP). LEAP approach is at the center of the TNFD framework to support in recognising that dependencies and impacts on biodiversity & Ecosystem services are location-specific and present risks and opportunities to organisations.

The study was conducted in two phases:

Phase 1: Based on the datasets/information provided by the sites/operations in the form of biodiversity mapping, the gap assessment was conducted. Also, documents provided by Cipla such as EIA reports, site specific past biodiversity reports, secondary data sources (such as government websites, online tools, research articles) were reviewed and assessed for identifying the gaps and developing impacts and dependencies matrix based on LEAP approach. The study was in sync with the commitments made in the biodiversity policy of Cipla Limited to reduce the impact of operations on biodiversity and ecosystem services.

Phase 2: Developing group level biodiversity action plan based on IUCN mitigation hierarchy i.e., mapping biodiversity impacts of operations, avoid and minimise, restore and rehabilitate and offset to meet the commitments in biodiversity policy.

DEVELOPING SCORE FOR OPERATION/SITE

Impacts and dependencies on biodiversity and ecosystem services, vary from one to other location and on the operation modalities. The sites were assigned score based on categories and risk type as in below table. These criteria fulfill the various national and global standards like IUCN RET (Rare, Endangered and Threatened species and their habitats, IFC PS 6, Environmental clearance requirements as per EIA (Environmental Impact Assessment) notification 2016, Wildlife Protection Act 2022, TNFD Framework.

RISK TYPE	CATEGORY
Regulatory Risk	Operations located within a 10km or within eco sensitive zone of protected area/ national parks/ wildlife sanctuaries/ramser wetlands
Regulatory Risk	Species having high conservation value reported form project area (rare, endangered and endemic species)
Physical Risk	Increased incidents of water stress/ increased flooding/ cyclones/ drought in the area
Transition Risk	High impacts and high dependencies on the biodiversity and ecosystem service of operations

RISK CATEGORIZATION MATRIX

Site specific risk was assessed, and risk categorisation matrix has been developed to assign risk levels.

The matrix is based on following parameters:

1. Impact of operations on biodiversity and ecosystem services and

2. Dependency of operations on biodiversity and ecosystem services

The risks are based on the combinations of dependency and impacts.

RISK CATEGORY

- Very high material risk
- High material risk
- Medium material risk
- Low material risk
- Very low material risk

RISK ASSESSMENT RESULT

The sites were analysed and categorized based on risk category.

The assessment shows that none of the operations fall within the very high-risk category. Furthermore, 81% of operations have a low or very low risk and 14% of operations are assigned a medium risk category. Only two units (5%) are assigned to the high-risk category as they are located within 10 km radius of high biodiversity value area (national park).

CONCLUSION

Prioritisation of operations/sites based on nature related risks is important for efficient resource allocation toward impact and risk mitigation strategies. The study provides site level nature-related impacts, dependencies and risks which improve decision-making process. The technical standard on mitigation hierarchy and biodiversity action plan helps the site managers to understand the concepts and implementation of site-specific action plans to mitigate the risks and improve biodiversity. This presents many opportunities at group level as well as at site level including:

- Aligning various strategies to achieve the commitments of Cipla's biodiversity policy.
- Implementing the biodiversity action plan at site level to mitigate the impacts and dependencies on biodiversity and ecosystem services.
- Adopting mitigation hierarchy principle at early stages of projects and incorporation of nature-based solutions to reduce the cost and nature related risks.
- Measuring the progress using monitoring indicators.