



Getting back to nature

► Sophie Smith talks to Taskforce on Nature-Related Financial Disclosures (TNFD) co-chair, David Craig, about the group's new beta framework and what steps pension schemes should be taking

► The TNFD recently launched a consultation on the beta version of its framework. Can you tell us a bit about the process, and how feedback from the consultation will be incorporated?

The first beta version of the TNFD framework is a groundbreaking first step by the market to tackle the risk of nature loss to the global economy and reduce their impacts on nature. The release marked the beginning of an 18-month process of consultation and development of the framework with a broad range of market participants and other experts. We are adopting an interactive iterative approach, like that adopted by the tech sector when developing software.

We have already seen a surge in interest from the market, with professionals from over 65 countries and territories exploring the framework via TNFD's interactive online platform.

Early feedback will be incorporated already in the next beta version of the framework, planned for release in June 2022 (v0.2). Further prototype releases are planned for October 2022 (v0.3) and February 2023 (v0.4), before the taskforce releases their final recommendations in Q3 2023.

► How has the TNFD worked with the Task Force on Climate-related Financial Disclosures (TCFD)?

Building on, and aligning with, the work of standard setters and other

disclosure initiatives is central to TNFD's approach. Forty-five per cent of our 34 taskforce members were also members of the TCFD, and 88 per cent of the organisations they work for are supporters of TCFD. TNFD's work builds on the TCFD framework, and the draft disclosure recommendations release in the first beta version of the TNFD follows the same four-pillar approach to disclosure as TCFD. TNFD has also aligned as much as possible with the language of the TCFD approach to provide market participants with the consistency they have been asking for.

For future beta releases of the TNFD framework, the taskforce will also develop guidance on nature-related scenarios that align with TCFD's approach, as well as a recommended approach to metrics and targets.

► Has the TNFD worked with any broader industry players to further develop the standards?

Building a comprehensive approach to nature risk management is going to require input and alignment from a range of actors given different mandates, perspectives and capabilities. Therefore, TNFD works to ensure alignment with emerging standards and frameworks under development. In addition to drawing on the work of others in the framework development process, TNFD aims for our outputs to be integrated into

standards in this space.

TNFD engages with standard setters through the consultative TNFD Forum and the TNFD Knowledge Hub, where GRI, SBTN, the SASB Research Team (which is now merging into the new International Sustainability Standards Board (ISSB)), and other organisations are amongst TNFD's knowledge partners. TNFD's network of knowledge partners also includes scientific experts, like the International Union for Conservation of Nature (IUCN) and the UN Environment Programme's World Conservation Monitoring Centre (UNEP-WCMC), to ensure our framework is science-based as well as market-led.

In addition, TNFD is in consultation with national and regional disclosure and reporting bodies and initiatives such as the SEC in the US, EFRAG in the EU and others. Several regulators and governments are members of the TNFD Forum. The Network of Central Banks and Supervisors for Greening the Financial System, which counts over 100 of the world's central banks and supervisors as members, is also a TNFD knowledge partner.

► How has the TNFD responded to concerns that there are too many standards or definitions available when designing the framework, and could there be options for trustees to combine TCFD and TNFD reporting in future?

TNFD actively encourages integrated climate- and nature-related risk management and disclosures, rather than the development of dedicated nature-only risk management and reporting. Ultimately it is the goal to create integrated and global sustainability disclosures that look at climate and nature, and other sustainability factors, together. That is why we are working with a wide range of partners.

In addition to working closely with TCFD, TNFD will continue working closely with the ISSB, aligning with the global baseline for reporting and disclosure being developed.

While we are seeing a push for alignment and consolidation, we are also seeing an increase in the number of actors working actively on nature-related risks, as the issue becomes increasingly mainstream.

For example, we expect central banks and supervisors globally to take a more active role on nature-related risks going forward, after the NGFS in March stated that nature-related risks can be material to financial stability and should therefore be considered within the core mandate of central banks. It will be an ongoing coordination challenge for some time, but TNFD will continue to work with standard setters, as well as regulators like EFRAG, the US SEC and others, to ensure integration.

➤ Do you think there is enough understanding around how nature and climate link, or is education needed?

The two crises of climate change and nature loss are tightly interconnected, and we must consider them two sides of the same coin. Businesses must move faster on climate, while bringing nature into the equation. The TNFD framework recognises both the interlinkages of climate and nature, and the unique aspects of nature-related risks and opportunities.

While TNFD's high-level draft recommendations are aligned with



TCFD's, there are important differences in TNFD's draft guidance as to how organisations assess non-atmospheric nature-related risks that reflects the unique character of aspects of land, ocean and freshwater realms of nature.

In particular, an organisation's nature-related dependencies and nature impacts are location-specific. Location therefore matters significantly for the identification, assessment, mitigation and management of nature-related risks facing organisations, creditors and investors. This location-specific characteristic of nature-related risks and opportunities is reflected across all components of the first beta version of the TNFD framework.

➤ What steps can pension scheme trustees take now to get 'ahead of the game' in addressing nature-related considerations?

Pension funds should absolutely start assessing and managing their nature-related risks already now. We believe the final TNFD framework will provide helpful guidance when it is released in Q3 next year, but the finance sector should not sit idle in the meantime. Nature-related risks are already here, and as we continue to lose nature globally at a rapid pace, they will only grow in the coming years. At the same time, we see commercial opportunities emerging as business develop solutions, like regenerative agriculture, water conservation technologies and biodegradable packaging.

Pension funds can immediately take the first steps of reviewing their portfolios and planned investments with nature-related risks and opportunities in mind: the tools and guidance to kick off that initial assessment and start internal capacity and resource building already exist. TNFD recently did a landscape assessment of nature-related data as part of our framework development process, and while gaps do remain, a lot of data is already readily available. With the TNFD data working group, we are also in the process of creating a catalyst that will incentivise both commercial and governmental data providers to close the gaps at speed.

I would however caution pension funds against thinking it brings them ahead of the game if they start looking at nature risks now. Even if they start today, they are already late – we all are. Scientists tell us we need to halt nature loss completely by 2030, and we are not remotely on track to meet that deadline. Like with climate, nature-related risks are systemic, and the response from pension funds and the rest of the finance sector must reflect that.

TNFD ultimately aims to support a shift in financial flows towards nature-positive outcomes. Much work will be required to achieve this, and we invite pension scheme trustees to bring their expertise to the table by getting involved in co-creating the framework.

➤ Written by Sophie Smith