The introduction of the TNFD framework is vital in enabling market-led change in how financial risk identification and management are reported, as well as creating positive outcomes for nature and economic stability.

This summary helps support investor understanding of, and preparedness for, the TNFD by providing a summary of the framework and key information related to the TNFD and its objectives.

TNFD PURPOSE & IMPORTANCE

The TNFD is essentially an international cross sector, business-backed initiative aimed at addressing nature-related risks and opportunities.

Drafted by 34 senior executives from corporations, financial institutions and service providers, the mission and goals of the TNFD are as follows:

Mission

- To develop & deliver a risk management and disclosure framework that will allow organisations to report and act on nature-related risks.

Goals

- To support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.
- To promote worldwide consistency for nature-related reporting.

The importance of this initiative is widely evidenced. For example, BlackRock, one of the world’s largest asset managers, has indicated it will not endorse the re-election of board directors if companies have not ‘effectively managed, overseen or disclosed’ risks associated with nature loss.
As of March 2022, the TNFD Alliance is comprised of:

1. **Co-Chairs** – David Craig, Elizabeth Maruma Merema
2. **Taskforce Members** – Senior executives from financial institutions, corporates and market service providers managing US$18.3 trillion AUM
3. **TNFD Forum** – 300+ members from a broad range of institutional types including public sector, academics, business associations, and financial institutions that offer consultative support
4. **Secretariat** – currently hosted by the Green Finance Institute
5. **Stewardship Council** – the 12 founding members & funding partners of the TNFD

**TNFD PRINCIPLES**

The TNFD is guided by the following **seven principles**:

1. **Market usability** – develop frameworks useful/valuable to market reporters, users & policy makers
2. **Science-based** – incorporate well established, scientific evidence
3. **Nature-related risks** – incorporate both dependencies on nature and impacts to nature
4. **Purpose-driven** – actively target reducing risks and increasing positive outcomes
5. **Integrated and adaptive** – align with existing frameworks and adapt to future developments
6. **Climate-nature nexus** – employ an integrated approach & scale finance for nature-based solutions
7. **Globally inclusive** – ensure the framework is relevant, just, valuable, accessible, and affordable worldwide

‘The creation of a TNFD is hugely important as it will lead to new ways of identifying, valuing and reporting on nature-related risks, as well as identifying new economic opportunities to protect and restore the natural world on which we depend.’

*Andrew Mitchell*, a Founder and Senior Advisor to Global Canopy

‘Biodiversity finance is the new frontier of green finance... We are convinced that the work of the Taskforce on Nature-related Finance Disclosures will accelerate the understanding of these issues and will ultimately lead to both a reduction in financial flows and economic activities that are harmful to biodiversity and a massive redirection of flows towards activities that are favourable to biodiversity.’

*Bérangère Abba*, French Secretary of State
TNFD END USERS

The TNFD framework is designed for the following user types (p19 TNFD Beta Framework):

- Investors & financial institutions
- Analysts
- Corporates
- Regulators
- Rating agencies & data providers
- Central banks
- Stock exchanges
- Accounting firms

Please note that whilst the framework is targeted at the above organisations, all financial institutions and companies are invited to contribute to the framework's development through pilot testing and other participation pathways.

TNFD STRUCTURE

The Beta Framework will include three core components: key concepts & definitions, recommended disclosures, and guidance for users. The recommended disclosures are organised into four key pillars (p47 TNFD Beta Framework). These are:

1. **Governance** – disclose the organisation's governance around nature-related risks & opportunities.
2. **Strategy** – disclose the actual and potential impacts of nature-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.
3. **Metrics & targets** – disclose how the organisation identifies, assesses and manages nature-related risks.
4. **Risk management** – disclose the metrics and targets used to assess and manage relevant nature-related risks and opportunities where such information is material.

TNFD SCOPE

The TNFD will cover both nature-related risks (dependencies and impacts) and opportunities. Some key notes on the scope are highlighted below (p4 'Nature in Scope'):

- **The TNFD is focused on living nature** and related elements such as air, soil and water.
- In addition to shorter-term financial risks, **the TNFD includes longer-term risks** represented by its impact and dependencies on nature.
- **The TNFD is not a new standard:** it integrates existing initiatives, tools and materials linked to nature-related risks and opportunities, such as the Global Reporting Initiative (GRI), Sustainable Accounting Standards Board (SASB), Climate Disclosure Standards Board (CDSB), and International Financial Reporting Standards (IFRS).
- **The TNFD seeks to align with the UN Convention on Biological Diversity's (CBD)** zero-draft Global Biodiversity Framework of no net loss of Nature by 2030 and net gain by 2050.
- **The TNFD framework is intended for use globally** by corporates and financial institutions of all sizes.

According to the World Economic Forum *New Nature Report II*, half the world’s GDP is moderately to highly dependent on nature. In allowing us to measure, monitor and manage our financial dependencies and impacts on nature, the TNFD will enable users to prepare for what will be the most important topic for investors in the coming decades.
TNFD PHASES & TIMELINE

The TNFD will be rolled out in a staged approach, with each stage increasing in sophistication to enable organisations to align themselves progressively with the framework. Below is a summary of the key phases and timeline for the roll-out and testing of the TNFD Beta Frameworks.

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<tr>
<th>PHASE 0</th>
<th>PHASE 1</th>
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<th>PHASE 3</th>
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<td>Prepare</td>
<td>Build</td>
<td>Test</td>
<td>Consult</td>
<td>Disseminate</td>
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**Beta Framework** released for testing from March 2022 – September 2023

TNFD OUTPUTS

The TNFD will seek to deliver the following *(p11 TNFD Scoping paper):*

1. Series of definitions concerning nature-related risks and opportunities
2. A stakeholder landscape assessment
3. A set of principles to help users understand how to adapt the TNFD framework to the context of their organisation
4. A classification system for nature-related risks and opportunities by industry
5. An integrated nature-related risk and opportunity assessment process, called LEAP *(Locate, Evaluate, Assess, Prepare).*
6. A staged framework for disclosure
7. Detailed implementation guidance
8. Piloting opportunities

Below is a snapshot of the LEAP assessment according to the four key stages: Locate, Evaluate, Assess, Prepare. According to its authors, the LEAP approach reflects ‘...voluntary guidance intended to support internal, nature-related risk and opportunity assessments within corporates and financial institutions to inform strategy, governance, capital allocation and risk management decisions, including disclosure decisions consistent with the TNFD’s draft disclosure recommendations.’
TNFD – HOW TO PREPARE

To prepare for the TNFD, investors, financial institutions, asset managers and corporates are encouraged to do the following:

1. **Proactively** start identifying their short, medium, and long-term exposure to nature-related risks in their current value chains and portfolios.
2. Consider appropriate nature-related metrics, targets, and internal reporting mechanisms.
3. Start engaging boards of companies to understand how nature-related risk will affect their firm’s business and operations.
4. Get acquainted with the prototype LEAP approach, and the extended LEAP-Fi for Financial Institutions *(p56-65 of the Beta Framework)*.
5. Check your resource availability and consider pilot testing the **TNFD/ LEAP framework** and submitting a case study.

TNFD VS TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The **TCFD** was created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders. It is important to recognise the distinctions between the TCFD and the TNFD. **Some key differences are as follows:**

- The TNFD covers risks such as nature-related risks, pollution, soil fertility and pathogens, while the TCFD covers climate-related physical and transition risks.
- The TNFD will incorporate double materiality into its framework. The TNFD will require organisations to report on their impact and dependency on nature, whereas the TCFD is focused on dependency-related risks alone.
- The TCFD developed its recommendations based on the 2015 Paris Agreement and the goal of capping global warming at 1.5°C, but there is no equivalent, simple metric for TNFD to anchor itself in.
- By complementing the TCFD, the TNFD will allow adopters to frame nature loss and climate change through a 'twin crisis' lens as the two are strongly interlinked.

TNFD CHALLENGES

In adopting the TNFD there are several challenges related to the inherent complexity of nature that warrant consideration:

- The TNFD is complex, **because nature is complex**.
- There is no clear metric to align with like climate change’s cap of 1.5°C of warming.
- Once the TNFD has been adopted, the solutions available to reduce identified impacts and dependencies are not as accessible or mature as for climate change.
- **Not all nature is born equal**: the way nature-related risks and impacts are considered is very geo-specific. A square metre of forest in Darwin is not the same as a square metre of forest anywhere else in the world. This makes managing impacts more difficult and nuanced.
- We aren't as well practiced at disclosing nature-related risks & impacts as we are climate change.
TNFD KEY DEFINITIONS

- **Nature** – the natural world, with an emphasis on the diversity of living organisms and their interactions
- **Impacts** – positive or negative contributions of a company or other actor toward the state of nature
- **Dependencies** – aspects of nature’s contributions to people that a person or organisation relies on to function
- **Nature-related risks & opportunities** – all financial risks and opportunities to the organisation as a result of impacts and/or dependencies on nature

A glossary of key terms used throughout TNFD resources can be found [here](#).

TNFD REFERENCES & RECOMMENDED READINGS

On the TNFD

- Stakeholder engagement plan, WWF
- UNEPFI on the TNFD, comments from informal working group
- Speech by Sylvie Goulard, Green Swan Conference (2021)
- TNFD Beta Framework (2022)
- TNFD Scoping Paper (2021)
- KPMG Natural Capital Insights, TNFD
- South Pole: TNFD opinion piece
- Create a free account here and access the interactive, online TNFD portal
- TNFD resources

On nature-related disclosures

- UNEPFI - Are you ready for Nature-Related Disclosure? An Assessment of Readiness and Expectations from the Corporate Market
- UNEPFI - Prioritising Nature-Related Disclosures: Considerations for High-Risk Sectors
- EU B@B - Assessment of Biodiversity Measurement Approaches for Businesses and Financial Institutions

This fact sheet was produced by Fergus Nelson and Madeleine Combe, Altiorem, with support from Emily Davies and Jessica Blake, EY.