

UNDP BIOFIN – TNFD Training

Interoperability of key frameworks

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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).



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In this video…

1. Global reporting architecture
2. Interoperability between reporting standards
3. Cross-reference tables

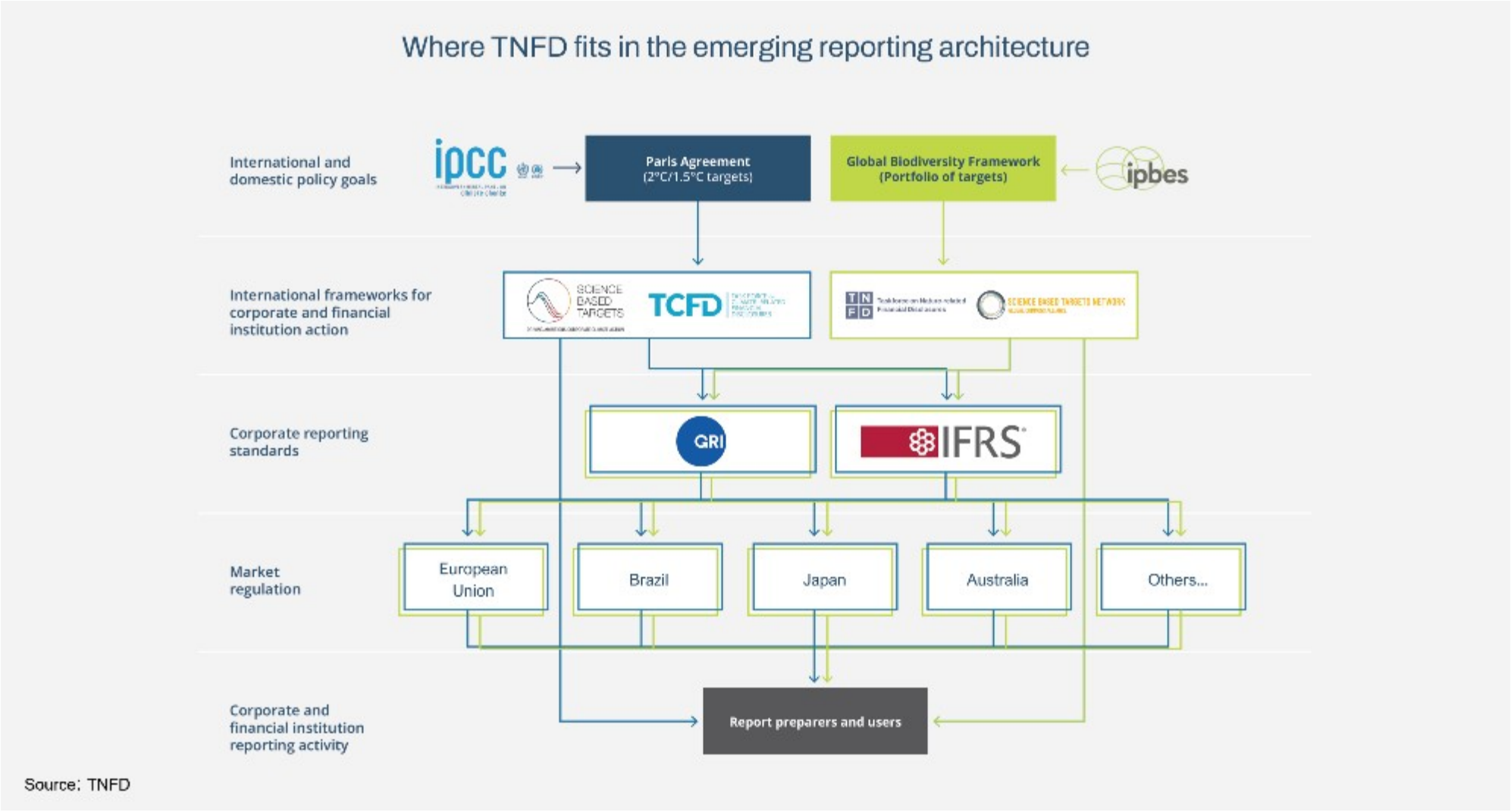
Key Objectives

- Understand how the TNFD aligns with and complements other key frameworks.

Global reporting architecture

Global climate and nature-related reporting architecture

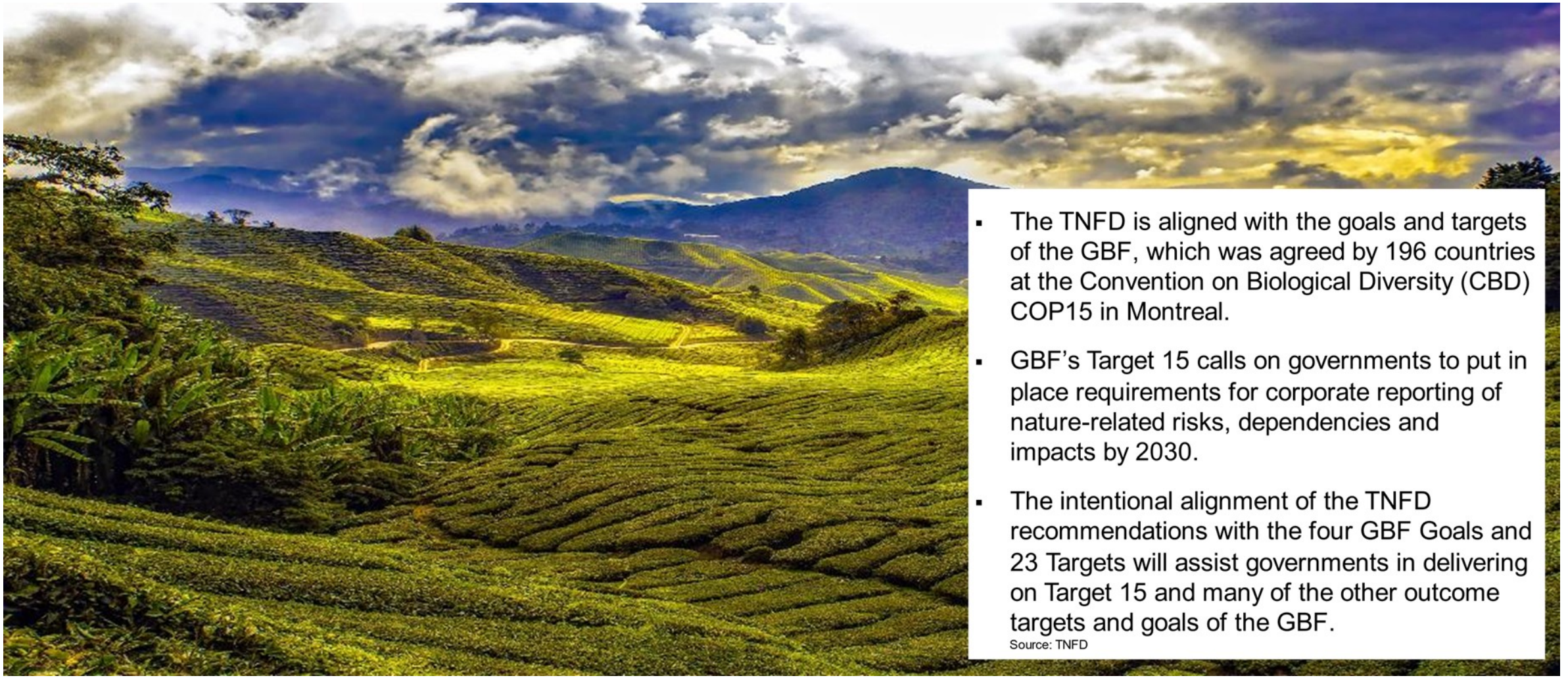
The landscape of nature-related reporting is evolving rapidly



Source: TNFD

The TNFD is aligned with global commitments on nature

196 countries signed up to the Global Biodiversity Framework (GBF) in December 2022



- The TNFD is aligned with the goals and targets of the GBF, which was agreed by 196 countries at the Convention on Biological Diversity (CBD) COP15 in Montreal.
- GBF's Target 15 calls on governments to put in place requirements for corporate reporting of nature-related risks, dependencies and impacts by 2030.
- The intentional alignment of the TNFD recommendations with the four GBF Goals and 23 Targets will assist governments in delivering on Target 15 and many of the other outcome targets and goals of the GBF.

Source: TNFD

The TNFD was built on the TCFD reporting architecture

Both frameworks have a common structure, language and approach to help streamline implementation

All 11 Task Force on Climate-related Financial Disclosures (TCFD) recommended disclosures have been carried over to the TNFD to:

- build on existing market practice
- encourage integrated (climate + nature) reporting

Three further disclosures have been added, marked (), covering three important areas for nature:

- engagement
- locations
- value chains



Governance	Strategy	Risk & impact management	Metrics & targets
Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.
Recommended disclosures	**Recommended disclosures**	**Recommended disclosures**	**Recommended disclosures**
A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	**A**. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	**A**(i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	**A**. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.
B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	**B**. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	**A**(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	**B**. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.
C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	**C**. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	**B**. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	**C**. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.
	D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	**C**. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	

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

The TNFD is consistent with voluntary reporting standards

For example, International Financial Reporting Standards (IFRS) and Global Reporting Initiative (GRI)

- The TNFD is consistent with the International Sustainability Standards Board's (ISSB) S1 and S2 standards – set up under the IFRS – and the GRI's environmental standards.
- The TNFD meets the material information needs of capital providers consistent with the ISSB standards.
- The TNFD meets the material information needs of stakeholders adopting a broader materiality approach, focused on both impact (aligned with GRI/EU standards) and financial (aligned with ISSB) materiality, for report preparers who want or need to report on a double materiality approach.
- The ISSB has signalled that it intends to draw on the work of the TNFD as and when it develops specific nature-related IFRS disclosure standards.



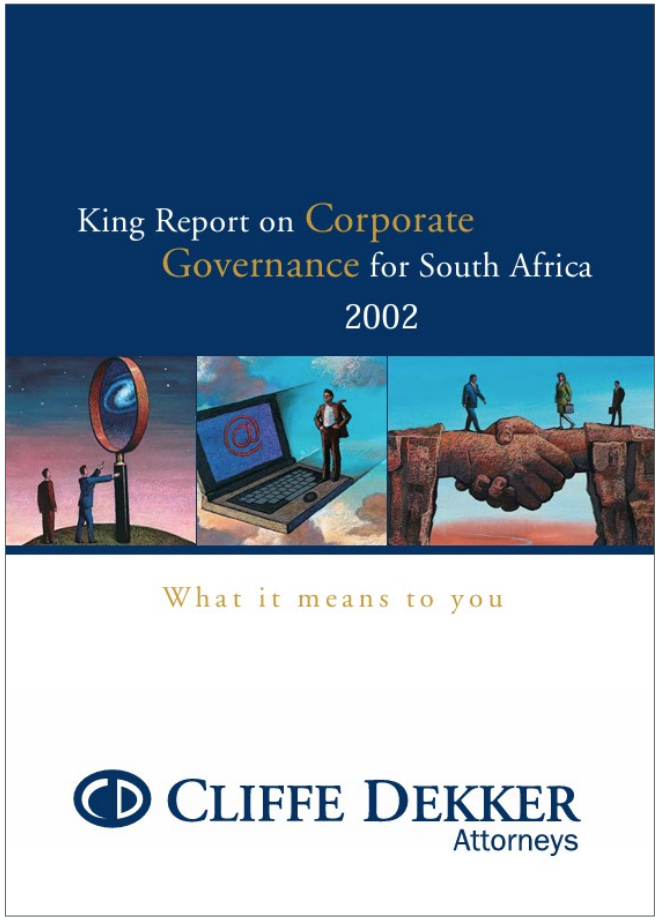
King codes of government

TNFD guidance is rooted in existing frameworks/regulations, South African institutions can take advantage of their familiarity with existing frameworks and regulations

The **King IV code** focussing on ethical leadership, stakeholder inclusivity, integrated thinking, and sustainability laid the foundation for now global frameworks like the TCFD and TNFD.

King IV code principles are directly aligned to the TNFD, particularly the TNFD governance guidance.

- **Principle 3** - The governing body should ensure that the organization is and is seen to be a responsible corporate citizen.
- **Principle 4** – Governing body should appreciate that the organization's core purpose, risks, opportunities, and strategy are inseparable from sustainability.
- **Principle 11** - Risk governance should encompass both financial and ESG-related risks, including climate and nature-related risks.



Interoperability between reporting standards

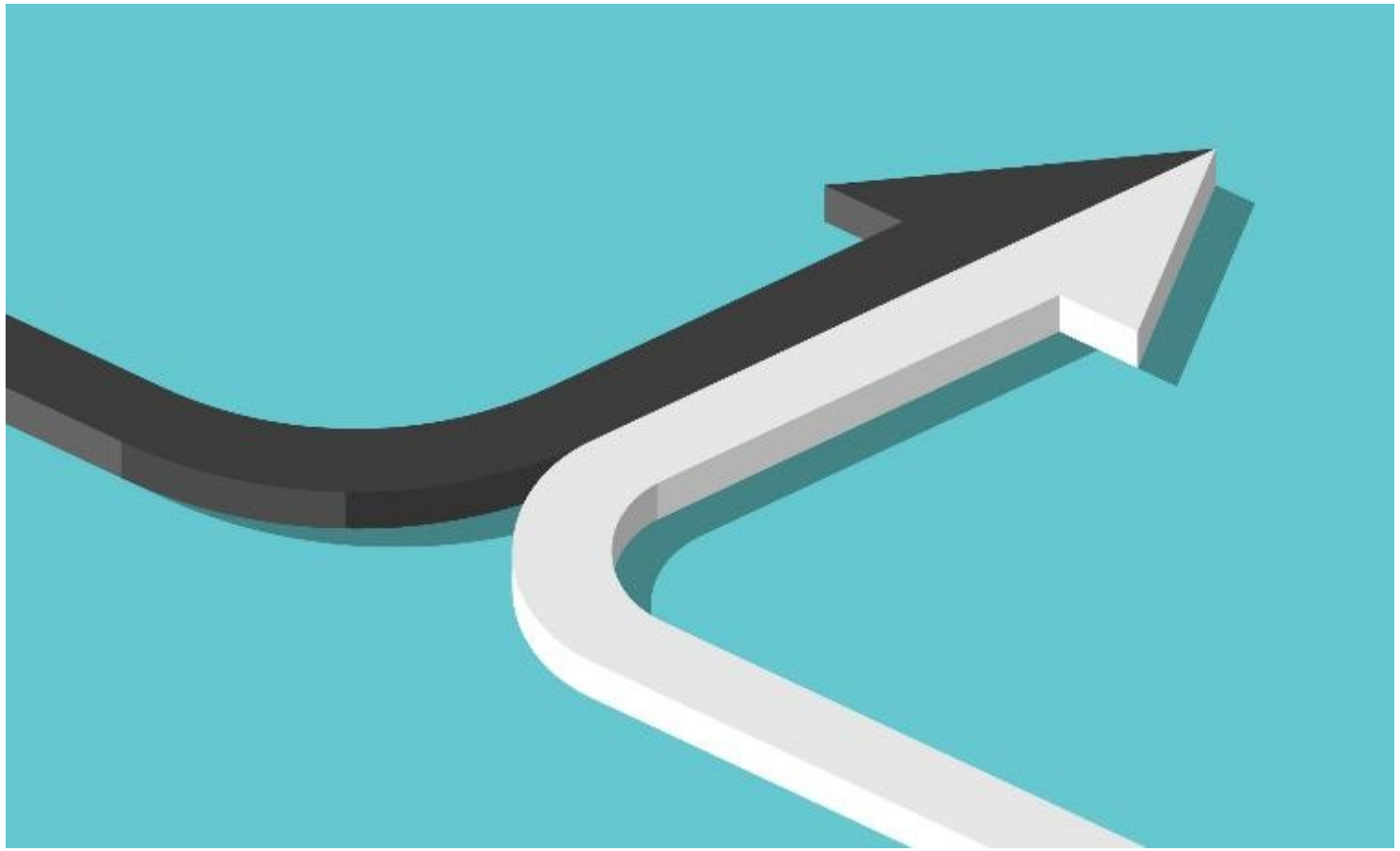
Interoperability and the TNFD guidance

Significant efforts have been made to improve the interoperability of reporting frameworks and standards

The TNFD will continue to play a key role in shaping nature-related disclosure standards as the global sustainability reporting landscape evolves.

Multi-year collaboration with sustainability standards bodies means there is now strong alignment in the nature-related information that corporates and financial institutions are encouraged to disclose.

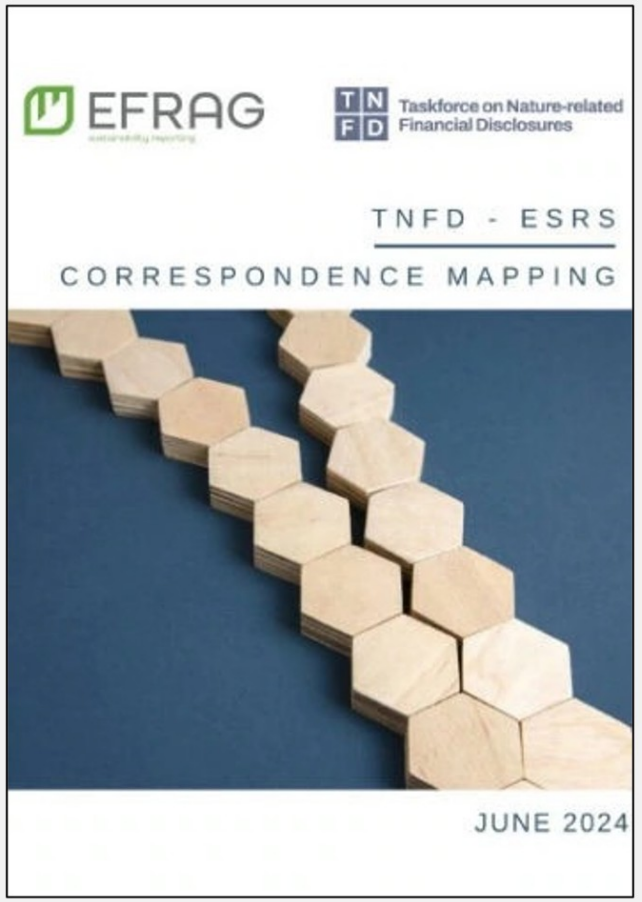
This interoperability reduces effort and enhances efficiency in reporting, as companies can leverage existing disclosures made under aligned standards and avoid double reporting.



European Sustainability Reporting Standards (ESRS)

Part 1: Alignment mapping between the ESRS and the TNFD recommendations and metrics

Key findings



- **Concepts and definitions**: Both the TNFD and ESRS recommend the need to disclose on nature-related impacts, risks and opportunities as well as dependencies on nature to the extent that they generate material risks.
- **Approach to materiality**: The ESRS require disclosures to be based on a double materiality principle. The TNFD enables report preparers to use both a financial and impact materiality lens to inform their materiality assessment.
- **The LEAP (Locate, Evaluate, Assess and Prepare) approach**: The ESRS state that companies may conduct their materiality assessment on the sustainability constituents of pollution, water, biodiversity and ecosystems, and circular economy (all ESRS environmental standards beyond climate change) using the LEAP approach.
- **Reporting pillars**: Both the TNFD recommended disclosures and the ESRS reporting areas are organised around the four disclosure pillars of the TCFD, which have now been incorporated in the ISSB's IFRS Standards.
- **Recommended disclosures and metrics**: All 14 disclosures recommended by the TNFD are addressed in the ESRS. There is also strong consistency between the TNFD's core global disclosure metrics and the related metrics in the ESRS.

Source: EFRAG and TNFD (2024), TNFD – ESRS correspondence mapping

TNFD – ESRS correspondence table

Part 2 of the TNFD – ESRS correspondence mapping report includes a correspondence table

The correspondence table can help stakeholders identify which ESRS disclosure requirements contribute to meeting the TNFD recommendations and metrics.

It can also enable ESRS preparers who intend to make disclosures aligned with the TNFD recommendations to leverage their ESRS reporting and add a limited number of data points identified through the table.

Extract of the TNFD – ESRS correspondence table:

TNFD recommended disclosures	ESRS paragraph number	ESRS content	Comment
Governance A The organisation should include a discussion of: Whether and how the board considers nature-related DIROs when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets and business plans.	ESRS 2 GOV-2 para. 26 (a)	26. The undertaking shall disclose the following information: (a) whether, by whom and how frequently the administrative, management and supervisory bodies, including their relevant committees, are informed about material IROs (…)	Difference in semantics. 1. ESRS do not explicitly mention "dependencies" in ESRS 2 GOV-2 paragraph (though dependencies are addressed in the ESRS). 2. ESRS do not explicitly mention the value chain in ESRS2 GOV- 2 paragraph 26 (though the ESRS ask about material IROs also in connection with the value chain).

Source: EFRAG and TNFD (2024) TNFD – ESRS correspondence mapping

ESRS materiality assessment and the LEAP approach

The LEAP approach can be used to produce ESRS-aligned materiality assessments

The TNFD LEAP Approach – Phases	Locate The interface with nature	Evaluate Dependencies & impacts	Assess Material risks and opportunities	Prepare To respond & report
ESRS E2 Pollution	Locate where in its own operations and its upstream and downstream value chain the interface with nature takes place. (see ESRS E2 paragraph AR 5)	Evaluate the undertaking's impacts and dependencies for each material site or sector/business unit. (see ESRS E2 paragraph AR 6)	Assess material risks and opportunities by identifying (a) transition risks and opportunities in its own operations and its value chain; (b) physical risks; (c) systemic risks; (d) opportunities. (see ESRS E2 paragraph AR7; ESRS E3 paragraph AR 13; ESRS E4 AR 9; ESRS E5 AR 5)	The fourth phase addresses the outcome of the process. This includes disclosing on strategy, policies, actions and targets related to material dependencies, impacts, risks and opportunities. (see ESRS 2, ESRS E2, ESRS E3, ESRS E4, ESRS E5)
ESRS E3 Water and marine resources	Locate where there are areas at water risk, and areas where there is an interface with marine resources that could lead to material impacts and dependencies in its own operations and along its upstream and downstream value chain. (see ESRS E3 paragraph AR 5)	Evaluate its impacts and dependencies for each priority location identified. (see ESRS E3 paragraph AR 8)		
ESRS E4 Biodiversity and ecosystems	Localisation of relevant sites regarding its interface with biodiversity and ecosystems. (see ESRS E4 paragraph AR 7)	Evaluate its actual or potential impacts and dependencies on biodiversity and ecosystems for relevant sites. (see ESRS E4 paragraph AR 8)		
ESRS E5 Resource use and circular economy	Phases 1 and 2 rely mainly on the materiality assessments conducted under ESRS E1 (including energy consumption), ESRS E2 (pollution), ESRS E3 (marine resources, water consumption) and ESRS E4 (biodiversity, ecosystems, raw materials). (see ESRS E5 paragraph AR 2)			

ESRS

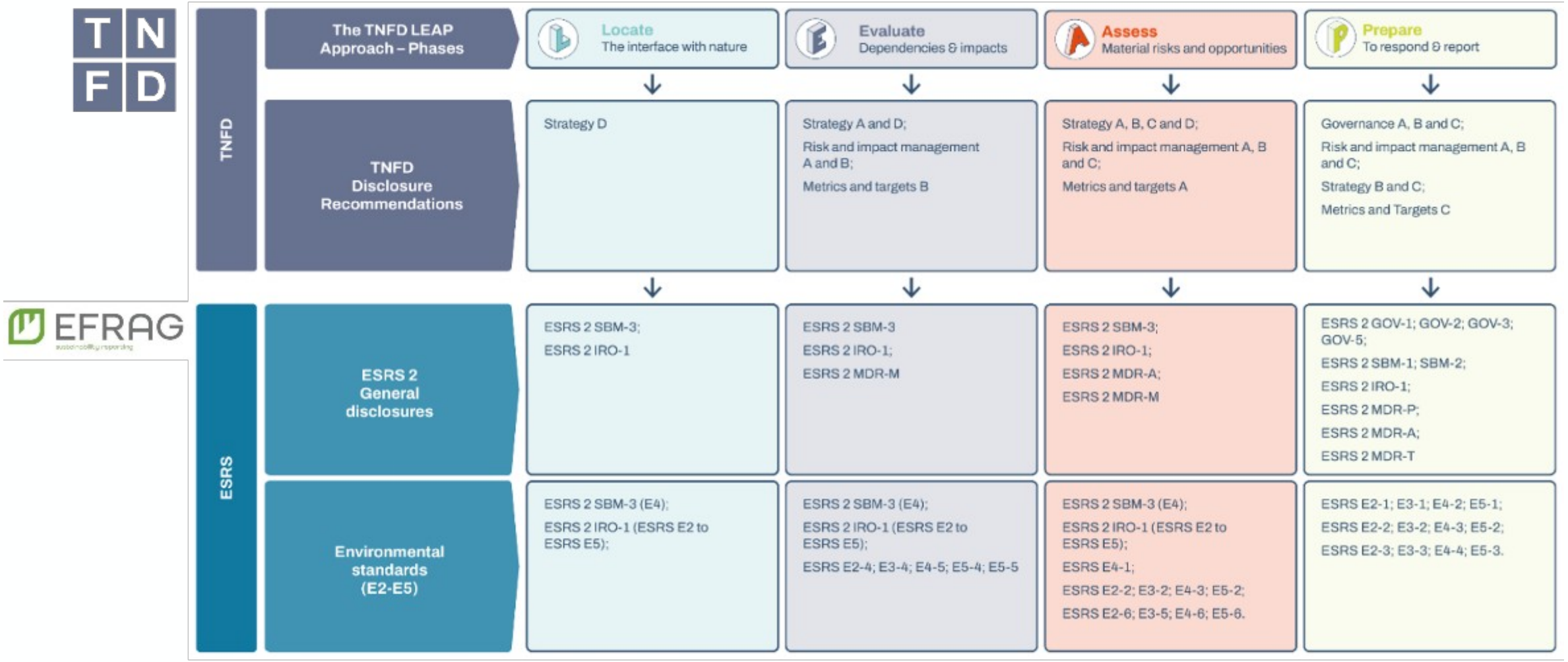
"The LEAP approach is mentioned in the ESRS as a tool that organisations may consider using when conducting a materiality assessment on environmental subtopics (other than climate change) in their own operations and their upstream and downstream value chains."

EFRAG and TNFD (2024) TNFD – ESRS correspondence mapping

Source: TNFD

The LEAP approach can be used to inform disclosures

The LEAP approach can inform both the TNFD and ESRS disclosure recommendations

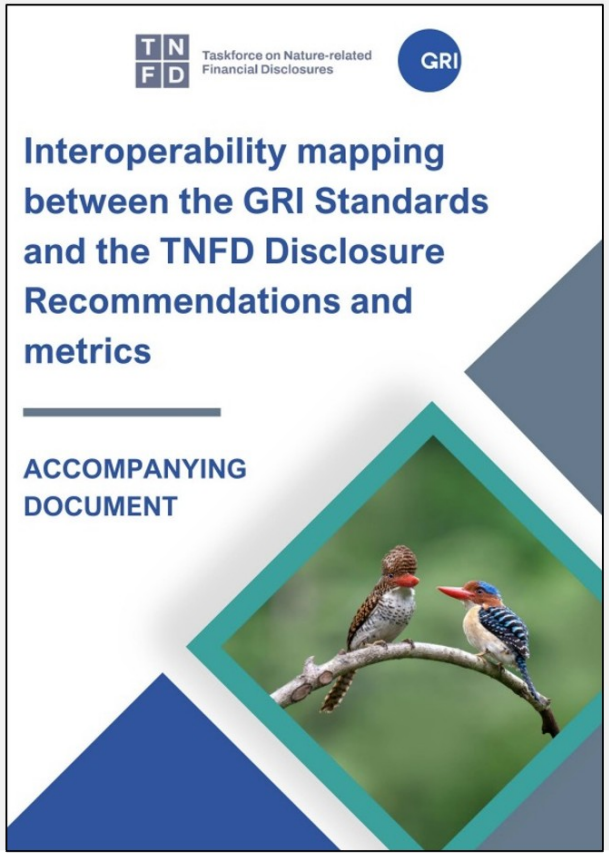


Source: EFRAG and TNFD (2024) TNFD – ESRS correspondence mapping

Global Reporting Initiative (GRI)

Interoperability mapping of the GRI standards and the TNFD recommendations and metrics

Key findings



The mapping underscores the high level of alignment achieved, including:

- consistent concepts and definitions
- the TNFD incorporation of the GRI impact materiality approach
- all the disclosures in GRI 101: Biodiversity 2024 being reflected in the TNFD recommendations
- all the TNFD recommendations being reflected in the GRI standards, except those exclusively covering nature -related risks and opportunities
- strong consistency between the TNFD core global disclosure metrics and the related metrics in the GRI standards
- the TNFD LEAP approach being referenced in GRI 101: Biodiversity 2024

The mapping also identifies high -level differences between the two approaches, including the GRI focus on impacts, not including dependencies, risks and opportunities.

Source: GRI and TNFD (2024) TNFD – GRI interoperability mapping

GRI standards and the TNFD recommended disclosures

Extract of the mapping relating to 'target setting and transition plans' (Strategy B)

TNFD recommended disclosures	GRI standards				
	GRI standard	Disclosure title or standard section	Number	Content	Comment
Strategy B - Target setting and transition plans Organisations that have made nature -related commitments, set nature -related targets and/or made nature transition plans to address nature-related dependencies, impacts, risks and opportunities should describe their commitments, how they will achieve them and how they are aligned to GBF goals and targets. A non-exhaustive list of indicators and metrics that demonstrate the response of organisations to nature -related dependencies, impacts, risks and opportunities is provided in Annex 2.	GRI 3: Material Topics 2021	3-3 Management of material topics	3-3-c	Describe its policies or commitments regarding the material topic	Difference in scope The TNFD includes nature transition plans, which are not covered by GRI 3-3-c, GRI 3-3-e-ii, GRI 101-1-a, and GRI 101-1-c
			3-3-e-ii	Goals, targets, and indicators used to evaluate progress	
	GRI 101: Biodiversity 2024	101-1 Policies to halt and reverse biodiversity loss	101-1-a	Describe its policies or commitments to halt and reverse biodiversity loss, and how these are informed by the 2050 Goals and 2030 Targets in the Kunming-Montreal Global Biodiversity Framework	
			101-1-c	Report the goals and targets to halt and reverse biodiversity loss, whether they are informed by scientific consensus, the base year, and the indicators used to evaluate progress	

Source: GRI and TNFD (2024) TNFD – GRI interoperability mapping

Interoperability and implementing the TNFD guidance

A reminder of the conceptual foundations for TNFD disclosures



Cross-reference tables

What are cross-reference tables?

These tables help improve clarity and streamline reporting requirements and disclosures

There are several emerging regulations and nature-related guidance across multiple geographies.

The TNFD supports the use of cross-reference tables in corporate reporting to help simplify and streamline the presentation of TNFD-aligned disclosures.

Source: TNFD (2024) The TNFD supports use of cross-reference tables for corporate reporting

TNFD Recommendations		ESRS 1			ESRS 2			ESRS E2			ESRS E3			ESRS E4			ESRS E5			Notes
		DP1	DP2	DPn	DP1	DP2	DPn	DP1	DP2	DPn	DP1	DP2	DPn	DP1	DP2	DPn	DP1	DP2	DPn	
Governance	A:	Pp x	Pp y	Pp n	....	...	...													
	B:	....	...	...	....	...	...													
	C:	....	...	...	....	...	...													
Strategy	A:					...	...		...	...		...	...	....	...	...	....	...	...	
	B:					...	...	....	...	...	....	...	...	....	...	...	....	...	...	
	C:					...	...	....	...	...	....	...	...	....	...	...	....	...	...	
Risk and Impact management	A:				....	...		....	...	...	....	...		....	...	...	....	...	...	
	B:				....	...		....	...	...	....	...		....	...	...	....	...	...	
	C:				....	...		....	...	...	....	...		....	...	...	....	...	...	
Metrics and Targets	A:				....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	
	B:	....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	
	C:	....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	

TNFD (2024) The TNFD supports use of cross-reference tables for corporate reporting

ESRS cross-reference template

The TNFD has provided an illustrative template for producing a cross-reference table with ESRS

This template can be populated by inserting the section of the disclosure report that aligns to both the relevant disclosure recommendations of the TNFD and the relevant ESRS disclosure requirement to streamline the reporting process.

Organisations can adapt this to fit their own needs and context.

TNFD Recommendations		ESRS 1			ESRS 2			ESRS E2			ESRS E3			ESRS E4			ESRS E5			Notes
		DP1	DP2	DPn	DP1	DP2	DPn	DP1	DP2	DPn	DP1	DP2	DPn	DP1	DP2	DPn	DP1	DP2	DPn	
Governance	A:	Pp x	Pp y	Pp n	....	...	...													
	B:	....	...	...	....	...	...													
	C:	....	...	...	....	...	...													
Strategy	A:					...	...		...	...		...	...	....	...	...	....	...	...	
	B:					...	...	....	...	...	....	...	...	....	...	...	....	...	...	
	C:					...	...	....	...	...	....	...	...	....	...	...	....	...	...	
Risk and Impact management	A:				....	...		....	...	...	....	...		....	...	...	....	...	...	
	B:				....	...		....	...	...	....	...		....	...	...	....	...	...	
	C:				....	...		....	...	...	....	...		....	...	...	....	...	...	
Metrics and Targets	A:				....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	
	B:	....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	
	C:	....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	....	...	...	

TNFD (2024) The TNFD supports use of cross-reference tables for corporate reporting

Key take-home messages

1

There is a high level of alignment and consistency in the nature-related information recommended by the TNFD to be disclosed by corporates and financial institutions and requirements in evolving nature-related standards.

2

Cross-reference tables can be attached to an organisation's reporting to show the alignment of sustainability disclosures with the TNFD recommendations and metrics.

3

The TNFD is committed to building improved alignment and interoperability by working closely with standard-setting bodies as the global sustainability reporting landscape on nature-related issues continues to evolve.

Climate Risk Services

Thank you!

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

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