

UNDP BIOFIN – TNFD Training

Understanding key TNFD terms

June 2025

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. A language system for nature

Key Objectives

- Understand and feel comfortable using the key terminology of the TNFD and the language of nature.

A language system for nature

Why we need a consistent language system for nature

To understand, manage and transparently disclose how we interact with nature

"Sound and consistent understanding of nature-related terms will strengthen and align communication between companies, investors and other stakeholders"

Source: Naumoff, A. (2024) A common language for nature related engagements, Federated Hermes

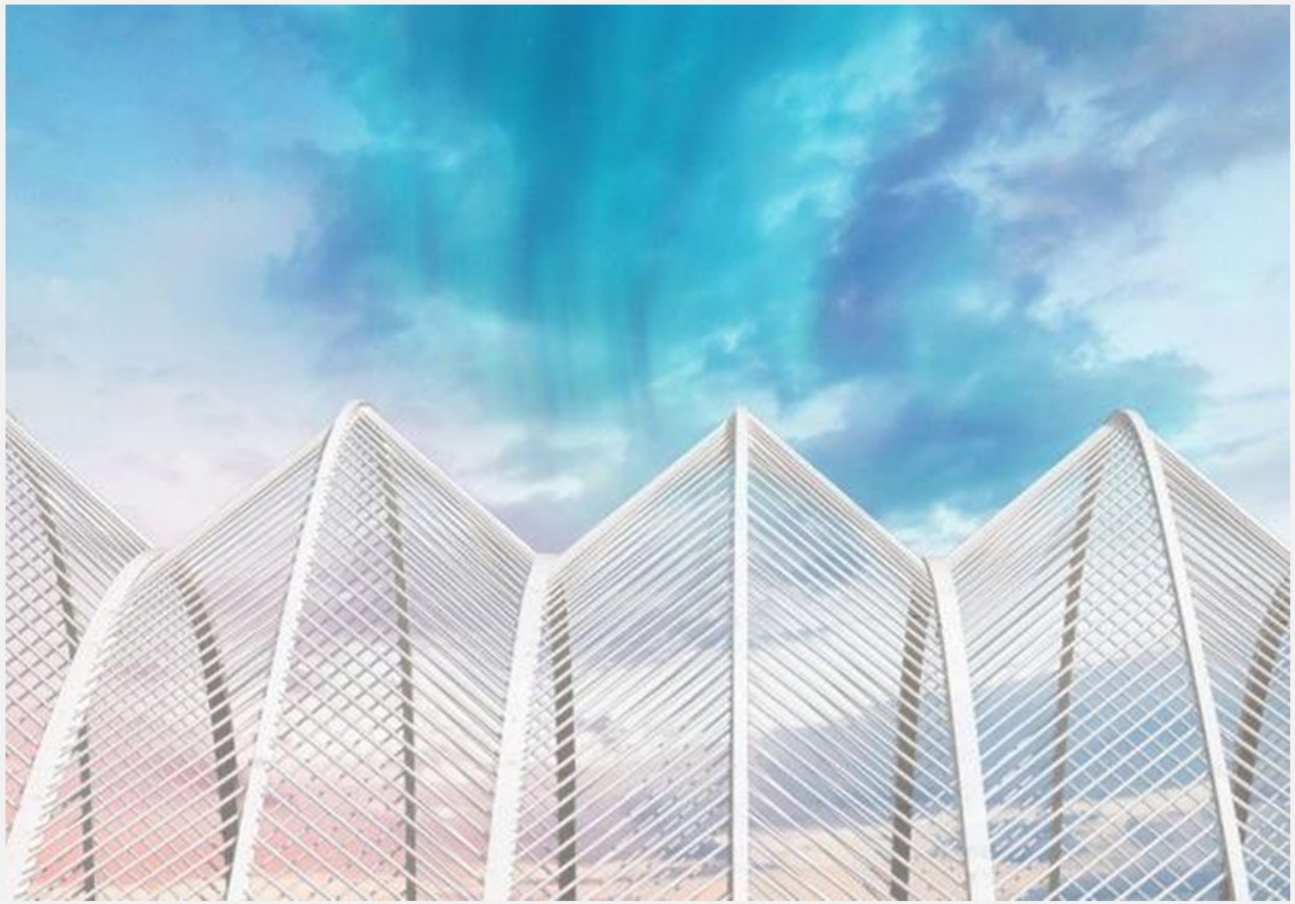


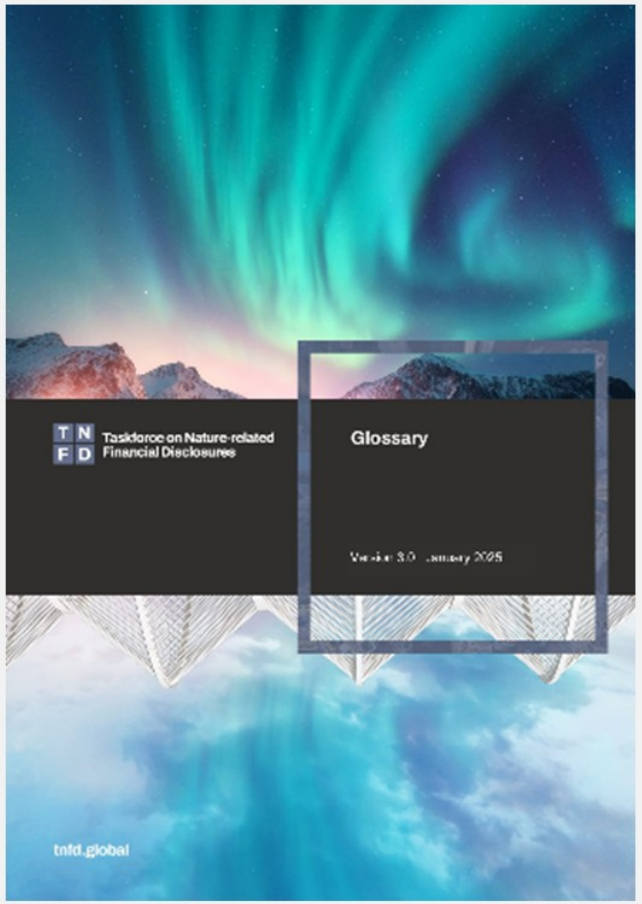
Insights from piloting:

For many organisations understanding nature and its financial relevance is new. Piloting organisations found that nature expertise tends to be siloed and there was a need to upskill management and staff internally on foundational concepts to support the internal assessment team.

The TNFD glossary

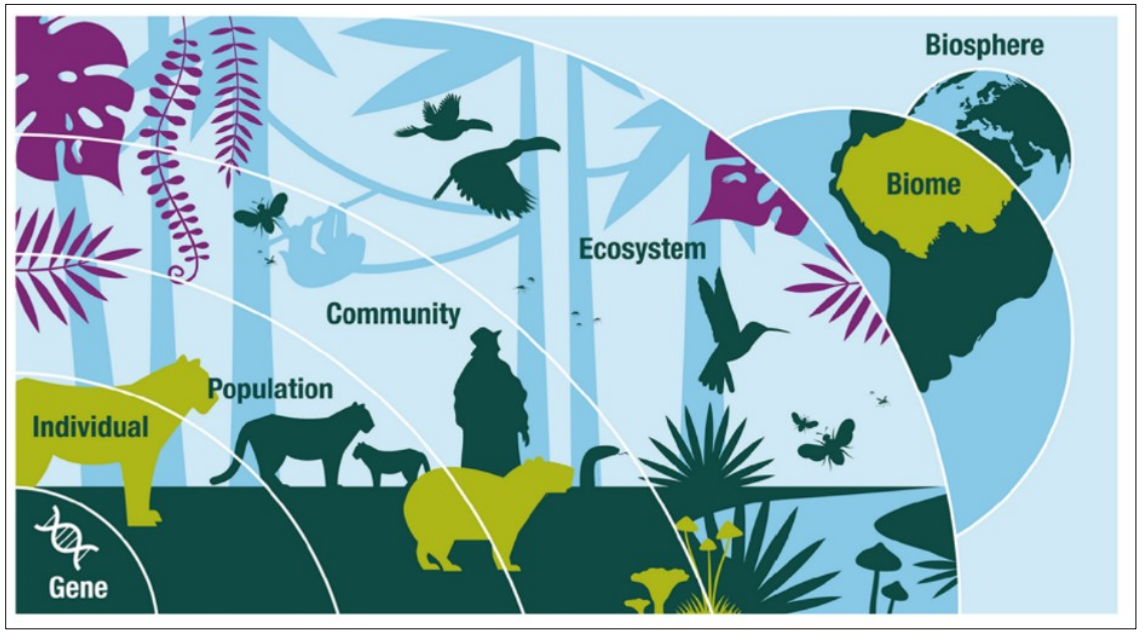
The TNFD glossary of nature-related terms provides a comprehensive language system on nature





Levels of biodiversity

What are the key terms and levels of biodiversity?



Nature – the natural world, with an emphasis on the diversity of living organisms and their interactions among themselves and with their environment.

Biodiversity – the variability among living organisms, at multiple levels from genetic diversity through to diversity across ecosystems.

Ecosystem – A dynamic complex of plant, animal and microorganism communities and the non-living environment, interacting as a functional unit.

Biome – global-scale zones, essentially types of ecosystem (e.g., tropical rainforests) that exist in different locations around the world.

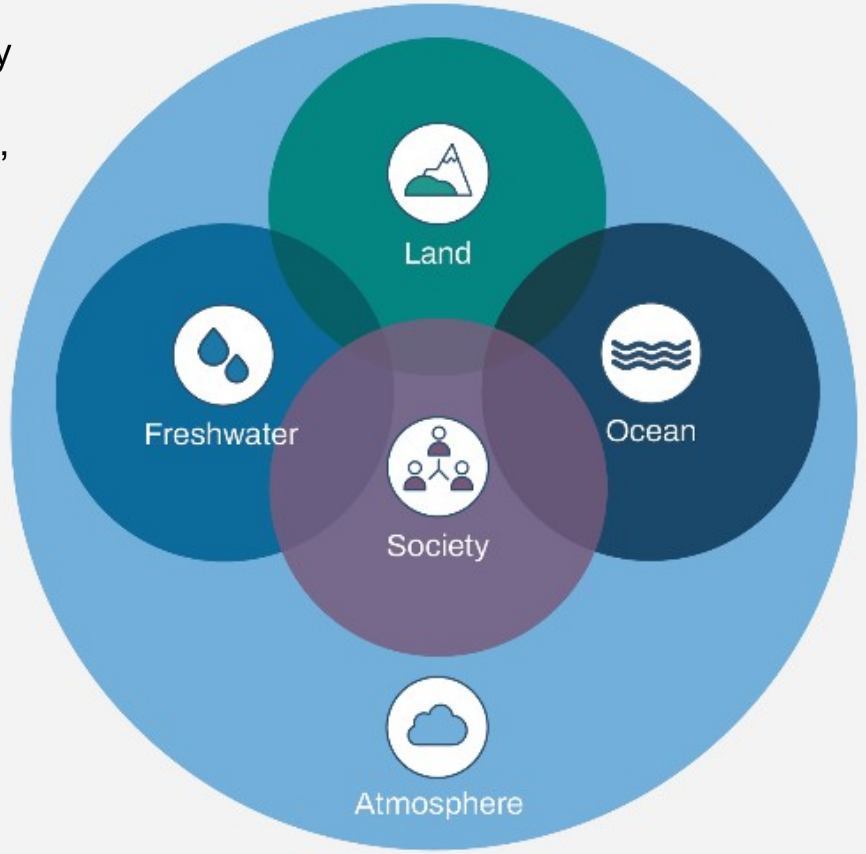
The TNFD produces extra biome-specific guidance

The TNFD's four realms of nature

Land, freshwater, ocean and atmosphere

Major components of the living, natural world that differ fundamentally in ecosystem organisation and function: terrestrial (land), freshwater, marine (ocean), subterranean and atmospheric. The TNFD's framework is based on four realms – land, freshwater, ocean and atmosphere. The subterranean realm is included within the land, freshwater and ocean realms.

Source: TNFD (2024) Glossary, Version 2



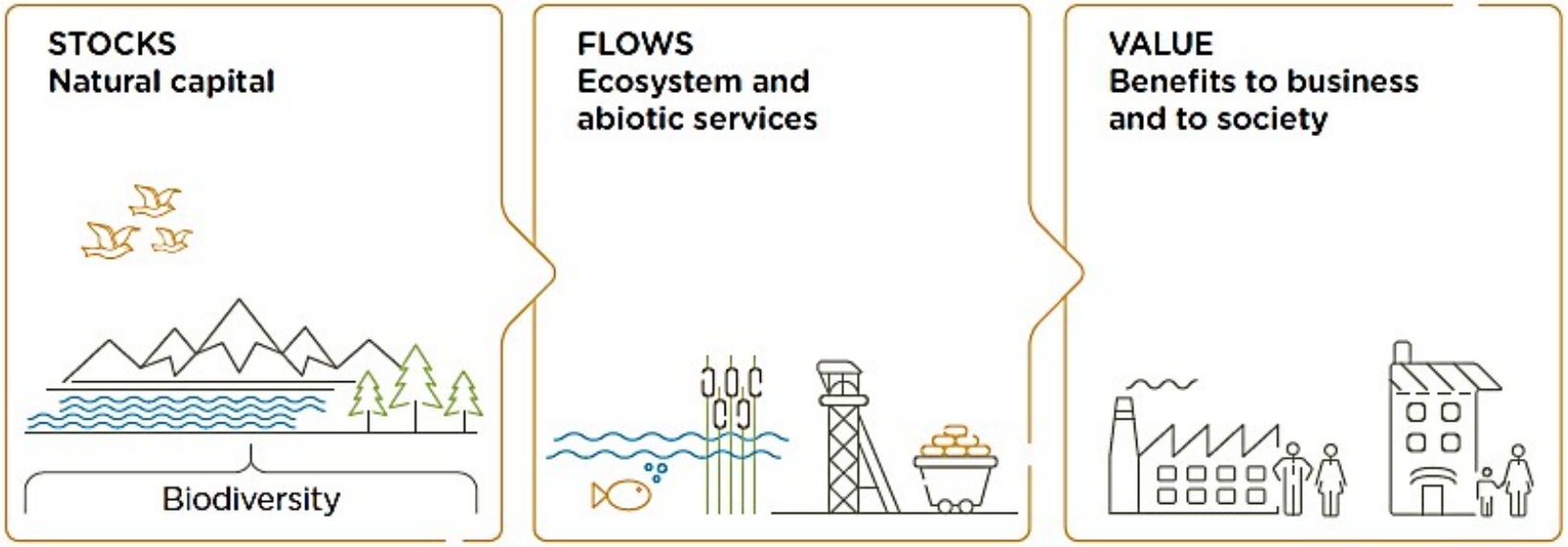
TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures

Society lies at the centre of the framework, interacting with and across all four realms.

This includes people, corporates and financial institutions, all of whom depend and have impacts on nature.

Natural capital

We all depend on natural capital and environmental assets in various ways



Natural Capital Coalition. 2018. "Connecting Finance and Natural Capital: A Supplement to the Natural Capital Protocol".

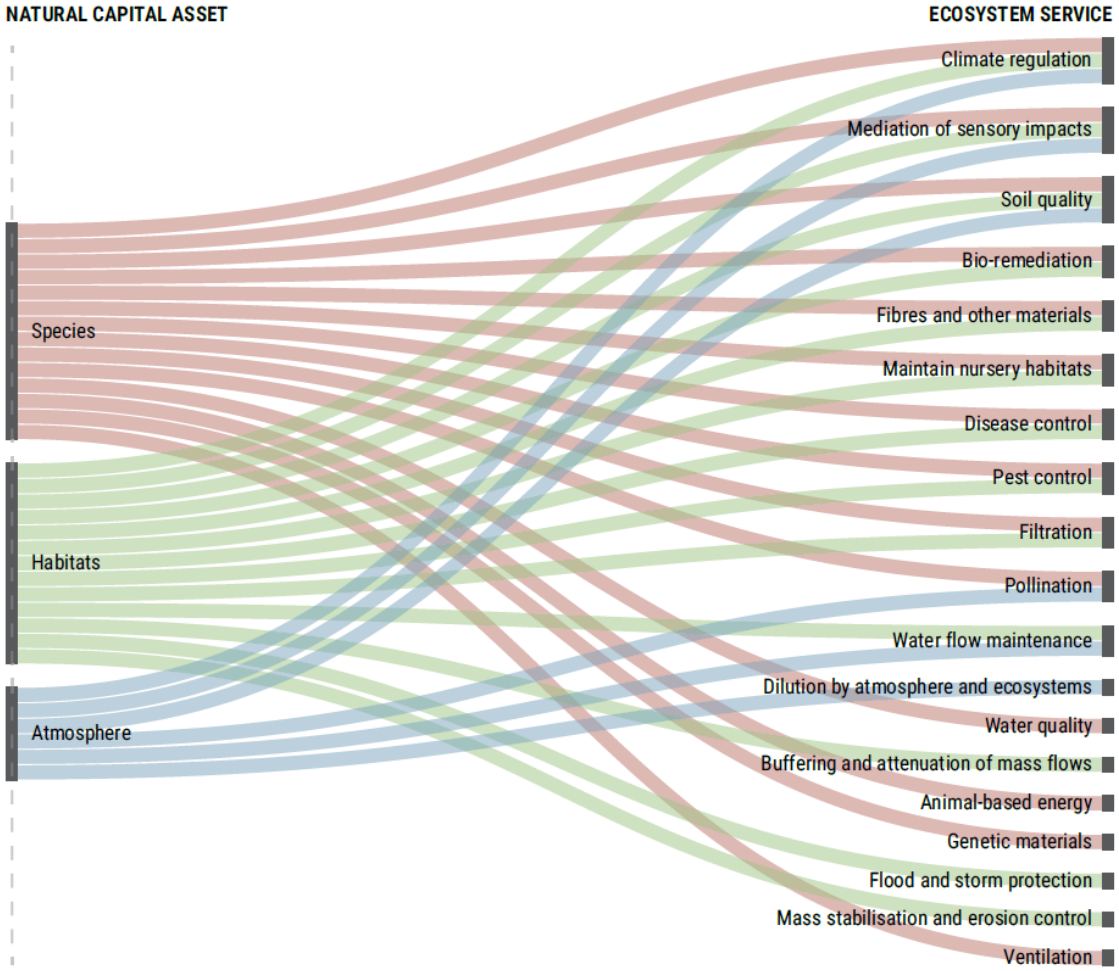
Natural capital: the stock of renewable and non-renewable natural resources, such as plants, animals, air, water, soils and minerals, that combine to yield a flow of benefits to people

Environmental assets: The naturally occurring living and non-living components of the Earth, together constituting the biophysical environment, which may provide benefits to humanity.

Source: United Nations et al. (2021) System of Environmental-Economic Accounting – Ecosystem Accounting, cited in TNFD (2024), Glossary, Version 2

Ecosystem services

We all depend on ecosystem services



The contributions of ecosystems to the benefits that are used in economic and other human activity.

Some examples:

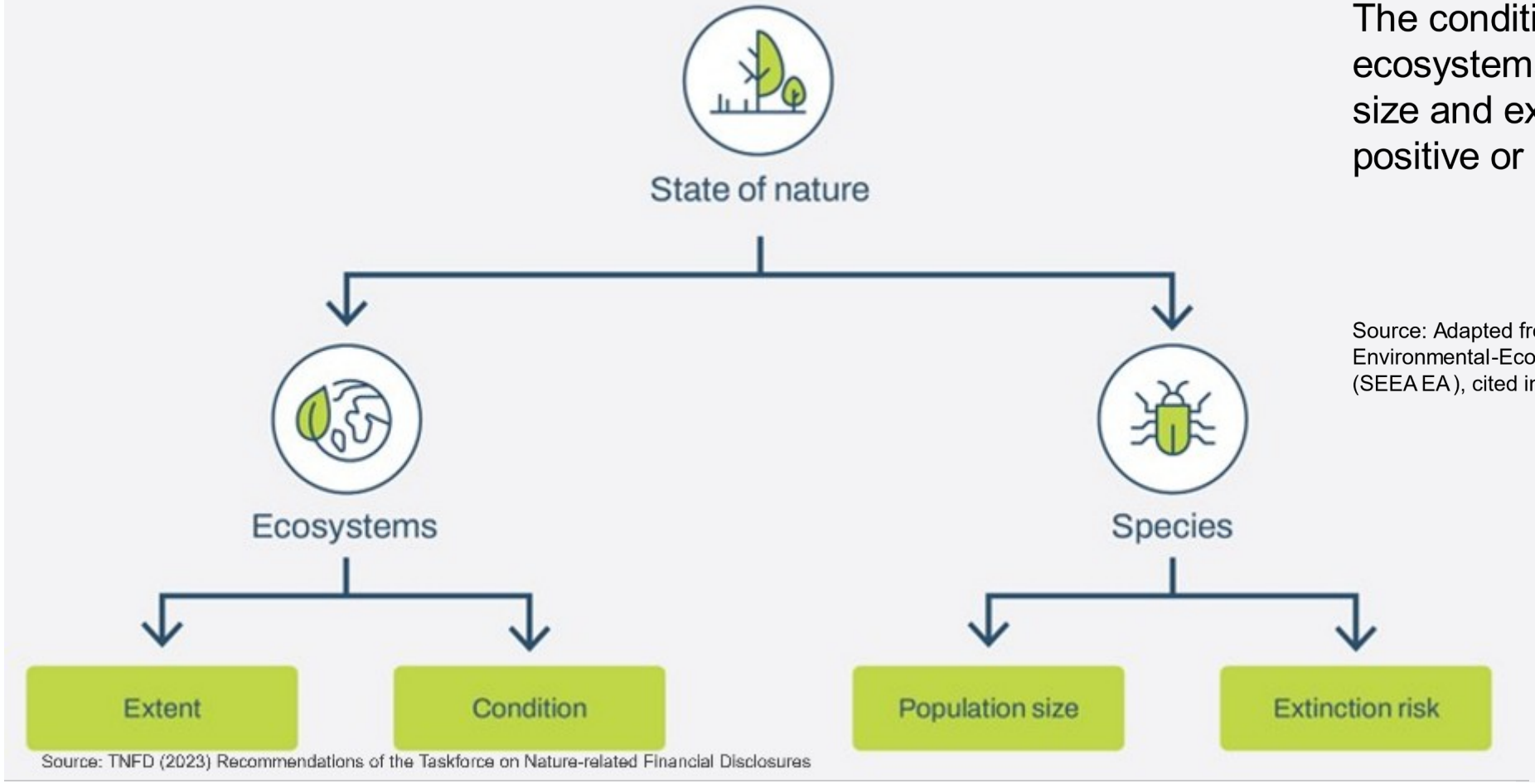
- Provision of timber in a forest
- Freshwater from a river
- Recreational and tourism opportunities of a forest or coral reef
- Flood mitigation of floods
- Crop pollination

Source: United Nations et al. (2021) System of Environmental-Economic Accounting – Ecosystem Accounting, cited in TNFD (2024), Glossary, Version 2

Exploring Natural Capital Opportunities, Risks and Exposure: A practical guide for financial institutions, Natural Capital Finance Alliance and UN Environment World Conservation Monitoring Centre (Geneva, Oxford and Cambridge), 2018.

State of nature

The state of nature depends on the health and functioning of ecosystems and species

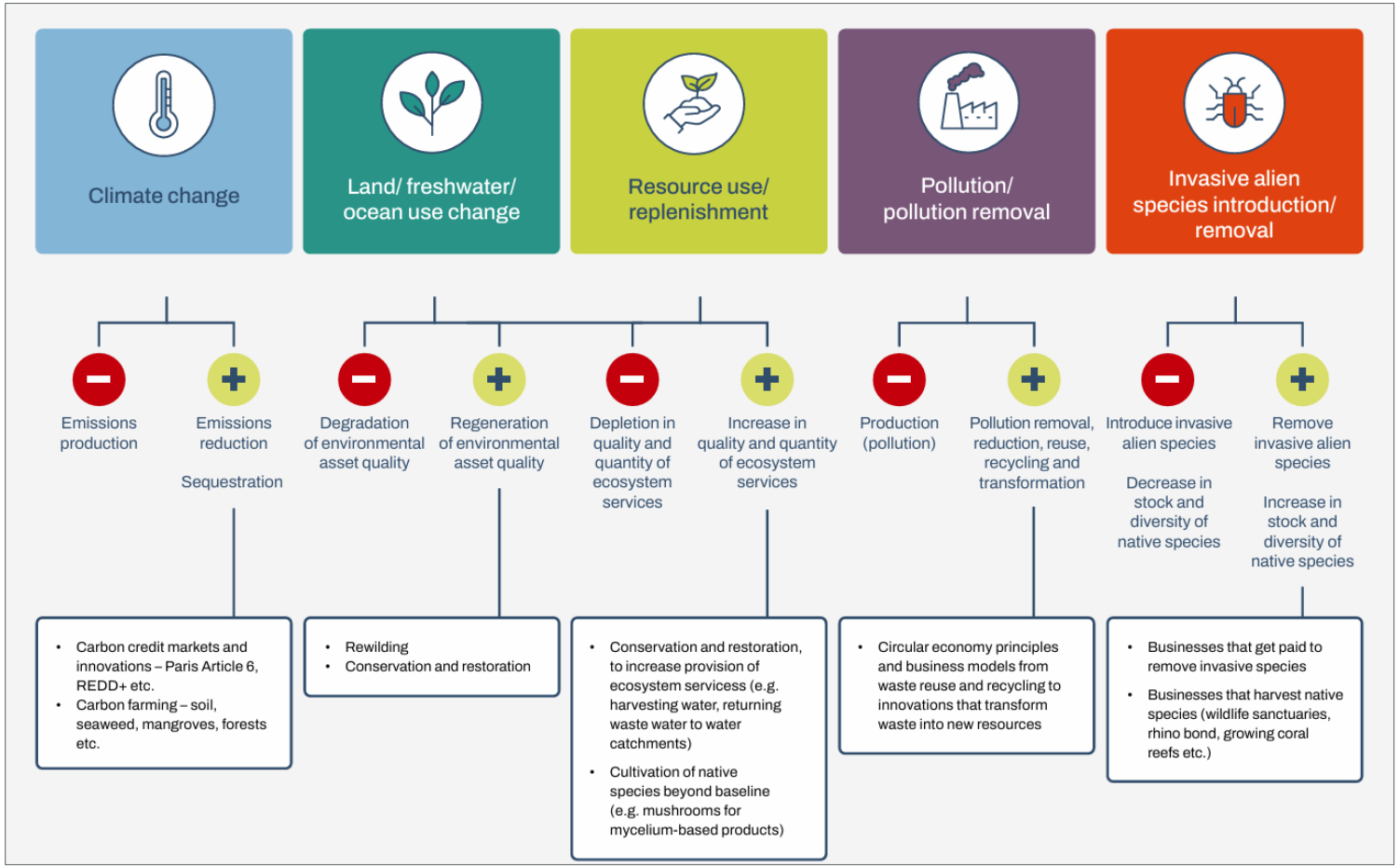


The condition and extent of ecosystems, and species population size and extinction risk, including positive or negative changes.

Source: Adapted from United Nations et al. (2021) System of Environmental-Economic Accounting - Ecosystem Accounting (SEEA EA), cited in TNFD (2024), Glossary, Version 2

Drivers of nature change

The drivers can lead to both positive and negative changes in the state of nature



5 drivers of nature change:

- Climate change
- Land/freshwater/ocean use
- Resource use
- Pollution
- Invasive species

Each can have either a positive or negative effect.

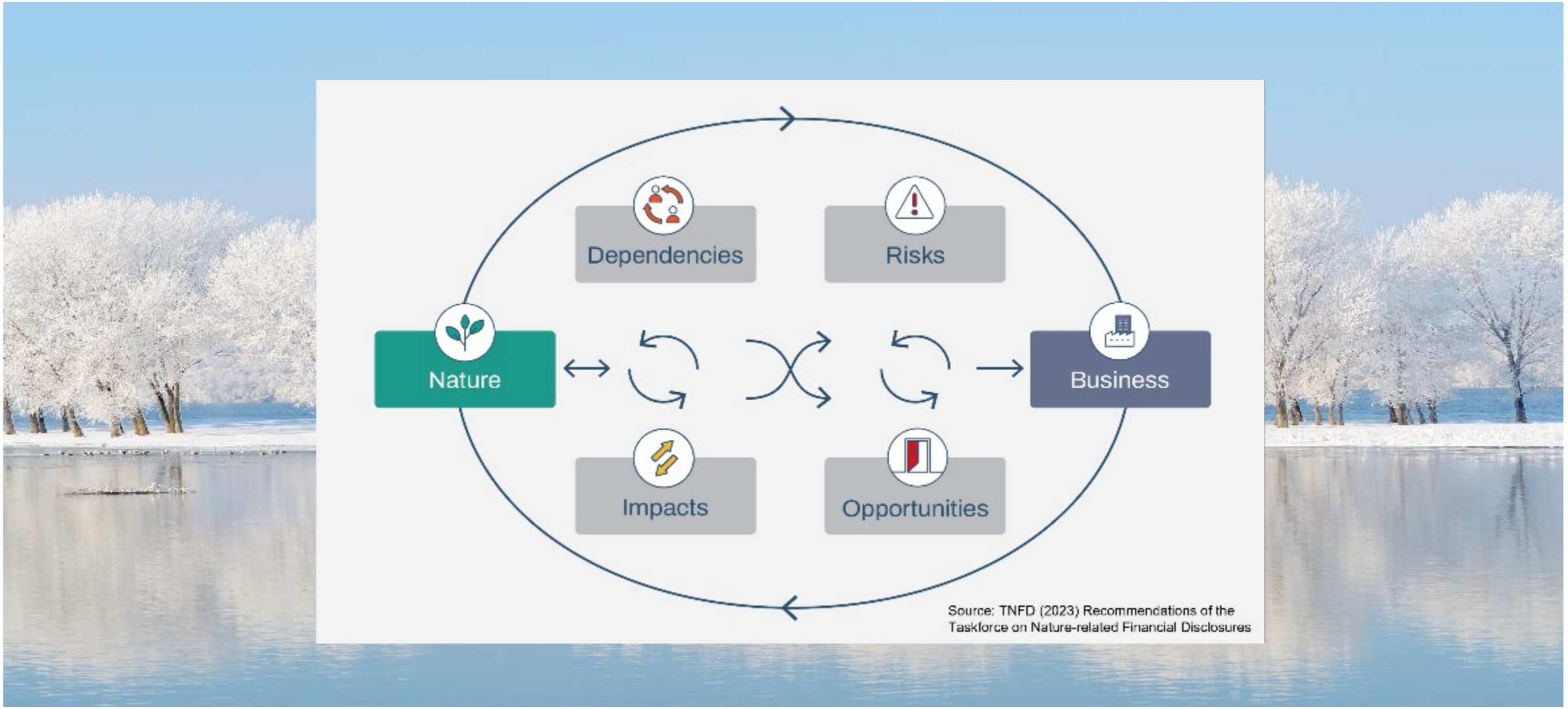
Nature drivers are location specific the TNFD notes 2 types of location:

Sensitive locations – locations where the assets/activities of the organisation interface with nature in ecologically sensitive areas.

Material locations – locations where the organisation has identified material nature-related DIROs.

Defining nature-related issues

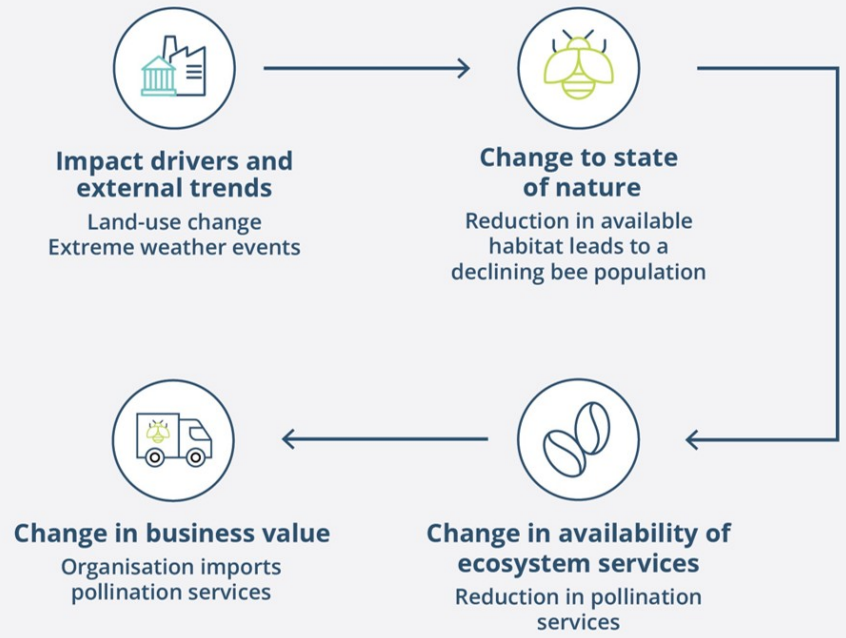
A collective term for nature-related dependencies, impacts, risks and opportunities



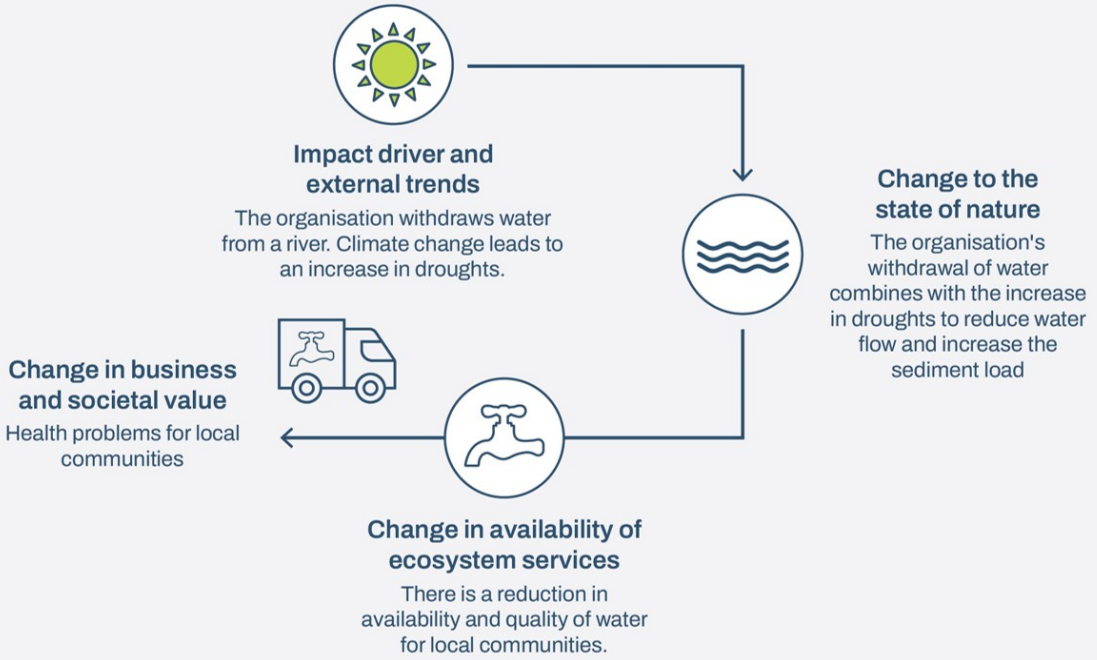
Dependency and impact pathways

Examples of dependency and impact pathways

Example **dependency pathway** for a coffee production company



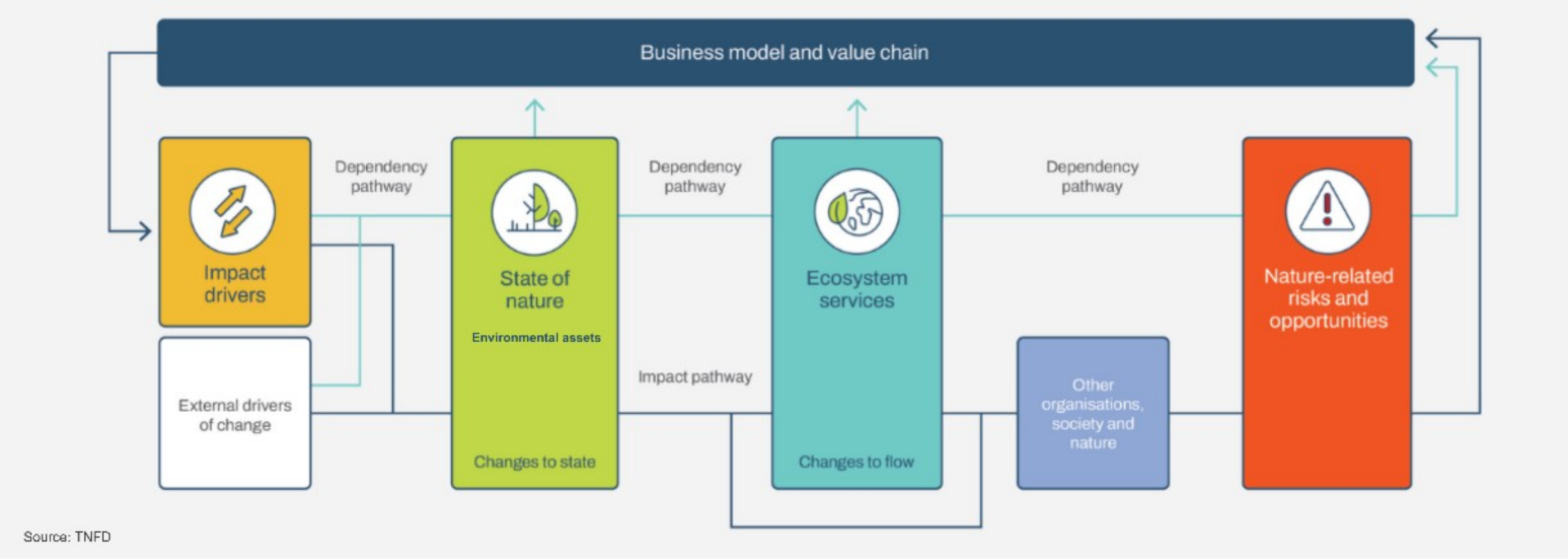
Example **impact pathway for** an organisation extracting water from a local freshwater river



Source: Capitals Coalition (2016) Natural Capital Protocol

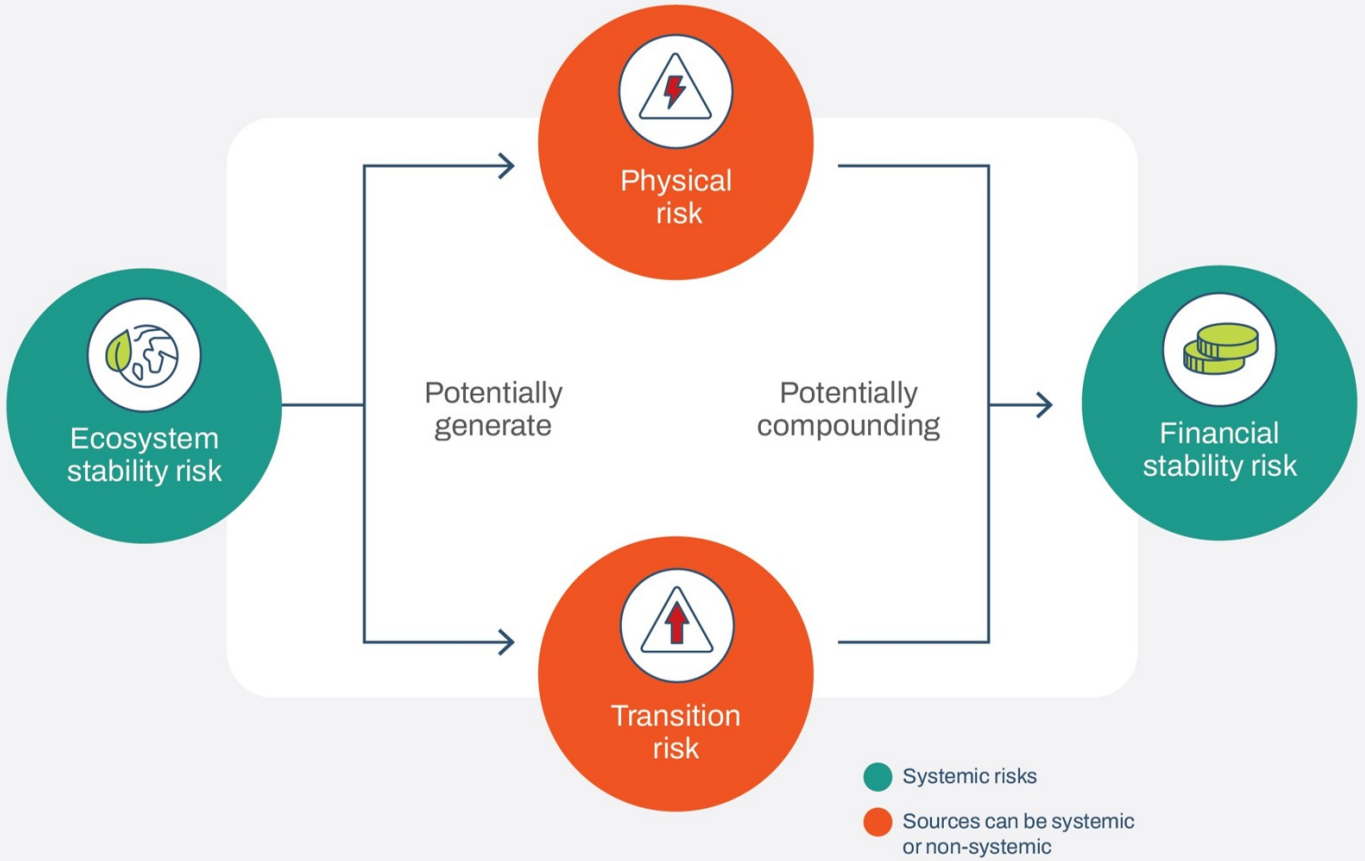
Nature-related issues are interlinked and interdependent

They interface with businesses and their value chains in a variety of ways



Nature-related risk categories

Nature-related risks are interconnected



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

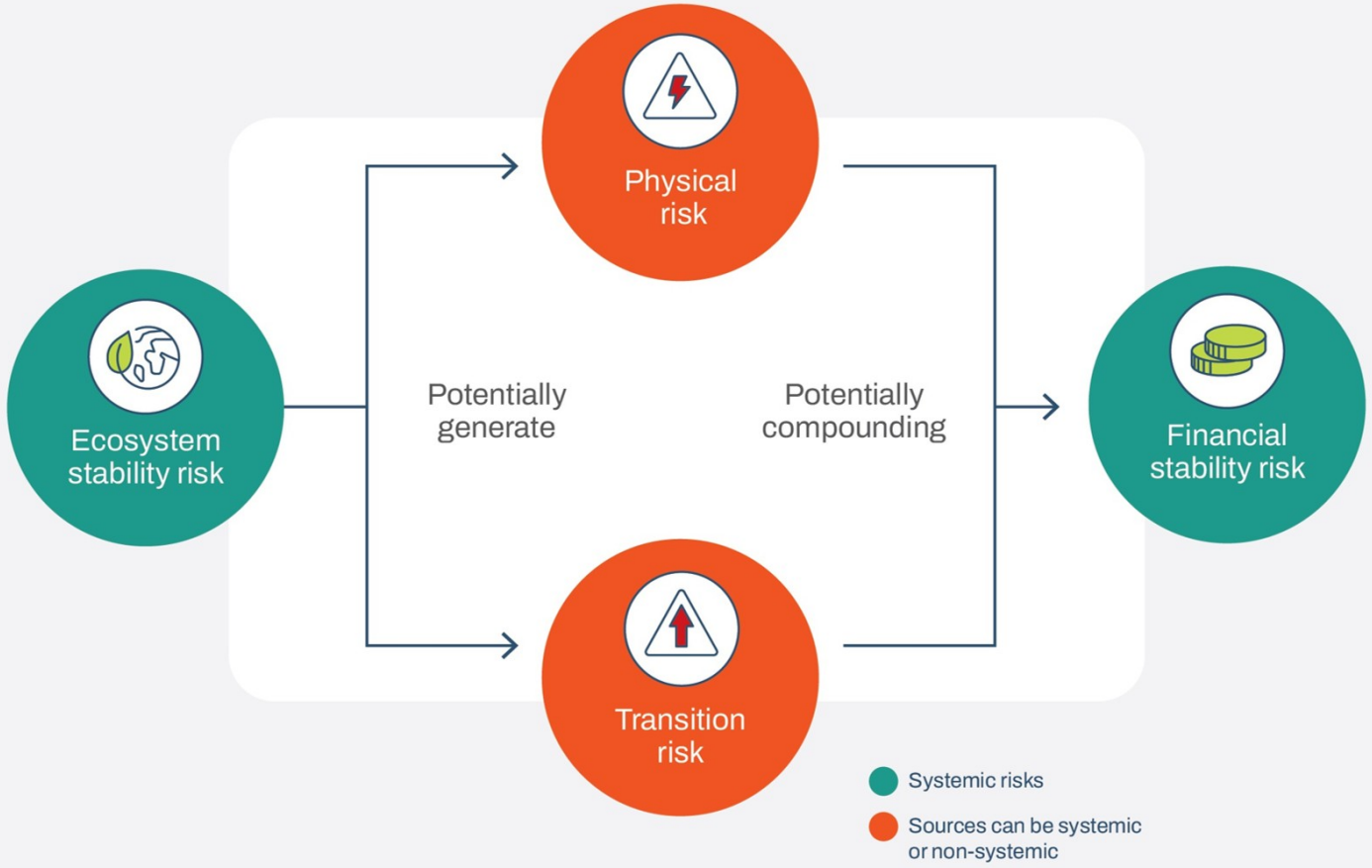
Physical risks: Risks resulting from the degradation of nature and consequential loss of ecosystem services that economic activity depends upon.

Transition risks: Risks to an organisation that stem from a misalignment of economic actors with actions aimed at protecting, restoring and/or reducing negative impacts on nature.

Systemic risks: Risks arising from the breakdown of the entire system, rather than the failure of individual parts.

Nature-related hazards

Hazards are the crystallisation of physical or transition risks



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

Hazard: Refers to the potential occurrence of a natural or human-induced physical event that may cause loss of life, injury, or other health impacts, as well as damage and loss to property, infrastructure, livelihoods, service provision and environmental resources. Extrapolating from this, hazards can also consist of transition hazards, e.g. specific policies or socioeconomic trends that suddenly render specific activities and assets stranded.

Nature-related opportunity categories

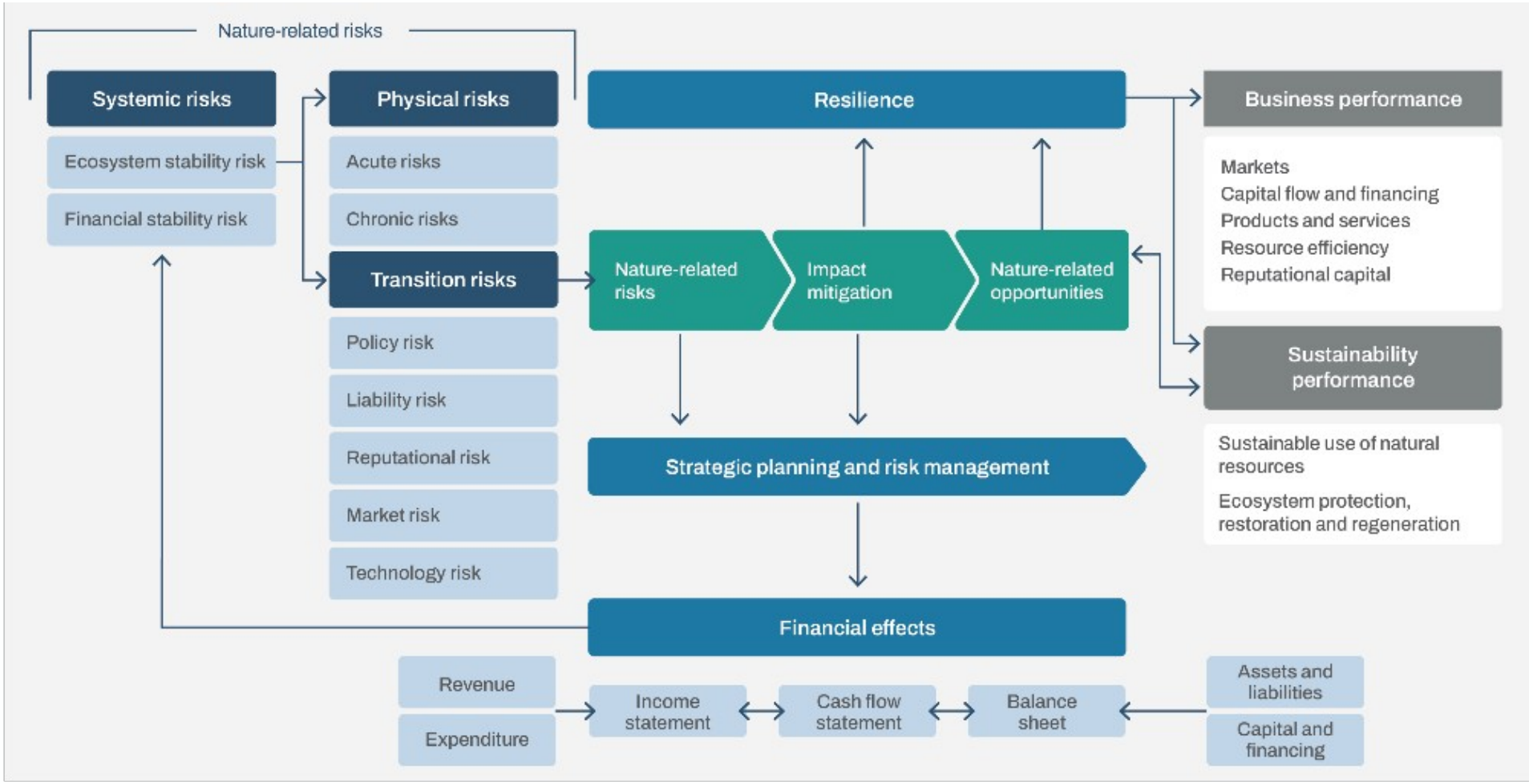
Nature-related opportunities can contribute to improved business and sustainability performance



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

Organisations and their nature-related risks and opportunities

Implications for business resilience, strategic planning, risk management and financial performance



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

Key take-home messages

1

It is important to understand key nature-related terms and use them consistently – we will come back to these terms in subsequent modules so do keep them in mind!

2

The TNFD guidance and recommendations provide consistent terminology to help organisations, and their value chains, adopt a common language and develop comparable disclosures on nature-related issues.

3

The nature–business interface is complex, contested and evolving – it is important that nature communications are constructive and seek to promote clarity and consistency, and support effective engagement at an appropriate level.

Climate Risk Services

Thank you!

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

www.climateriskservices.com