

An introduction to the Taskforce for Nature Related Financial Disclosure (TNFD)

10AM
19th July 2023

Joint Graduate School of Energy and
Environment

King Mongkut's University of Technology
Thonburi

Dr. Karl Nolles

Director

Aton Consulting Pty Ltd

Policy, Strategy, Due Diligence

Project Development

Biodiversity, Natural Capital

Electricity and Environmental Markets

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[Google Scholar](#)



The Lecture Series at JSGEE

~~Monday 26th June~~

- ~~• Challenges in the Australian Electricity Market~~

~~• Tuesday 27th June~~

- ~~• Survey of Environmental Finance~~

• Wednesday 19th July (10 AM) ← THIS LECTURE.

- Introduction to the Taskforce for Nature related Financial Disclosures (TFND)
- (Rescheduled from Wed 28th June)

• Wednesday 26th July (10 AM)

- Case Studies from biodiversity and other enviro-markets
- (Rescheduled from Wed 28th June)

~~• Thursday 29th June (AM)~~

- ~~• Global energy transformation issues, and the IEA reports~~

Who am I to be talking about all this ?

PREVIOUSLY

- Australian Financial Markets Association Electricity and Environmental Products Policy Officer
 - Developed a lot of data services and documentation
- Senior Lecturer / Founding Director University of New South Wales Centre for Energy and Environmental Markets
- Director in Macquarie Bank Climate Change team
- CEO of NextGen Brokerage

AND TODAY

- Visiting Professor JGSEE
- Founder and Director, Aton Consulting
 - <https://aton.com.au/who-we-are>
 - Currently (among other things) advising NSW Department of Environment and Australian Grains Research Development Corporation
- Co-founder of Skjander Partners
 - Biodiversity and carbon investment management

Our Team

Dr Karl



Dr Karl (Karl) Nollies is an experienced energy and finance executive and academic, having held company directorships and CEO/COO/COO positions.

He founded Aton Consulting in 1998, and has advised on business strategy and developed roles including in the Macquarie Bank Climate Change and Utilities teams and Macquarie Global Investments (2007-18), as a Senior Research Fellow in the Faculty of Business at UNSW from 2008-2007 (and as a Founding Director of the UNSW Centre for Energy and Environmental Markets), and with the Northern Territory Government (2019-20).

He has a PhD in Energy Economics and Electrical Engineering from the University of New South Wales.

He has been an investor/founder/inventor in its startup across power, energy, energy trading, blockchain, and agritech, and a compliance adviser to various financial services companies.

In 2019 he was appointed as a Visiting Professor at the Joint Graduate School of Energy and Environment at King Mongkut University in Bangkok.

Since 2020 he has been a retained adviser to the NSW Department of Environment regarding ESG / Sustainable Finance and Biodiversity markets.

LinkedIn

Dr Liz



Dr. Elizabeth (Liz) Deagney is an experienced economic analyst and program manager, having held positions across the government and private sectors over the past 20 years. Before moving into consulting

Liz led the Advanced Analytics team within the New South Wales Department of Planning and the Environment, focusing on the state's natural capital agenda and helping to secure more than \$1B in funding for environmental projects.

Liz holds degrees in Advanced Science and International Economic Development, and a PhD in Statistical Ecology from the University of New South Wales.

Liz has designed and implemented large-scale projects focusing on productivity and efficiency in primary industries in Australia and the Pacific, including the forestry, fisheries and forestry sectors.

She has extensive experience in delivering economic modelling, market valuation and cost benefit analysis for major programs and investments.

Liz has an appointment as an Adjunct Senior Lecturer at Southern Cross University.

Liz has received research, consultation, and performance awards from the NSW Government, the University of NSW, the Royal Zoological Society and the Australian Society for Fisheries Biology

LinkedIn

Dr Brian



Dr Brian Scott is the **Adrian Bond Associate Professor of Environmental Studies and Economics** at Washington College, Maryland, and has held a joint appointment to the Department of Economics and the Department of Environmental Science since 2007. He has a PhD in Economics from the University of Illinois, Chicago.

His teaching and research interests include institutions, rules, and assessing the viability of environmental and pollution markets, as well as volunteerism and charitable giving. He has received grants from the Illinois Environmental Protection Agency, the US Department of Agriculture, and the Australian Commonwealth Scientific and Industrial Research Organisation (CSIRO) to study the Chicago Cap and Trade using program, the viability of farmers entering to carbon sequestration markets, and farmers participating in nitrogen sequestration markets.

He has worked with Dr K in various projects and businesses since they met during their PhD studies several years ago.

LinkedIn

[almost, but not yet a Dr] Stuart



Stuart Martin has over 20 years experience in investment management (particularly in the real estate sector), with progress such as Lead Loans, AER Asset and First State investments (London 2008-2011).

Stuart holds a Bachelor of Commerce (Land Economics), and also holds a Master of Sustainability.

Stuart's recently submitted PhD thesis examines the integration of natural capital accounting into agricultural decision making. His research was conducted in the Institute for Sustainable Futures at the University of Technology Sydney, and was part of the Food Agility CRC.

Stuart was Co-Founder of Open Resilient Funds Management (and was the Responsible Manager under the APFL), a group established to develop agricultural investments with environmental dividends.

LinkedIn

Skjander Partners



Daniel Brown, Director
San Francisco, United States & Sydney Australia.
Dual US/Australian citizen

- Macquarie Group - Global Investments Division management team focused in agriculture, environment, and real assets.
- Leadership team of OFX (Macquarie company) from post acquisition to ASX IPO.
- Principal Investment Manager for Queensland government in North America facilitating \$450m USD in foreign direct investment.
- Deep connections to Silicon Valley and successful track record of taking growth firms to acquisition/IPO.
- Bachelors of Science Business Administration, The Citadel, USA 2003. Graduate of Law, Sydney Law School, University of Sydney, 2010. Columbia University - Graduate Private Equity & Venture Capital Program.
- FINRA / Securities Exchange licensure - Series 7, 24, 53, 6, 66, 63.



Jerry Joyce, Director
Operations, Sydney, Australia. Dual US/Australian citizen

- Head of Supply Chain and Operations Red Bull North America
- COO of Fiji Water
- COO of Beyond Meat
- Head of Procurement at The Wonderful Company, the largest agriculture operation in North America
- Head of Supply Chain at Wonderful Citrus.
- MBA Rotterdam School of Management, Erasmus University, Netherlands, Bachelor of Modern Languages, The Citadel, USA, Six Sigma Black Belt Certification, fluent in Spanish and German.

SKJANDER PARTNERS



Dr. Karel (Karl) Nollies, Director
Environment & Natural Capital, Sydney, Australia

- Macquarie Group - Founding director in Macquarie Capital Utilities, Renewables and Climate Change business. Deal list of approximately \$2.4B including across Water, Renewables, Carbon/Environmental instrument trading.
- CEO of NextGen Energy/Environmental Brokerage
- Head of Strategy for Clean Energy Derivatives Corporation.
- Senior Research Fellow & Founding Director UNSW Centre for Energy & Environmental Markets and Visiting Professor Joint Graduate School of Energy and Environment, King Mongkut University of Technology Thailand.
- Consultant with NSW Department of Environment on green finance.
- Hons. Electrical Engineering, University of Melbourne (1992) PhD (Economics & Electrical Engineering), University of New South Wales (2007).



Anthony Hogarth, Director
Legal, Sydney, Australia

- Macquarie Group - Associate Director/lawyer within Macquarie Infrastructure and Real Assets division advising on funds and asset management across the infrastructure, agriculture and cleantech/renewable energy sectors.
- Supercars Australia - General Counsel of the Supercars Group of companies under the ownership of Archer Capital.
- Botany Group - current Commercial Director with responsibility for M&A, special projects, proprietary brands, and legal.
- Bachelor of Commerce (Economics & Finance) and Bachelor of Laws (First Class Honours) - University of Sydney.
- Emerging COO Program - Stanford Graduate School of Business.

What is the Taskforce on Nature-related Financial Disclosures (TNFD) ?



(In my opinion) one of the most significant developments in the last decade.

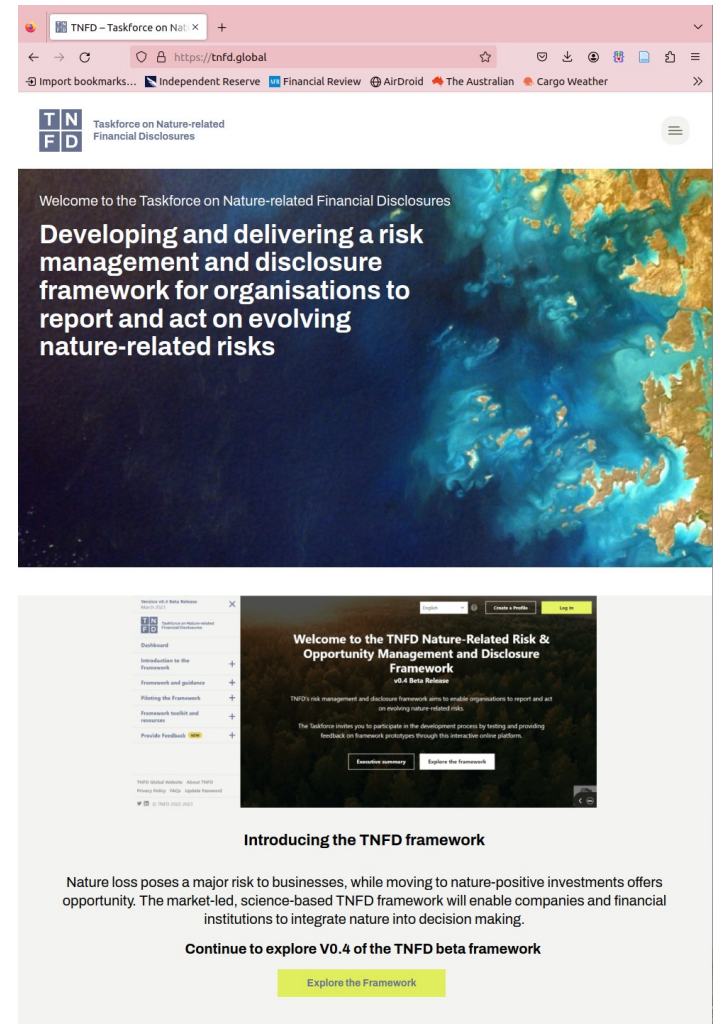
<https://tnfd.global/>

<https://tnfd.global/about/taskforce-members/>

At core, it is around developing a consistent risk management framework for asset managers / the finance sector to incorporate nature into decision making.

To give a concrete example, if a fund is investing in a new copper/gold mine what sort of nature related risks (or benefits) should be quantified, reported and considered in investment decision making, asset management, and investor reporting ?

(consider the extremely fraught history of the Ok Tedi mine in PNG, and how this might have been pre-emptively managed)



A quick historical (and extreme) example of the problem ...



Ok Tedi Copper and Gold Mine in PNG

BHP first mined gold in 1981, using a cyanide extraction method.

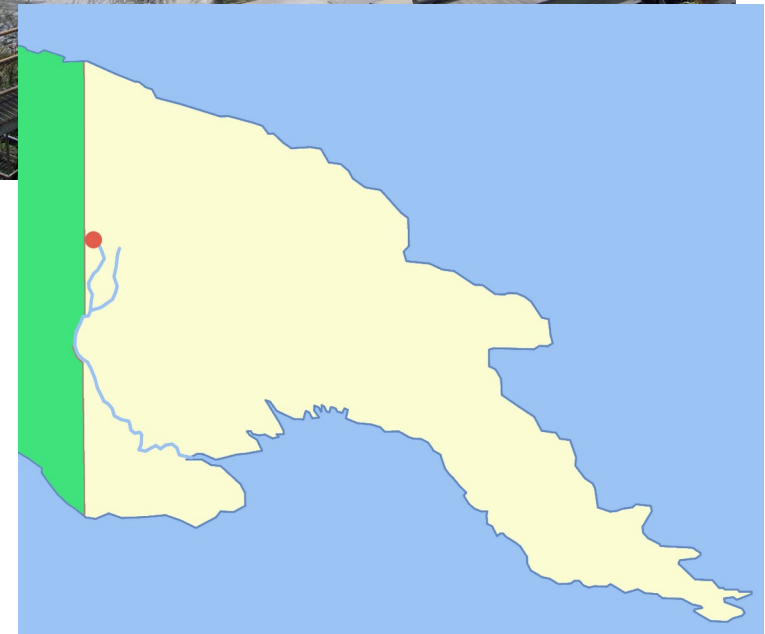
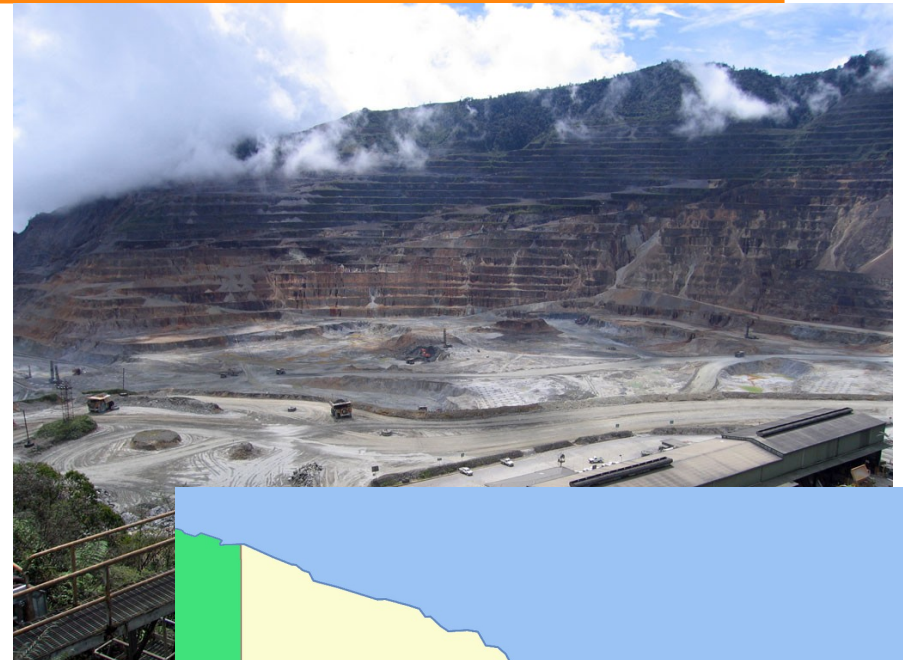
80 million tons of contaminated tailings put into river each year. “widespread” ecological damage.

Became subject to armed insurrection by local inhabitants

2002 BHP transferred ownership to a consortium including PNG Govt.

Legal claims for \$4B in compensation (eventually settled for \$110 M)

PNG Govt nationalised project in 2013





Who are the TNFD Consortium

The Taskforce consists of 40 individual [Taskforce Members](#) representing financial institutions, corporates and market service providers with over US\$20trn in assets. The [TNFD Co-Chairs](#), David Craig and Elizabeth Mrema, lead the Taskforce.

Funding for the TNFD is provided by governments, the UN, and philanthropic foundations, including the governments of Australia, France, Germany, the Netherlands, Norway, Switzerland and the United Kingdom; the Children's Investment Fund Foundation (CIFF), the Global Environment Facility (GEF), the Macdoch Foundation, and the United Nations Development Programme (UNDP).

The TNFD also benefits from pro-bono support offered by Taskforce member organisations, TNFD Forum organisations and governments.

Financial Services



Johan Florén, AP7, Chief ESG and Communication Officer
Celine Soubranne, AXA, Group Chief Sustainability Officer
Abyd Karmali, Bank of America, Managing Director, ESG Client Advisory
Jessica McDougall, BlackRock, Director, BlackRock Investment Stewardship
Sébastien Soleille, BNP Paribas, Global Head, Energy Transition & Environment
Madeleine Ronquest, FirstRand, Head, Environmental & Social Risk Management
Jose Luis Muñoz, Grupo Financiero Banorte, Executive Director Investor Relations & Sustainability
Marine de Bazelaire, HSBC, Group Advisor, Natural Capital
Elizabeth O'Leary, Macquarie Group, Head of Agriculture
Makoto Haraguchi, MS&AD Insurance Group, SVP of Sustainability Section
Mathilde Dufour, Mirova, Head, Director of Sustainability Research
Snorre Gjerde, Norges Bank Investment Management, Senior Sustainability Analyst
Hirotaka Hideshima, Norinchukin Bank, Counsellor on Global Strategy to President and the Board of Directors
Marie-Claire Franzen, Rabobank, Lead Nature
Nora Ernst, Swiss Re, Senior Sustainability Risk Manager
Judson Berkey, UBS, Managing Director, Group Head: Engagement & Regulatory Strategy

Corporates

<https://tnfd.global/about/taskforce-members-full-list/>

Andre Fourie, AB InBev, Global Director: Water Sustainability
David Álvarez Canales, Acciona, Sustainability Performance Manager
Ian Hudson, Anglo American, Head of Environment
Natasha Santos, Bayer AG, Vice President Stakeholder Affairs & Strategic Partnership
Michel HR Santos, Bunge Ltd, Senior Director – Global Sustainability
Carrie Houtman, Dow INC, Global Sustainability Director for Climate
Santiago Martínez Ochoa, Ecopetrol, Sustainability & Decarbonization Manager
Sarah Dyson, GSK, Head of Corporate Responsibility
Renete Kaarvik, Grieg Seafood, Global Finance Officer
Renata Pollini, Holcim, Head of Nature
Alexandre Capelli, LVMH, LVMH Group Environment Deputy Director
Marcelo Behar, Natura & Co, VP Sustainability and Group Affairs
Alison Bewick, Nestlé, Head of Group Risk Management
David Croft, Reckitt, Group Head of Sustainability
Marcelo Pereira, Suzano, Environmental Manager
Patrick Ho, Swire Properties Ltd, Deputy Head, Sustainable Development
Koushik Chatterjee, Tata Steel, Executive Director & Chief Financial Officer



TNFD development and timelines

March 2023 - TNFD Consortium has released 0.4 version of the framework

Various pilot applications of the framework are underway/have been completed

Targeting Version 1 release in September 2023

Related to (but also parallel with) the development of Natural Capital Accounting

TNFD relies upon to having standards and tools underneath

- IFRS – International Financial Reporting Standards**
- GAAP – Generally Accepted Accounting Principles**



More on accounting standards



<https://www.ifrs.org/>

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22 June 2023

International Sustainability Standards Board to issue IFRS S1 and IFRS S2

The International Sustainability Standards Board will issue IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* on 26 June 2023.

When the Standards are issued on Monday, all users with a free ifrs.org account will be able to access the documents from the new IFRS Sustainability Standards Navigator and from the project pages.

Related information

[International Sustainability Standards Board](#)

[General Sustainability](#)

IFRS is supported by standards setting board ISSB



International Sustainability Standards Board

New standards released 26 June 2023 on reporting of climate / carbon and biodiversity assets.

ABOUT	MEMBERS	MEETINGS	RESOURCES
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About the International Sustainability Standards Board

The Trustees of the IFRS Foundation announced the formation of the International Sustainability Standards Board (ISSB) on 3 November 2021 at COP26 in Glasgow, following strong market demand for its establishment. The ISSB is developing—in the public interest—standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets.

Sustainability factors are becoming a mainstream part of investment decision-making. There are increasing calls for companies to provide high-quality, globally comparable information on sustainability-related risks and opportunities, as indicated by feedback from many consultations with market participants.

There is also a strong desire to address a fragmented landscape of voluntary, sustainability-related standards and requirements that add cost, complexity and risk to both companies and investors.

The ISSB has international support with its work to develop sustainability disclosure standards backed by the G7, the G20, the International Organization of Securities Commissions (IOSCO), the Financial Stability Board, African Finance Ministers and Finance Ministers and Central Bank Governors from more than 40 jurisdictions.

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IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and, IFRS S2 Climate-related Disclosures

<https://www.ifrs.org/groups/international-sustainability-standards-board/>



What TNFD says about itself

What they say

The TNFD is a global, market-led initiative with the mission to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks and opportunities, with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

the TNFD risk management and disclosure framework should be applicable to, and used by, business and financial institutions of different sizes, across sectors and jurisdictions, irrespective of their preferred or required approach to materiality

What I noted....

Explicitly intended to alter financial flows.

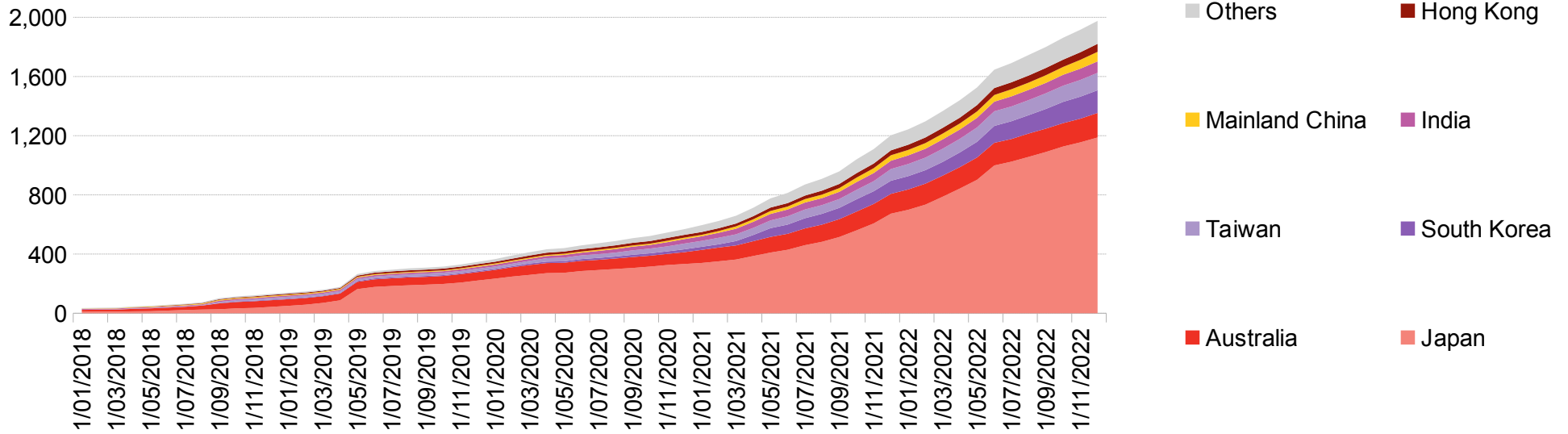
Risk management focus

Flexible overall framework can be used at different scales



Takeup of TNCD. BNEF

Companies



Pilots were conducted in 2022 and the reports released in 2023



The screenshot shows the UNEP FI website page for the report. The URL is <https://www.unepfi.org/publications/unboxing-nature-related-risks-insights-from-the-unep-fi-led-tnfd-piloting-programme/>. The page features the UNEP FI logo, navigation links (About Us, Our Members, Finance Industry, Key Themes, Regions, Resources), and a main heading: "Apr 2023 | Nature, Publications". The report title is "Unboxing Nature-related Risks: Insights from the UNEP FI-led TNFD Piloting Programme". A "Download the report here" link is provided. A small thumbnail of the report cover is visible on the left.

This report presents the results of an extensive global pilot testing led by UNEP FI with the private finance sector to test the draft risk management and disclosure framework from the Taskforce on Nature-related Financial Disclosures (TNFD). Following the latest v0.4 release of the TNFD draft framework in March 2023, the report presents practical case studies based on the findings and insights from more than 40 global financial institutions which assessed the current applicability of the TNFD framework for selected high-impact sectors. The pilots aim to support financial institutions to start their journey to unboxing nature-related dependencies, impacts, risks and opportunities – and supporting the ultimate goal of shifting global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

A **complementary report** presents main findings from each of the specific pilot groups, which focused on the intersection of nature-related issues and economic and financial activities.

Following this initial set of pilots, UNEP FI will continue piloting the TNFD framework until June 2023. UNEP FI also encourages the financial sector to provide feedback to the TNFD during its public consultation period open until 1 June 2023. UNEP FI is one of the founding partners of the TNFD alongside WWF, UNDP, and Global Canopy and one of the TNFD official piloting partners.

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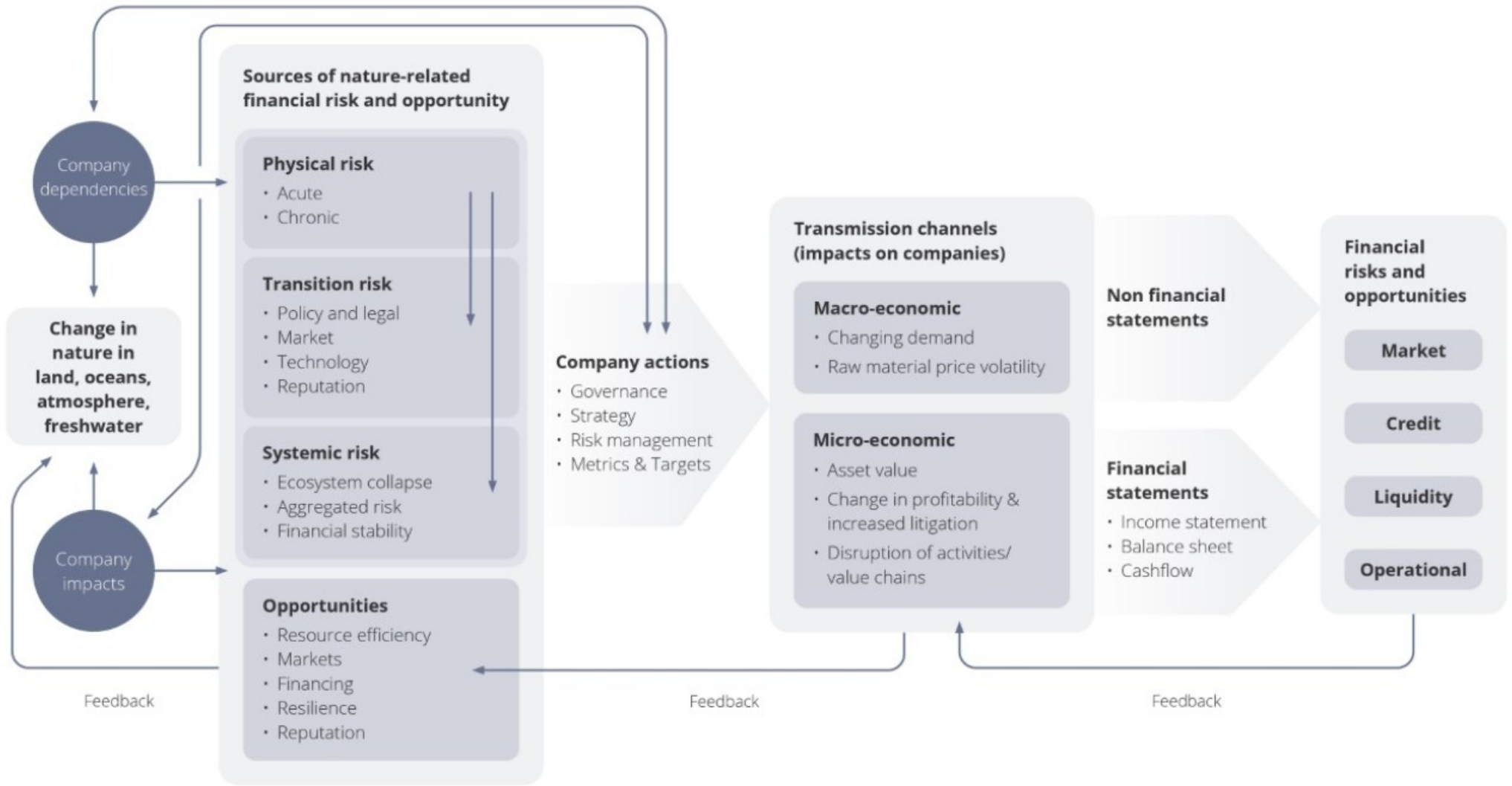


And a list of other pilots

<https://framework.tnfd.global/piloting-the-framework/>



Figure: Financial risks and opportunities emerging from nature loss





LEAP

NEW

Introduction to the TNFD nature-related risk and opportunity assessment approach: LEAP

Since the launch of the TNFD, market participants have indicated that simple, accessible guidance on how to understand and respond to nature-related risks and opportunities would be a welcome complement to a set of disclosure recommendations. In response, the TNFD has developed an integrated assessment process for nature-related risk and opportunity management called LEAP.

- **Locate** your interface with nature;
- **Evaluate** your dependencies and impacts;
- **Assess** your risks and opportunities; and
- **Prepare** to respond to nature-related risks and opportunities and report.

The LEAP approach is voluntary guidance intended to support internal, nature-related risk and opportunity assessments within corporates and financial institutions. LEAP is not a mandated process to adhere to the disclosure recommendations put forward by the TNFD. As such, not everything that is identified, assessed and evaluated using the LEAP approach is recommended by the TNFD to be disclosed.

— Intention is that financial institutions will seek disclosures in this framework from their clients. (Which then flows up into the FI's own framework analysis)

In effect the entire supply chain ends up covered.



Some examples from the Framework

TNFD Nature-related Disclosure Recommendations (v0.4)

Governance	Strategy	Risk & Impact Management	Metrics & Targets
<p>Disclose the organisation's governance around nature-related dependencies, impacts, risks and opportunities.</p> <p>Recommended Disclosures</p> <p>A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.</p> <p>B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.</p>	<p>Disclose the actual and potential impacts of nature-related dependencies, impacts, risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.</p> <p>Recommended Disclosures</p> <p>A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium, and long term.</p> <p>B. Describe the effect nature-related risks and opportunities have had and may have on the organisation's businesses, strategy, and financial planning.</p> <p>C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.</p> <p>D. Disclose the locations where there are assets and/or activities in the organisation's direct operations, and upstream and/or downstream and/or financed where relevant, that are in priority areas.</p>	<p>Disclose how the organisation identifies, assesses and manages nature-related dependencies, impacts, risks and opportunities.</p> <p>Recommended Disclosures</p> <p>A. (i) Describe the organisation's processes for identifying and assessing nature-related dependencies, impacts, risks and opportunities in its direct operations.</p> <p>A. (ii) Describe the organisation's approach to identifying nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s) and financed activities and assets.</p> <p>B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities and actions taken in light of these processes.</p> <p>C. Describe how processes for identifying, assessing and managing nature-related risks are integrated into the organisation's overall risk management.</p> <p>D. Describe how affected stakeholders are engaged by the organisation in its assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.</p>	<p>Disclose the metrics and targets used to assess and manage relevant nature-related dependencies, impacts, risks and opportunities where such information is material.</p> <p>Recommended Disclosures</p> <p>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.</p> <p>B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.</p> <p>C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.</p>

D. Disclose the locations where there are assets and/or activities in the organisation's direct operations, and upstream and/or downstream and/or financed, where relevant, that are in:

- High integrity ecosystems; and/or
- Areas of rapid decline in ecosystem integrity; and/or
- Areas of high biodiversity importance; and/or
- Areas of water stress; and/or
- Areas where the organisation is likely to have significant potential dependencies and/or impacts.



Processes and metrics

Some of the disclosures recommended come to the governance processes.

Others involve use of metrics.

- Preparing metrics requires data and processing/analysis of data.
- There is a very wide range of possible data and tools that might be used, and they are providing a catalogue to assist with selection.

Data Catalyst:

<https://tnfd.global/consultation-and-engagement/data-catalyst/>

Tools and Platforms

<https://framework.tnfd.global/tools-platforms/>



TNFD “LEAP” approach

- Locate your interface with nature;
- Evaluate your dependencies and impacts;
- Assess your risks and opportunities; and
- Prepare to respond to nature-related risks and opportunities and report.

<https://framework.tnfd.global/leap-the-risk-and-opportunity-assessment-approach/>

There are separate guidance documents for corporates and for financial institutions.



Impacts on valuations.

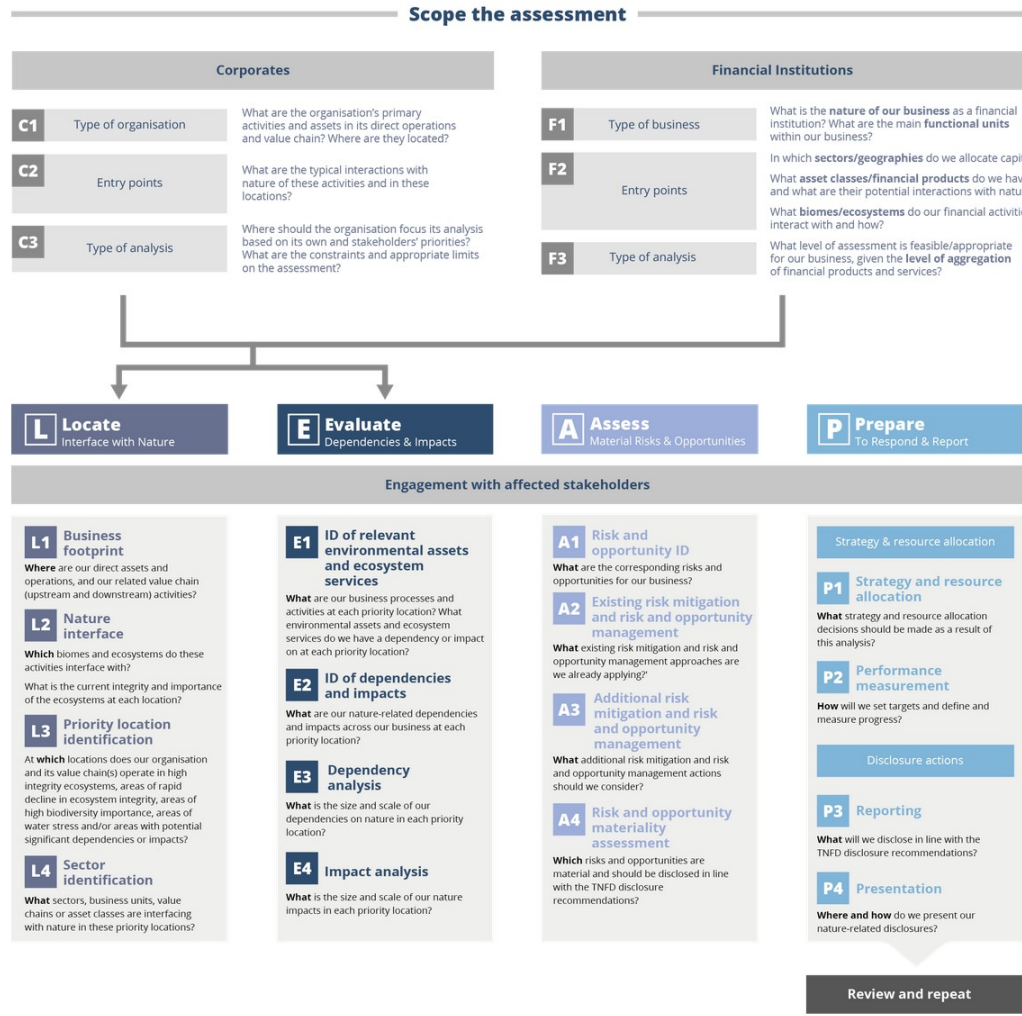
A double materiality test:

- **How might your activities impact nature ?**
- **How might nature impact you ?**



Applying LEAP....

Figure: The TNFD's revised risk and opportunity assessment approach (LEAP) in v0.4 of the beta framework



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Lets take a look at some of the tools...

<https://framework.tnfd.global/leap-the-risk-and-opportunity-assessment-approach/scoping/>



So what happens with the outputs ??

L Locate
The interface with nature

E Evaluate
Priority dependencies and impacts

A Assess
Material risks and opportunities

P Prepare
To respond and report

P4: Presentation

Guiding Question: Where and how do we present our nature-related risk disclosures?

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Presenting your disclosures

The TNFD advocates for the disclosure of nature-related risks and opportunities that are integrated into the main annual financial reports required by market regulators, as opposed to a standalone sustainability report issued separately.

A range of standard-setting organisations have prepared detailed presentation standards on how preparers should present information to report users.

Well, where the results are presented depends on who needs them and why....

Just a reminder about accounting standards....



<https://www.ifrs.org/>

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Apr 2023 | Nature, Publications

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Some of the key issues arising from the pilot studies...

- **Data availability**
- **Tool availability**
- **Extent to which government or accounting standards etc mandate/approve particular tools or datasets.**
 - Note DECCWA and the Data Agency
 - Accounting standards are increasingly moving into the space



What sort of thing will be happening from here ?

- **Modification of internal credit analysis and pricing tools**
 - Offering of discounted loans, insurance
 - (Already common in Australia for certain sorts of Agri loans)
- **Data being collected as part of accounting packages**
- **Data being collected through a wide range of other tools**
- **Used as part of investment screening by funds (not just ESG funds, but more broadly)**
- **Used by policy makers, regulators and financial institutions more broadly**

Bas Ruter, global head of the food system transition at Rabobank Food & Agribusiness, said it was "totally clear" that central bank nature-related stress testing was going to come "fast". TNFD is collaborating with the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) on the development of nature-related scenario analysis.

<https://www.environmental-finance.com/content/news/tnfd-publishes-pilot-nature-scenario-narratives.html>