



TNFD: expanding the focus from climate to nature

The Taskforce on Nature-related Financial Disclosures (TNFD) is a market-led international initiative which builds on the model developed by the **Taskforce on Climate-related Financial Disclosures** (TCFD). It aims to create a framework for how organisations can address environmental risks and opportunities, with the ultimate goal of channelling capital flows towards nature-positive outcomes.

Biodiversity loss and ecosystem destruction are occurring at an unprecedented rate. A 2020 report found there has been an average 68% decrease in population sizes of mammals, birds, amphibians, reptiles and fish in the past few decades, and that humans are overusing global biocapacity by at least 56%. Agricultural and industrial expansion has impacted 75% of land and 66% of ocean area, according to another study.¹

This destruction poses a potential threat to financial stability. Significant proportions of the global economy are moderately or highly dependent on natural resources (over half the world's economic output relies on natural capital, according to one estimate²), which in turn exposes the financial sector to physical, transition and reputational risk.

Central banks and prudential regulators are investigating the implications for biodiversity loss for financial stability, with policymakers now ranking biodiversity loss together with climate change as a key risk.¹

“The financial risks that stem from a loss in biodiversity are a serious threat to the financial sector that urgently require better understanding by policy makers and regulators...”

Chair of the Network for Greening the Financial System (NGFS)

¹ The World Economic Forum [2020 Global Risk Report](#) ranked biodiversity loss in the top 4 risks in likelihood and impact over the next 10 years.

What is TNFD?

The TNFD was formally established in June 2021, following preparatory work by a 75 member informal working group (IWG). It is chaired by Elizabeth Maruma Mrema, Executive Secretary of the UN Convention on Biological Diversity (CBD), and David Craig, former CEO and founder of Refinitiv. It will comprise 30 members drawn from both the financial services sector and the real economy.

The taskforce will work with a wide range of stakeholders, including private sector, policymaker/regulator, technical expert and civil society organisations.

The TNFD will broadly aim to align with the CBD's target of "no net loss" of biodiversity by 2030 and to achieve a "net gain" by 2050.

“Nature-related risks are undervalued in business decision-making.”

World Economic Forum Global Risk Report 2020

It will produce a number of outputs aimed at creating a framework that aligns with existing standards and initiatives, such as the anticipated international reporting standards under a new Sustainability Standards Board. Reporting organisations will be expected to integrate the TNFD framework into their existing mainstream reporting rather than creating a standalone TNFD report.

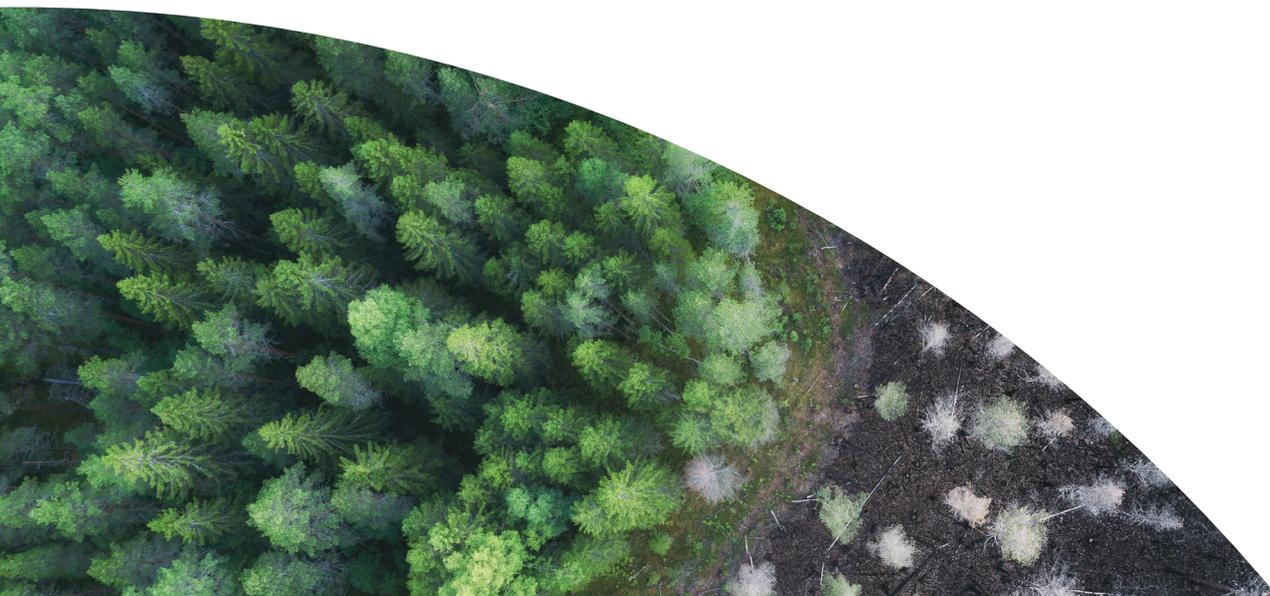
The TNFD has received strong support from policymakers. The UK Government was a key funder of the preparatory work, and the G7 endorsed the initiative during the recent Cornwall Summit.

“We commit to mainstream nature into all sectors and policies. We recognise the urgency and call for the integration of both climate and nature-related risks into organisational risk management architecture, and of investing in natural capital...”

G7 Climate and Environment Ministers' Communiqué 2020

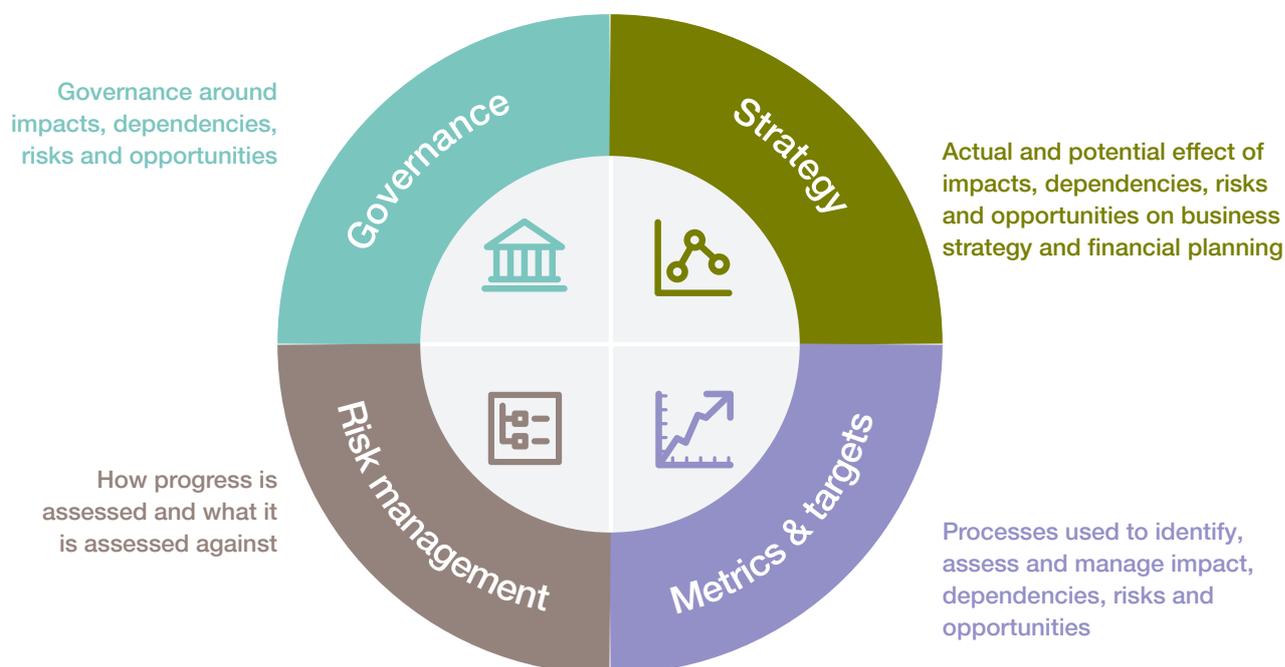
“We look forward to the establishment of the Taskforce on Nature-related Financial Disclosures and its recommendations.”

G7 Finance Ministers' Communiqué 2020



The TNFD framework

The TNFD framework will mirror the four core organisational themes used by the TCFD:



The framework will take a “double materiality” approach, with organisations expected not only to consider how nature impacts them, but how they impact nature. This echoes the strategy of the European Commission in the development of the proposed [Corporate Sustainability Reporting Directive](#).

The outputs of the taskforce are expected to include:

– **Definitions:** A series of scientifically-anchored definitions of:

- the impacts to and dependences on nature, which are likely to align to the definitions set by the Science Based Targets Network; and
- nature-related financial risks and opportunities, which definitions will include, at a minimum, financial loss resulting from negative impacts on nature (including through regulation or market access); costs arising from loss of any elements of ecosystem services (i.e. the benefits provided to humans from nature) or biodiversity on which an organisation depends; and financial benefits from positive impacts on nature. These are likely to be framed as physical and transitional risks and opportunities, following the TCFD approach.

– **Stakeholder landscape:** An assessment of the role of the TNFD relative to other stakeholders involved in the identification, assessment, disclosure and management of nature-related risks and opportunities (e.g. global standard setters, regulators, advanced target setting initiatives).

– **User principles:** A set of principles on how to adapt the TNFD framework to user organisations, which may include sector-specific guidance.

– **Classification system:** An industry-specific classification system for impacts to and dependencies on nature, and risks and opportunities related to them, based on existing evidence and frameworks.

– **Framework for disclosure:** Metrics and information which organisations should report, based on three tiers of progression (basic, intermediate and comprehensive) to allow for flexible implementation.

– **Implementation guidance:** Detailed technical guidance for reporting organisations, including on metrics, types of data, third party versus corporate data, risk management and scenario analysis.²

– **Piloting opportunities:** The framework will be tested with financial institutions and non-financial corporates with the collaboration of regulators during the development process. The TNFD will also consult and engage with a broader range of market participants.

The IWG set out its recommendations in detail in its [Proposed Technical Scope](#).

² Scenario analysis is a process for examining and evaluating the implications of different postulated sequences of events. See our [article](#) for more information on this in the TCFD context. The TNFD will not develop the scenarios, but instead will foster collaboration between financial institutions, non-financial corporates, policymakers and the scientific community to develop them.

Timing

The TNFD work plan is divided into five phases, expected to take place over the next three years.

June
2021

TNFD launched and Co-Chairs announced.

2021-2022

Phase 1: Build

- Taskforce members to be announced.
- Building the TNFD framework commences.

2022

Phase 2: Test

- Testing the framework across emerging and developed markets takes place.
- Revisions as needed to the framework.

2023

Phase 3: Consult

- Consultations with regulators, data preparers and data users in 20 emerging economies plus developed markets.

2023

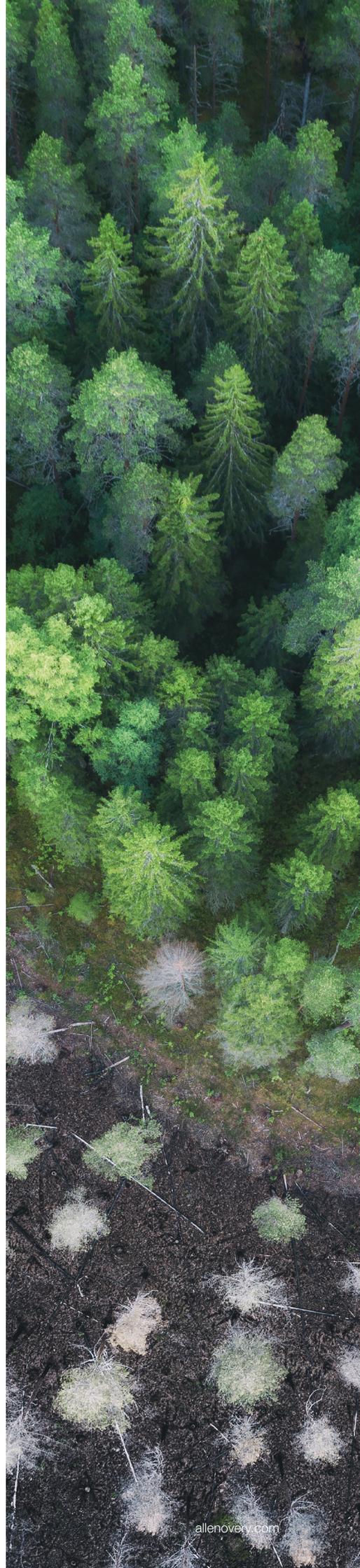
Phase 4: Disseminate

- Launch of the framework.

2023
onwards

Phase 5: Uptake

- Continued guidance to facilitate uptake.



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¹ World Wildlife Fund (2020), [Living Planet Report 2020](#) and Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (2019), [Global Assessment Report on Biodiversity and Ecosystem Services](#).

² World Economic Forum (2020), [Nature Risk Rising](#).