

UNDP BIOFIN – TNFD Training

Nature and your organisation – how the TNFD recommendations can help

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Climate Risk Services

UNDP

BIOFIN
The Biodiversity Finance Initiative

Meet the team

- Climate Risk Services' CEO **Gerhard** has a wealth of experience in the climate and nature field, previously working for consultancies, banks, governments, and the IUCN. He also holds an MBA from the University of Oxford.

- As a senior analyst at Climate Risk Services, **Ben** specialises in nature-related risk for financial institutions and corporates. Ben holds a Masters degree from Imperial College London in Environmental Technology (environmental economics and policy).



Gerhard Mulder

CEO

gerhard@climateriskservices.com



Ben Mitchell

Senior Analyst

ben@climateriskservices.com

In this video…

1. Introduction to the TNFD

Key Objectives

- Understand the background of the TNFD – and what guidance and value it provides to your organisation.

Introduction to the TNFD

What is the TNFD

Recommendations and guidance on the globally recognised approach to assessing, managing, and reporting nature-related issues

Despite their economic and financial importance, few organisations have been systematically assessing and disclosing their nature-related issues – that is, dependencies, impacts, risks and opportunities.

The Taskforce on Nature-related Financial Disclosures (TNFD) recommendations and additional guidance provide a way for organisations to disclose their nature-related issues, aligned with the global sustainability reporting baseline, existing and emerging regulatory requirements and in response to growing demands from investors for more information.



How does the TNFD fit in the regulatory landscape?

The TNFD builds upon existing frameworks, and provides the guidelines and frameworks for future regulations



- The TNFD builds upon existing frameworks such as the TCFD, GRI, and IFRS standards
- It draws from scientific bodies, international NGOs, established metric sources, and best practice guidance for aspects such as scenario planning and stakeholder engagement.
- It provides the go-to nature-related risk disclosure guidelines on a voluntary basis and will be the foundation for future nature-related regulations.

How the TNFD can help your organisation

Assessment and disclosure of nature-related issues can build organisational and market resilience

The TNFD recommendations and additional guidance provide companies and financial institutions of all sizes with the tools to **identify**, **assess**, **manage** and, where appropriate, **disclose** their nature-related issues.

Internal assessment of nature-related issues by organisations enables:

- improved understanding of nature-related dependencies, impacts, risks and opportunities
- better corporate strategy, governance and risk management and capital allocation decision-making
- repositioning of business models and value chains to build resilience
- taking action to avoid and minimise negative impacts on nature and contribute to nature-positive outcomes
- the ability to stay ahead of evolving regional and global regulations and policies

Nature-related financial disclosures by organisations enable:

- improved accountability on corporate strategy, governance and risk management decision-making
- more informed investment decisions and active ownership strategies
- the inclusion of nature when looking at potential impacts on future cash flow and the value of a company
- transparency on alignment with relevant regulations

Core principles of TNFD

The TNFD was established with 7 core principles behind it

Market usability
Directly usable and valuable to market participants, corporates and financial institutions

Science based
Scientifically anchored approach, incorporating well-established and emerging scientific evidence

Nature-related dependency, impacts, risks and opportunities
Focus on dependencies and impacts on nature as well as risks and opportunities to organisations

Climate-nature nexus
Reflect the inherent connectedness of climate and nature challenges and the importance of nature-based solutions

Globally inclusive
Ensure the framework and approach is relevant, just, valuable, accessible and affordable worldwide, including in emerging and developed markets

Purpose driven
A bias towards enabling organisations to act sooner rather than later

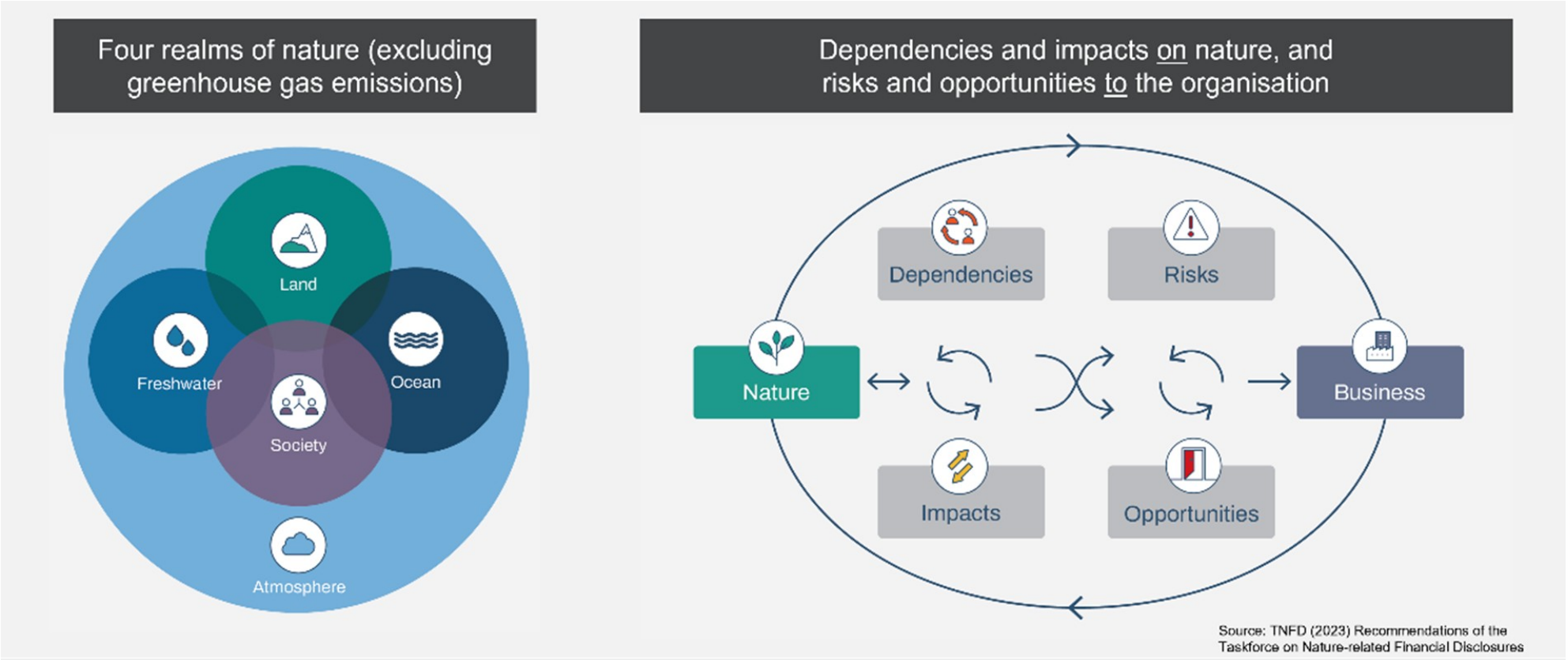
Integrated and adaptive
Designed to work with existing risk management processes in business and finance

Source: TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures



What does the TNFD cover?

An organisations nature-related dependencies, impacts, risks, and opportunities



Relevance of the TNFD – who's interested?

The TNFD recommendations have been designed to be used by a wide range of stakeholders

The TNFD recommendations are designed to be used by organisations seeking or needing to provide decision-useful sustainability information to investors and other stakeholders

- **Investors and financial institutions**
- **Corporates**
- **Stock exchanges**
- **Assurance and accounting firms**
- **Regulators**
- **Data providers, credit rating es and financial service ers**

Conceptual foundations for the TNFD disclosures

The TNFD recommendations align with and support the global nature policy and disclosure landscape



Materiality as the basis of disclosure



Recognise different approaches to materiality



Encourage a comprehensive approach to the identification and assessment of nature-related issues



Support for increasing the breadth and depth of disclosure ambition over time, consistent with both the ISSB and GRI standards and the global policy goals and targets in the Global Biodiversity Framework

Source: TNFD

Double Materiality vs Single Materiality

How the TNFD views materiality

A key difference between the TNFD and the regulations of the future is the concept of **double materiality.**

Existing regulations such as the ISSB standards require financial institutions to disclose on single materiality → *How climate change / nature loss can financially affect the firm.*

The TNFD (and other best practices disclosures such as the EU CSRD) instead incorporate double materiality → *How climate change / nature loss can financially affect the firm* **and** *how the firm can affect climate change / nature.*

Single Materiality

"Outside-in", how climate/nature affects the FI



Double Materiality

The FIs impact on climate/nature



Climate/nature's impact on the FI

To disclose or not to disclose

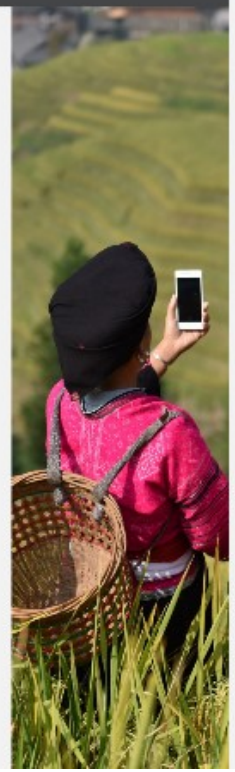
*All organisations should assess their nature-related issues even if they do not **disclose** them*

Who needs to **assess** their nature-related issues?

All organisations – large or small – publicly owned or privately held – should assess the nature-related issues associated with their operations and business model because:

- the acceleration of nature loss and the declining resilience of nature can have negative impacts on any business
- all businesses can lighten their footprint on nature and help contribute to nature-positive outcomes

Source: TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures



Who needs to **disclose** their nature-related issues?

Many organisations need to disclose their nature-related issues to comply with current and future regulatory requirements by governments and to meet the growing needs for decision-useful data from the likes of stock exchanges and investors.

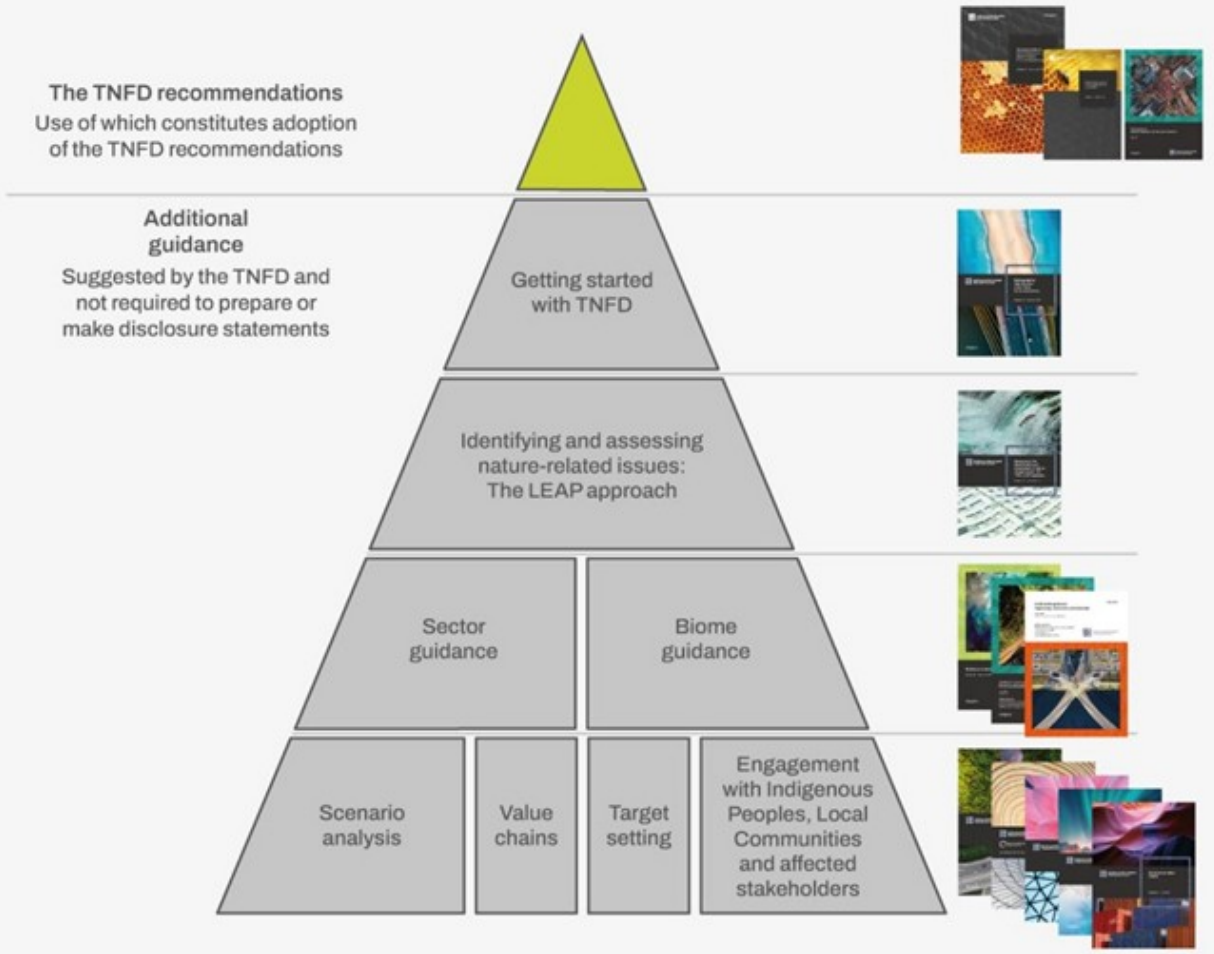
Some organisations may wish to voluntarily disclose their nature-related issues to show their commitment to sustainability and/or industry leadership position.

Source: TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures



The TNFD recommendations and additional guidance

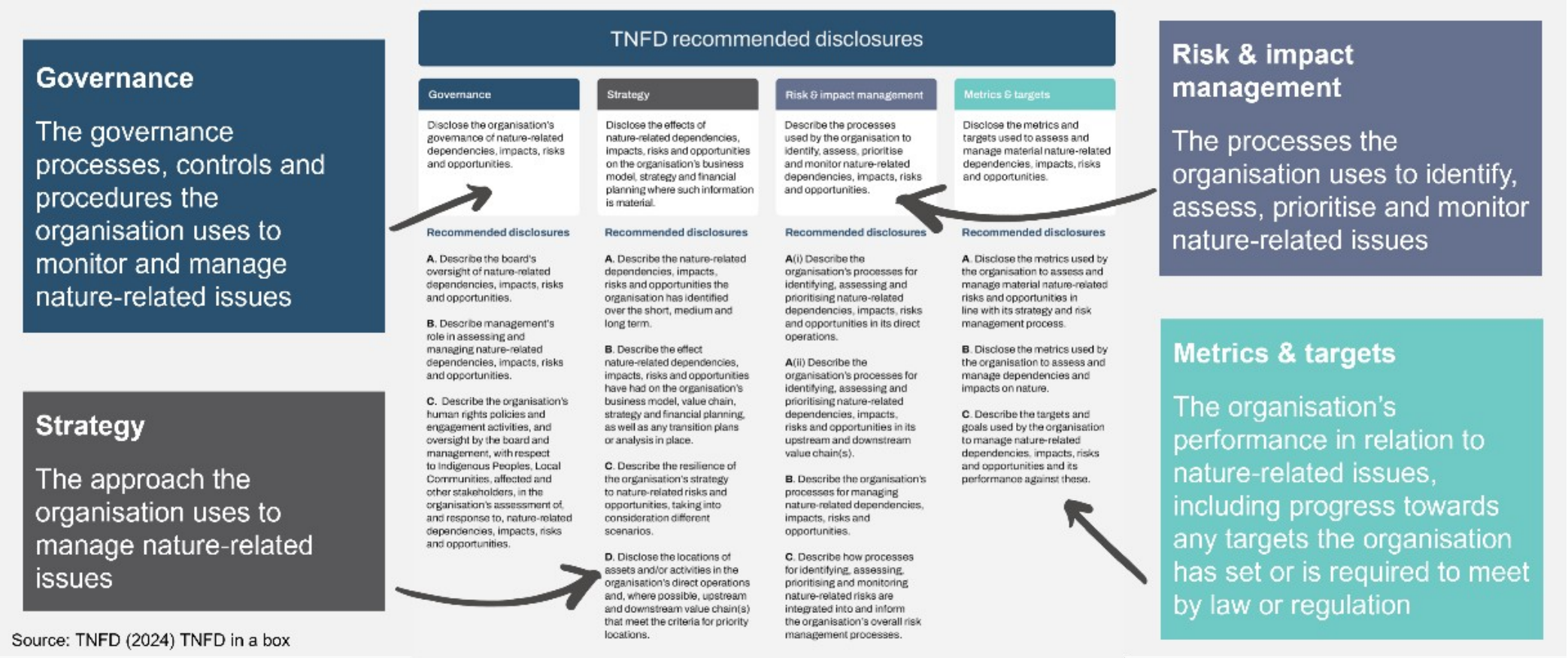
A range of materials to help your organisation proactively engage in nature-related issues



Source: TNFD

What are the recommended TNFD disclosures?

14 recommended disclosures across four pillars



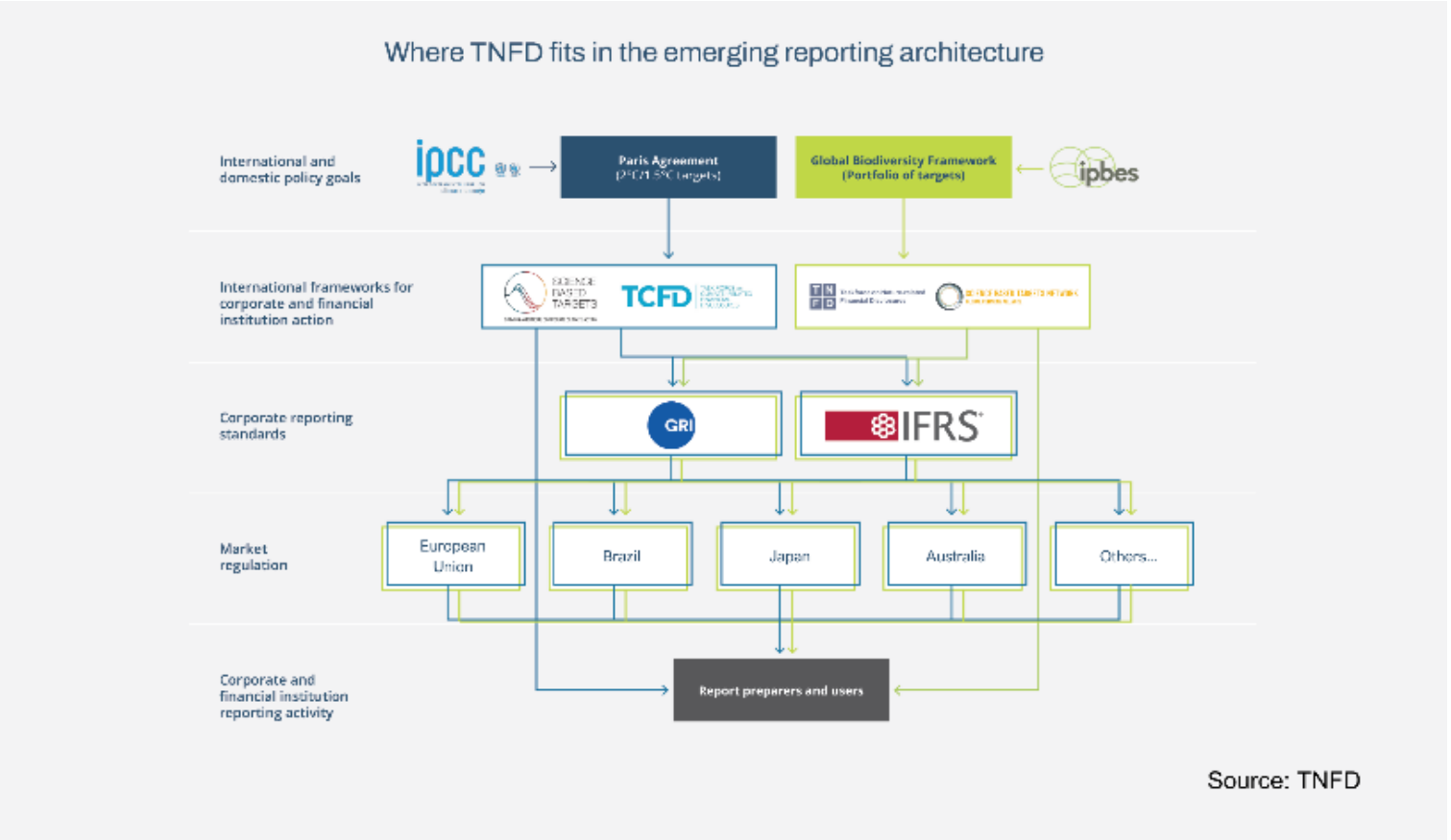
Source: TNFD (2024) TNFD in a box

How is the TNFD being used in practice?

Market participants are getting started with the TNFD on a voluntary basis while regulation evolves

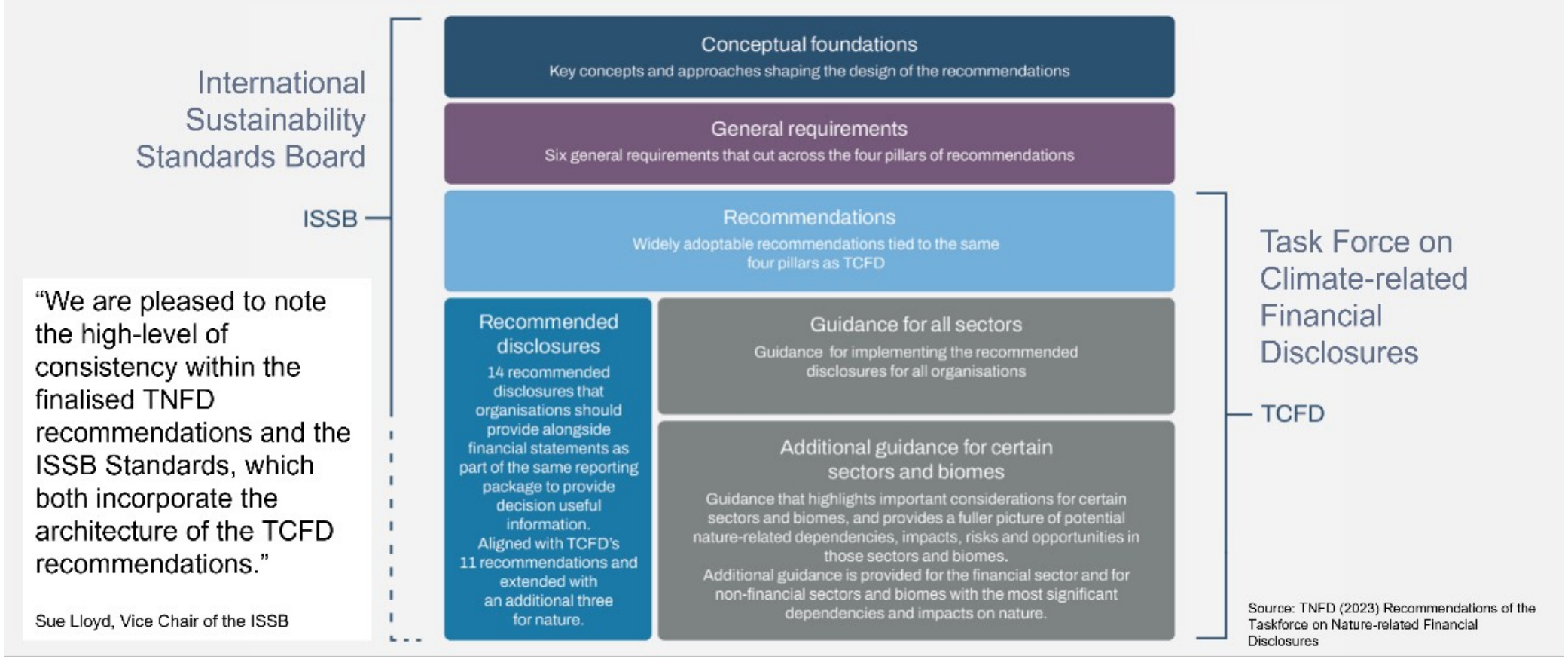
- **Pathways to adoption**

1. Companies start adopting on a voluntary basis while nature-disclosure standards develop further.
2. The TNFD recommendations inform further standards development.
3. The TNFD recommendations inform regulatory developments.



Alignment of the TNFD with ISSB and TCFD

Close alignment enables a joined-up approach to climate and nature-related disclosures



Step-by-step assessment guidance: the LEAP approach

An optional approach to help organisations identify and assess nature-related issues



Source: TNFD (2024) TNFD in a box

Four phases broken down into 16 analytical components, each framed by a set of guiding questions

Extra guidance – sectors and biomes

Additional sector-specific and biome-specific guidance is available for organisations operating across a range of sectors and biomes

Additional guidance has been produced for the following sectors:

Final guidance & metrics

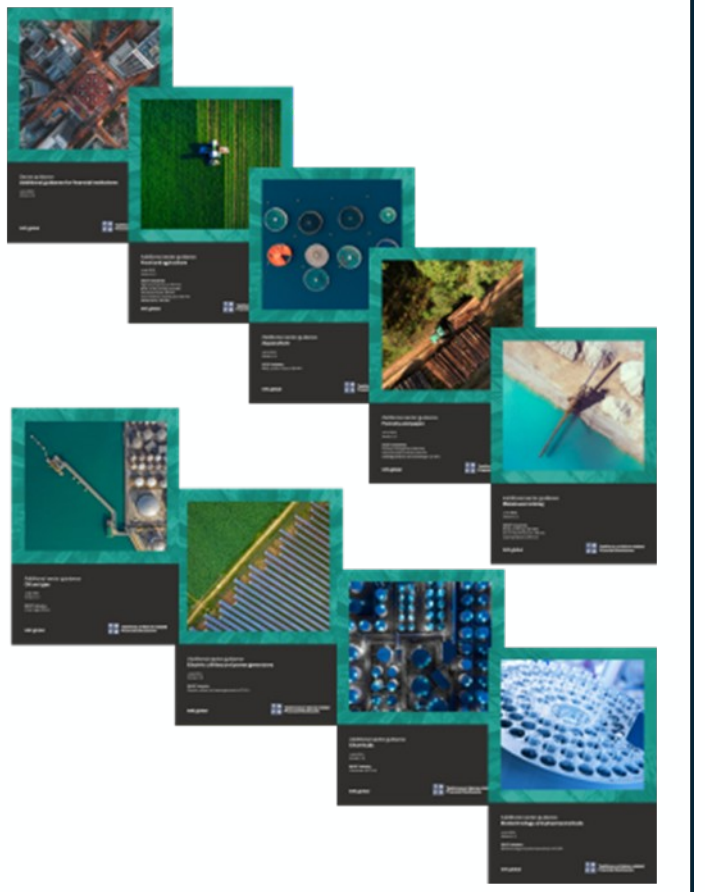
- Apparel, accessories & footwear
- Aquaculture
- Beverages
- Biotech & pharma
- Chemicals
- Construction materials
- Electric utilities & power generators
- Engineering, construction & real estate
- Financial institutions
- Food & agriculture
- Forestry & paper
- Metals & mining
- Oil and gas

Draft guidance and metrics has been produced for:

- Fishing
- Marine transportation & cruise lines
- Water utilities & services

Guidance has also been developed for companies that are producing, operating or sourcing in the following biomes:

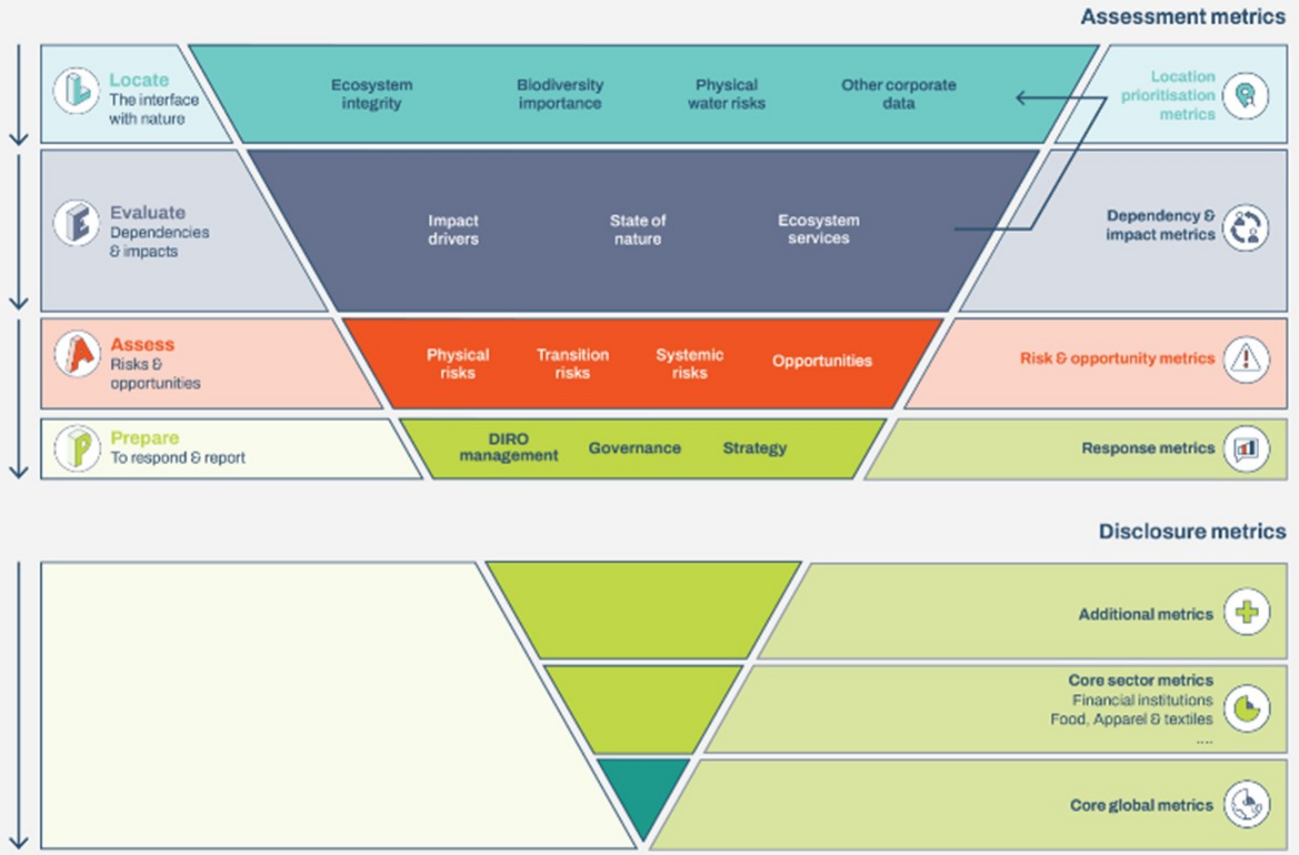
- tropical forests
- savannas and grasslands
- intensive land-use systems
- rivers and streams
- marine shelf



Extra guidance – metrics

*The TNFD offers a measurement architecture and separates **assessment** and **disclosure** metrics*

The TNFD sets out **global disclosure metrics** that apply to all sectors and specific **sector disclosure metrics**



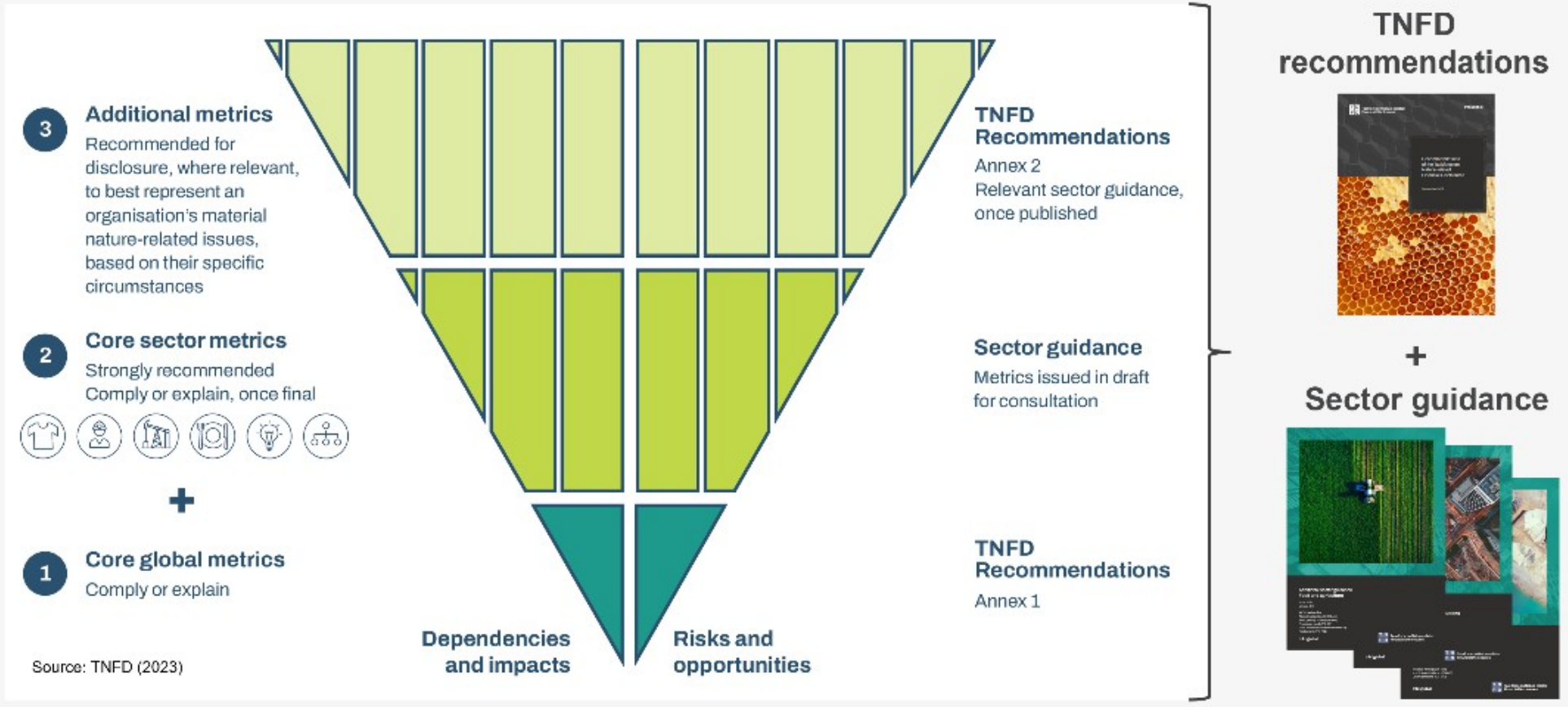
Assessment metrics are used within an integrated internal process for identification and assessment of nature-related issues, such as the LEAP approach. These are not necessarily required for disclosure

Metrics required to be disclosed to market participants in line with the TNFD's disclosure recommendations

Source: TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures

Extra guidance – disclosure indicators and metrics

Refer to sector guidance documents for additional metrics and core sector metrics



The TNFD core global disclosure indicators

See Annex 1 of the TNFD's recommendations report for the core global disclosure metrics

Land / freshwater / ocean-use change	C1.0 Indicator: Total spatial footprint
	C1.1. Indicator: Extent of land/ freshwater/ ocean-use change
Pollution / pollution removal	C2.0 Indicator: Pollutants released to soil split by type
	C2.1 Indicator: Wastewater discharged
	C2.2 Indicator: Waste generation and disposal
	C2.3 Indicator: Plastic pollution
	C2.4 Indicator: Non-GHG air pollutants
Resource use / replenishment	C3.0 Indicator: Water withdrawal and consumption from areas of water scarcity
	C3.1 Indicator: Quantity of high-risk natural commodities sourced from land/ocean/ freshwater
Invasive alien species and other	C4.0 Placeholder indicator: Measures against unintentional introduction of invasive alien species (IAS)
State of nature	C5.0 Placeholder indicator: Ecosystem condition
	C5.0 Placeholder indicator: Species extinction risk
Core global nature-related risks metrics	C7.0 Value of assets, liabilities, revenues and expenses that are assessed as vulnerable to nature-related transition risks (total and proportion of total)
	C7.1 Value of assets, liabilities, revenues and expenses that are assessed as vulnerable to nature-related physical risks (total and proportion of total)
	C7.2 Description and value of significant fines/penalties received/litigation action in the year due to negative nature-related impacts
Core global nature-related opportunity metrics	C7.4 Amount of capital expenditure, financing or investment deployed towards nature-related opportunities, by type of opportunity, with reference to a government or regulator green investment taxonomy or third-party industry or NGO taxonomy, where relevant
	C7.5 Increase and proportion of revenue from products and services producing demonstrable positive impacts on nature, with a description of impacts

Source: TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures

Core sector disclosure metrics for FIs

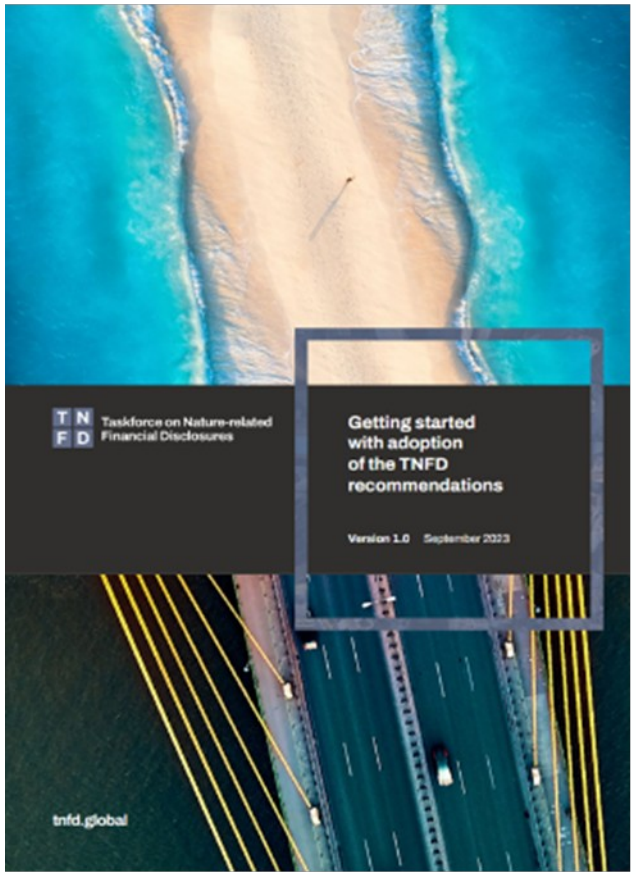
There are two core sector disclosure metrics for financial institutions (FIs)

FI core disclosure metric	Description
FI.C0.0: Exposure to sectors The TNFD recommends that FIs disclose a metric that represents the exposure to a defined set of sectors considered to have material nature-related dependencies and impacts.	This metric demonstrates that a financial institution has undertaken an initial nature-related exposure assessment with a sector lens, based on a heatmapping approach. • **For banks:** Absolute amount or percentage of lending volume. • **For asset owners and managers:** Absolute amount or percentage of invested or owned assets. • **For re/insurers:** Absolute amount or percentage of gross written premiums (excluding external acquisition costs if appropriate) or total sums insured.
FI.C0.1: Exposure to sensitive locations The TNFD recommends that FIs disclose a metric that represents the exposure to companies with assets and/or activities in sensitive locations.	This metric demonstrates that a financial institution has undertaken an initial nature-related exposure assessment with a sensitive location lens. • **For banks:** Absolute amount or percentage of lending volume. • **For asset owners and managers:** Absolute amount or percentage of invested or owned assets. • **For re/insurers:** Absolute amount or percentage of gross written premiums (excluding external acquisition costs if appropriate) or total sums insured.

Source: TNFD (2023) Recommendations of the Taskforce on Nature -related Financial Disclosures

Extra guidance – getting started

There is guidance to support your organisation to get started with the TNFD recommendations



Seven key steps to get you started and increase your TNFD disclosure ambition over time



Key take-home messages

1

There is a range of tools and datasets available that corporates and financial institutions can use to assess, disclose and manage nature-related issues.

2

Organisations should familiarise themselves with the relevant tools applicable to their sector(s) and the biomes that they either directly or indirectly interface with.

3

Organisations should not hesitate to get started by assessing how they can access the necessary data, identifying what nature-related data could be covered using primary, secondary or proxy data, and then setting out plans for how they can improve access to quality data over time.

Climate Risk Services

Thank you!

Building a climate-smart, net zero and nature-positive future together.

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