

TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES (TNFD)

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The need for private finance to deliver global goals for nature

In December in Montreal, the delayed Convention on Biological Diversity’s (CBD) COP15 will look to finalise and agree a new global biodiversity framework.

This will set out goals to improve the extent and integrity of natural systems and reduce extinction risk for species, defining a vision for 2050 of a world living in harmony with nature. As part of its ambition, the global biodiversity framework will highlight the key role of the private sector in achieving this vision, including via the incorporation of nature into decision-making as well as increasing the contribution of private finance to reversing biodiversity loss.

Following the success of the Task Force on Climate-related Financial Disclosures (TCFD), the TNFD has been established with a similar model to help meet the challenge to direct finance towards positive outcomes for nature. The UN Environment Programme estimates that USD 8.1 trillion will be required by 2050 to address the joint nature, climate and land degradation crises and looks to the private sector to help fill the current funding gap.

As a market-led initiative, it aims to create a standardized framework for disclosure which will provide financial institutions with decision-useful information to direct financial flows away from negative outcomes for nature and towards nature-positive outcomes. It looks to guide organisations to identify their interactions with nature, both their impacts upon it and their dependencies on the ecosystem services it provides and to help translate these into nature-related risks and opportunities.

AS PART OF ITS AMBITION, THE GLOBAL BIODIVERSITY FRAMEWORK WILL HIGHLIGHT THE KEY ROLE OF THE PRIVATE SECTOR IN ACHIEVING THIS VISION, INCLUDING VIA THE INCORPORATION OF NATURE INTO DECISION-MAKING AS WELL AS INCREASING THE CONTRIBUTION OF PRIVATE FINANCE TO REVERSING BIODIVERSITY LOSS.

TNFD, the key to unlocking private finance for nature

While **TNFD** has been designed as a voluntary framework for disclosure, pressure is already building for governments to develop mandatory requirements aligned to the TNFD framework, with calls coming from both the Executive Secretary of the CBD and from ministers within the UK government.

It is hoped that the uptake of TNFD will be accelerated, capitalising on the momentum generated by the TCFD, which has 2,600 supporting organisations with a combined market capitalisation of over \$25 trillion.

As an asset manager dedicated to natural capital, Climate Asset Management is fully supportive of the TNFD's ambition and in particular welcomes the efforts to define how we can clearly and responsibly communicate nature-related opportunities to the market. Our natural capital and nature-based carbon strategies are designed to deliver projects which protect, restore and sustainably manage natural capital with tangible benefits for climate, nature and communities. However, unlike climate, nature cannot be boiled down to a single metric. Articulating positive outcomes for biodiversity, soil health, water and more, rapidly becomes complex, location specific and nuanced.

The TNFD shows great potential for creating a common language for nature-related risks and opportunities which enable investors to compare positive outcomes for nature across project types and geographies.

Figure 1

TNFD's Definition of Nature-Related Opportunities

OPPORTUNITIES		
Resource Efficiency Transition to more efficient services and processes requiring less natural resources e.g. water, energy or impact on natural capital and ecosystem services	Markets Development of less resource-intense products and services, green solutions e.g. nature-based solutions, diversification of business activities	Resilience Diversification of biodiversity-related resources (e.g. use of different plant species) and business activities (e.g. start a new business unit on ecosystem restoration)
Reputation Positive-stakeholder relations as a result of a proactive stance on managing nature-related risks e.g. leading on preferred partner status	Financing Access to biodiversity-related and/or green funds, bonds or loans	

Source: The TNFD framework beta v0.2



3 Bringing a natural capital perspective to nature-related disclosures

In order to generate both constructive feedback and buy-in from the market, TNFD has adopted an iterative approach to development. Climate Asset Management is actively participating in this process on behalf of our shareholder HSBC Asset Management, engaging across a number of the taskforce’s working groups, notably around targets and metrics, bringing our natural capital expertise both in terms of ambition as well as feasibility.

We have partnered with Phoenix, the UK’s largest long-term savings and retirement business, to pilot the TNFD framework over the coming months. We intend to apply the framework, named “LEAP” as an acronym for Locate, Evaluate, Assess, Prepare, to a number of potential forestry investments across multiple geographies in order to understand the approach, including data requirements, prioritization, target setting and disclosure.

We hope to improve our understanding of how our forestry assets can be assessed, managed and monitored to demonstrate quantifiable improvements to ecosystem condition in a way that contributes to a nature-positive world.

This pilot will include working collaboratively with a range of experts and data providers to develop our capacity, bringing investors with us and providing vital feedback into the TNFD process. The pilot will conclude in June 2023 and its findings integrated into the final version of the TNFD framework. The pilot will also be communicated to wider stakeholders, providing vital insight into the implementation of the TNFD before its launch in September 2023.



Source: The TNFD framework beta v0.2