

BRIEFING NOTE:

# Taskforce on Nature-related Financial Disclosures

September 2023

After two years of development and consultation, the **Taskforce on Nature-related Financial Disclosures (TNFD)** formally launched its framework<sup>1</sup> and final recommendations on 18 September 2023. These will help reverse nature and biodiversity loss by encouraging companies and financial institutions to report – and act – on nature-related issues.

Businesses and society are highly dependent on nature and the services it provides, with at least \$44 trillion of economic value generation directly reliant on nature.<sup>2</sup> Governments are increasingly recognising the importance of halting nature loss, with over 190 countries committing to a set of ambitious goals and targets under the Global Biodiversity Framework<sup>3</sup> in December 2022.

The TNFD is a market-led, science-based initiative to help address nature loss. It sets out a risk management and disclosure framework for companies and organisations to identify, assess and disclose their nature-related issues. It's designed to align with the TCFD climate framework<sup>4</sup> and is expected to play a key role in future regulatory frameworks.

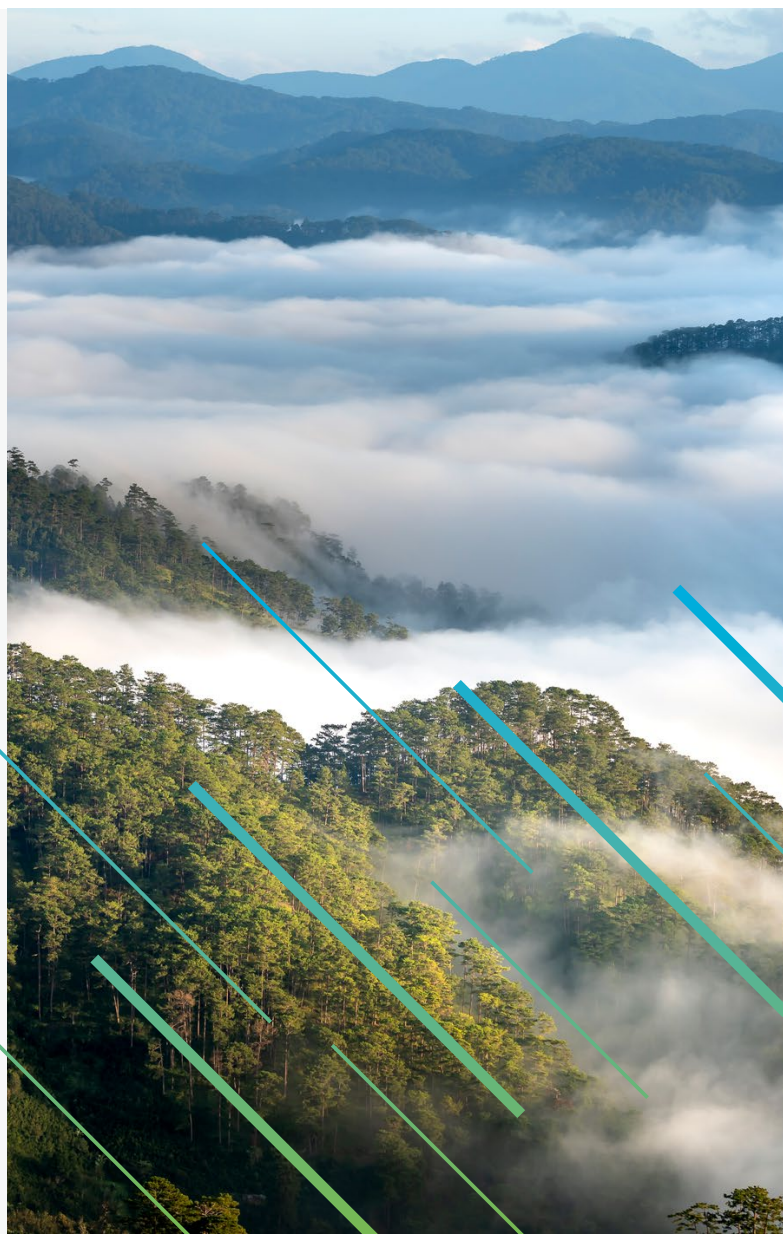
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<sup>1</sup>See <https://tnfd.global/>

<sup>2</sup>World Economic Forum (2020)

<sup>3</sup>See the [Kunming-Montreal Global Biodiversity Framework](#) and our [key takeaways from COP15](#)

<sup>4</sup>See our [interactive guide to the Taskforce on Climate-related Financial Disclosures](#)



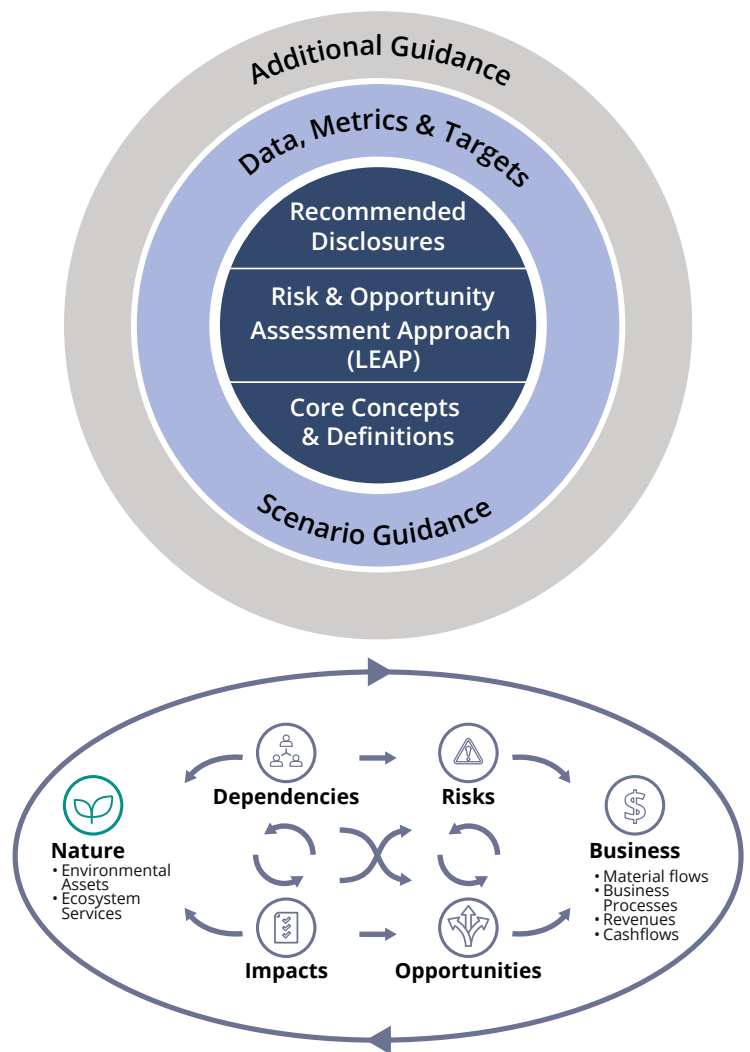


### How does the TNFD work?

There are four building blocks at the heart of the framework, which are collectively called nature-related issues. These are set out below and illustrated in Figure 1.

- **Dependencies:** reliance of an organisation on natural ecosystem services<sup>5</sup>
- **Impacts:** changes in the state of nature as a result of an organisation's actions
- **Risks:** potential threats to an organisation linked to nature dependencies and impacts
- **Opportunities:** commercial and growth opportunities related to nature-positive outcomes

Figure 1: Core components of the TNFD framework



<sup>5</sup>Ecosystem services are the benefits provided by the natural environment and healthy ecosystems.



The framework also gives guidance to market operators on risk assessment, data/metrics and nature-based scenarios, as well as setting out definitions and additional guidance.

The TNFD's structure mirrors that of TCFD,<sup>6</sup> with recommended disclosures across four pillars, as set out below. Taking a consistent approach across sustainability reporting frameworks will support integrated disclosures covering both climate and nature, such as the standards set by the ISSB<sup>7</sup> and GRI.<sup>8</sup>





Figure 2: Four pillars of the TNFD's recommended disclosures

Governance	Strategy	Risk & Impact Management	Metrics & Targets
Disclose the organisation's governance around nature-related dependencies, impacts, risks and opportunities.	Disclose the actual and potential impacts of nature-related dependencies, impacts, risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	Disclose how the organisation identifies, assesses and manages nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage relevant nature-related dependencies, impacts, risks and opportunities where such information is material.

### A giant LEAP for mankind

A core element of the TNFD framework is a practical assessment process called the LEAP approach, which supports the integration of nature-related issues in reporting and decision-making.

This approach has four key phases:

-  Locate your interface with nature.
-  Evaluate your dependencies and impacts.
-  Assess your risks and opportunities.
-  Prepare to respond to nature-related risks/opportunities and report.

This approach is voluntary guidance to support companies' and financial institutions' internal, nature-related risk and opportunity assessments. The TNFD recognises that dependencies/impacts on nature are location-specific, and risks/opportunities will also vary according to organisation type and economic sector.

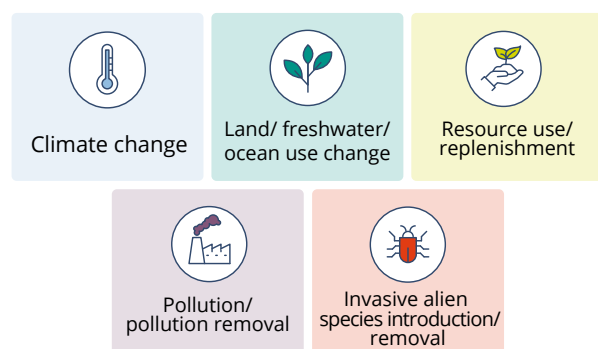
### TNFD disclosure metrics

The TNFD sets out a wide range of assessment metrics, which help inform decision-making, then focuses on a smaller number of disclosure metrics, including 14 core global indicators for reporting. Each metric references one of the drivers of nature loss set out below.

For instance, these core metrics cover plastic footprint, pollutants released, waste generated, species extinction and the value of assets or revenue assessed as vulnerable to nature-related risks.

A wide range of case studies and further guidance can be found on the TNFD website.<sup>1</sup>

Figure 3: Key drivers of nature loss



<sup>6</sup><https://www.fsb-tcf.org/>

<sup>7</sup>The [International Sustainability Standards Board](#) aims to harmonise sustainability standards.

<sup>8</sup>The [Global Reporting Initiative](#) helps organizations understand and communicate their impacts.

What are the key takeaways for institutional investors?  
The main TNFD recommendations are set out below.

**Action to tackle nature loss** Scaling up action to restore nature's resilience, with businesses taking steps to tackle nature loss.



Explicit consideration and disclosure of nature-related dependencies, impacts, risks and opportunities.

**TCFD alignment** Build on the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations to enable integrated nature and climate reporting



**Sustainability reporting** Consistency with the sustainability reporting standards of the International Sustainability Standards Board (ISSB) and Global Reporting Initiative (GRI)



**Global Biodiversity Framework** Alignment with the goals and targets of the Kunming-Montreal Global Biodiversity Framework



Based on the recommendations above and additional guidance set out by the TNFD, there are concrete actions that institutional investors can take.

These are split into three areas:

Area of focus	Key actions
<b>1</b> Education and engagement	<ul style="list-style-type: none"><li>• Read TNFD Getting Started Guide.<sup>9</sup></li><li>• Training on TNFD and natural capital/biodiversity.</li><li>• Engagement with investment managers and portfolio companies on nature-related issues.</li></ul>
<b>2</b> Data, metrics and monitoring	<ul style="list-style-type: none"><li>• Understand the core TNFD metrics and agree which ones to focus on first.</li><li>• Data gap analysis; understand baseline position.</li><li>• Initial assessment of portfolio exposure to sectors and locations with significant impacts/dependencies.</li><li>• Set targets relating to key nature metrics.</li></ul>
<b>3</b> Disclosure and strategy	<ul style="list-style-type: none"><li>• Develop sustainability disclosures that incorporate TNFD guidance, alongside climate disclosures and TCFD.</li><li>• Consider how biodiversity and nature fit into wider sustainability reporting (eg ISSB and GRI).</li><li>• Monitor impact related to specific themes (eg deforestation, marine life) and set policies/targets.</li><li>• Reduce exposure to nature loss and invest in companies/sectors supporting nature preservation.</li></ul>

<sup>9</sup><https://tnfd.global/publication/getting-started-with-adoption-of-the-tnfd-recommendations/>

Given evolving regulatory requirements and the growing focus on nature and biodiversity, we suggest that asset owners set out a roadmap across these three areas and a timeline for TNFD integration.

Please get in touch if you'd like to discuss how we can help you on your TNFD journey and what actions you can take to tackle nature-related issues in your asset portfolio.



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