Taskforce on Nature-related Financial Disclosures

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Executive summary of the recommendations of the TNFD

September 2023

Executive summary

Our society, economies and financial systems are embedded in nature, not external to it. The prosperity and resilience of our societies and economies depend on the health and resilience of nature and its biodiversity. Healthy ecosystems are a prerequisite for the sustained flow of ecosystem services that communities need to survive and flourish, and that business and finance depend on to generate cashflows and returns.

The science is clear. Nature is deteriorating globally and biodiversity is declining faster than at any time in human history. The majority of the vital ecosystem services on which business and society depend, and which provide the foundation for every economy, are in decline. The global economy is already operating outside the safe zone for six of the nine planetary boundaries – processes that are critical for maintaining the Earth's stability. Ecosystem services are not being appropriately priced by business and financial markets today.

There is growing evidence that this poses risks for businesses, capital providers, financial systems and economies, and that these risks are increasing in severity and frequency. Critical global supply chains, from agribusiness to semiconductors, are facing disruptions from water shortages and water stress. The degradation of forests is threatening the availability and long-term security of valuable commodities on which some sectors rely, such as cosmetics. The degradation of land and soil has been found to adversely impact the market value of companies and increase credit risk to associated lenders. The loss of pollinators is adversely impacting agricultural production, with the growing demand for pollination services becoming increasingly difficult to meet in some countries. Companies in a range of sectors, from agrochemicals to mining, that have not managed their nature-related impacts have experienced permit refusals and lawsuits, with associated deteriorations in credit ratings and market valuations.

The TNFD recommendations provide companies and financial institutions of all sizes with a risk management and disclosure framework to identify, assess, manage and, where appropriate, disclose nature-related issues.

Central banks and financial supervisors are increasingly recognising nature loss as a source of systemic risk to financial systems and economies. In March 2022, the Network for Greening the Financial System (NGFS), a network of over 125 central banks and financial supervisors, concluded that nature-related risks could have significant macroeconomic implications, and that failure to account for, mitigate and adapt to these implications is a source of risks for individual financial institutions as well as for financial stability. In September 2023, the NGFS encouraged all central banks and supervisors to assess and act on economic and financial risks stemming from nature loss.

Governments are also mobilising through policy and fiscal action. In December 2022, almost 200 governments committed to ambitious goals and targets under the Kunming-Montreal Global Biodiversity Framework (GBF) to halt and reverse nature loss by 2030. Target 15 of the GBF calls for businesses to monitor, assess and transparently disclose their risks, dependencies and impacts on biodiversity, to ensure business, society and nature exist in harmony. Governments from Australia, Brazil, China, the European Union, the United States and elsewhere are providing substantial new funding and incentives to mobilise private sector innovation and financial capital behind

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green transition plans, nature markets and bioeconomy investment strategies.

Despite the risks and opportunities, most companies and capital providers remain unprepared. According to the World Economic Forum, climate and environmental risks are now the most significant risks identified by global executives for the next decade, but they are also the risks for which we are seen to be the least prepared. Most companies, investors and lenders today do not understand their nature-related dependencies, impacts, risks and opportunities and are inadequately accounting for nature in their strategies and capital allocation decisions. Data released by CDP suggests that nearly 70% of companies disclosing data through CDP did not assess the impact of their value chain on biodiversity in 2022.

Nature is no longer a corporate social responsibility issue, but a core and strategic risk management issue alongside climate change. It needs to be brought into the strategy, risk management and capital allocation decisions of business and finance, with fully integrated climate and nature considerations. Investing in the health and resilience of nature is good business practice, both as sound risk mitigation but also as a source of business opportunities. Corporate and investor stewardship of, and investment in, nature is a transformational opportunity for companies who innovate and financial institutions who finance the solutions needed at scale.

The TNFD recommendations help organisations meet this challenge. The Taskforce on Nature-related Financial Disclosures (TNFD) is a global, market-led, science-based and government-supported initiative to help companies and financial institutions factor nature into decisions. The Taskforce consists of 40 senior executives from companies and financial institutions globally representing over $20 trillion in assets under management with operations and value chains in over 180 countries.

The TNFD recommendations provide companies and financial institutions of all sizes with a risk management and disclosure framework to identify, assess, manage and, where appropriate, disclose nature-related issues. It includes **14 recommended disclosures** covering nature-related dependencies, impacts, risks and opportunities (Figure 1).

The recommendations have been designed to:

- **Be consistent with the language, structure and approach of both the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB)** to enable integrated climate- and nature-related reporting, replicating the four disclosure pillars and all 11 TCFD recommended disclosures, which have now been incorporated into the ISSB Standards and thus its global sustainability reporting baseline.
- **Accommodate the different approaches to materiality** now being applied in jurisdictions around the world, through two materiality lenses – meeting the material information needs of capital providers, consistent with the ISSB's IFRS Standards and TCFD recommendations, and meeting the material information needs of stakeholders focused on impacts aligned with a broader materiality approach consistent with the GRI Standards.
- **Be aligned with the global policy goals and targets** in the GBF, including Target 15 on corporate reporting of nature-related risks, dependencies and impacts
- **Leverage the best available science**, including assessments of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and the climate science from the Intergovernmental Panel on Climate Change (IPCC).

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The TNFD recommendations are structured to allow companies and financial institutions to get started, building on their climate reporting capabilities over the past decade, and to provide a path to increase their disclosure ambition over time. This is consistent with Target 15 of the GBF, which recognises that the incorporation of nature-related issues is new to many organisations, but a rapidly growing strategic imperative.

Figure 1: TNFD's recommendations and recommended disclosures

Governance	Strategy	Risk & impact management	Metrics & targets
Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.
Recommended disclosures	**Recommended disclosures**	**Recommended disclosures**	**Recommended disclosures**
A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities. **B**. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities. **C**. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	**A**. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term. **B**. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place. **C**. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios. **D**. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	**A**(i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations. **A**(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s). **B**. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities. **C**. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	**A**. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process. **B**. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature. **C**. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.

To support adoption and the provision of consistent, comparable and decision-useful information for report users, the Taskforce has developed:

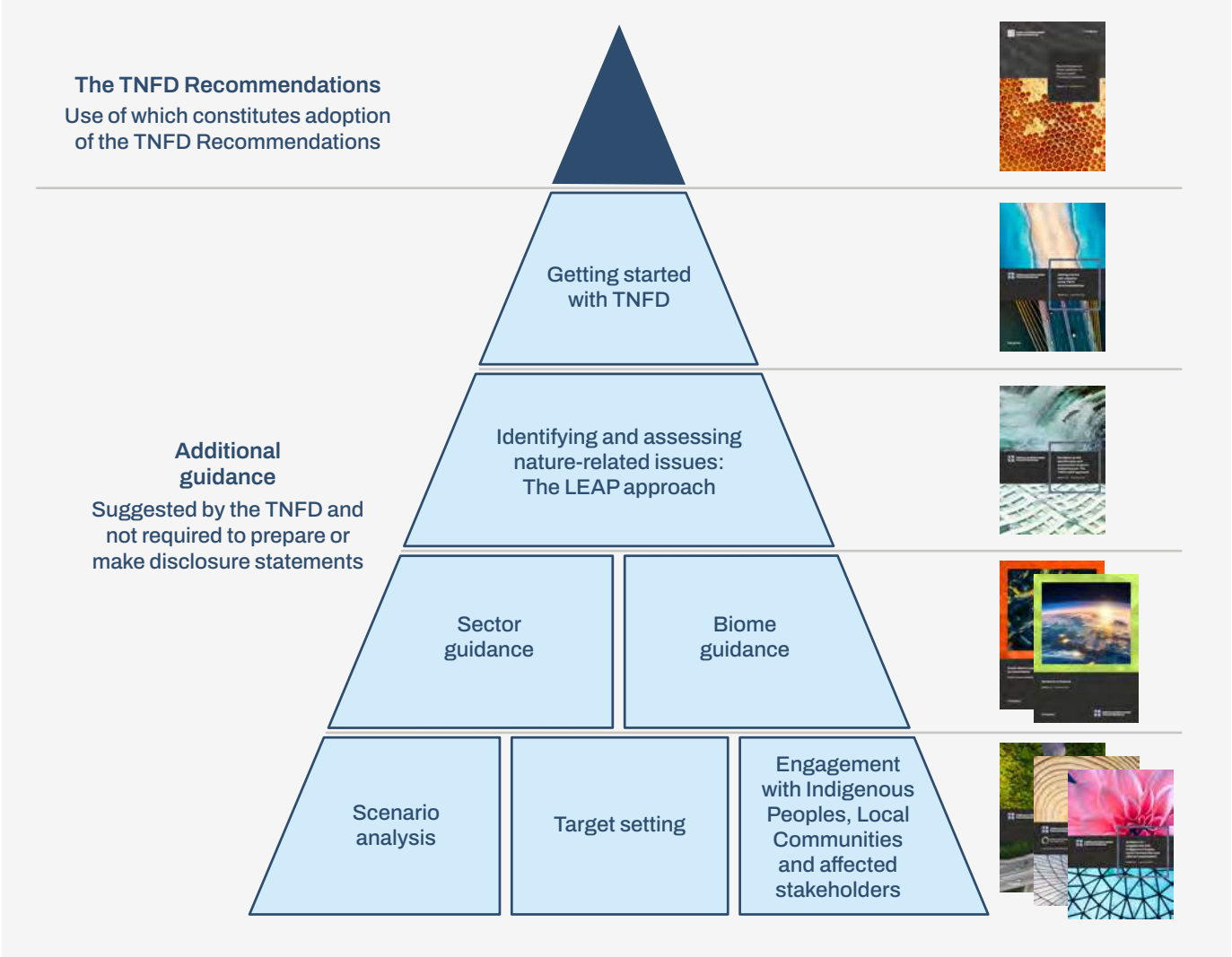
- A **set of recommended indicators and metrics** for assessment and to support disclosure; and
- A **suite of additional guidance** covering:
  - How to get started with TNFD, with practical steps, considerations and insights from pilot testing;
  - The identification and assessment of nature-related issues (the LEAP approach), building on, and integrating the use of, existing market-leading frameworks, tools and datasets;
  - Specific sectors and types of ecosystem (biomes);
  - Scenario analysis; and
  - Engagement of Indigenous Peoples, Local Communities and affected stakeholders.

As with mainstream financial reporting and national economic reporting, the **TNFD proposes a leading indicators approach to measurement, leveraging the best available science and cross-referencing metrics already in use** by market participants through organisations such as SASB (which is now part of ISSB), GRI, CDP and EFRAG. They incorporate both cross-sector and sector-specific metrics to provide a flexible approach for report preparers and a basis for comparative analysis by report users.

The recommendations and accompanying additional guidance are built on extensive market feedback and pilot testing. They are consistent with the recommendations of the TCFD, the ISSB and GRI Standards and the global policy goals and targets in the GBF. Throughout this process, the Taskforce has worked closely with leading global scientific and conservation organisations to ensure the TNFD's recommendations draw on authoritative and consensus-based definitions as the foundation of a market-accessible language system for understanding nature and managing nature-related issues.

The time for action is now and the TNFD recommendations are ready for adoption. To address the declining productivity and resilience of nature and, by extension, the declining prosperity and resilience of our societies, economies, financial systems and business models, nature-related issues must now be incorporated into enterprise and portfolio risk management processes. Failure to do so leaves business, finance, financial systems and the whole of society with a major risk management blind spot in the face of accelerating nature loss.

Figure 2: TNFD recommendations and additional guidance



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