

TNFD v0.3 - What are the updates?

Disclosure recommendations

- There are 3 new disclosure recommendations (Figure 1): one on traceability, one on the quality of stakeholder engagement and one on the alignment of the organization's climate and nature targets
- The disclosures are split across the Risk & Impact Management and Metrics & Targets Disclosure recommendations
- The TNFD defines traceability as having transparent, accurate and complete data for the organisation to understand critical sourcing location along the value chain in order to trace and manage nature-related dependencies, impacts, risks and opportunities
- The framework discusses the alignment of nature and climate targets as an aim that helps users to understand the robustness of an organisation's integrated transition pathway and plan - aligned to both global net zero and nature positive goals
- The disclosure regarding alignment represents further movement towards an integrated sustainability disclosure process (TCFD + TNFD)

D. Describe the organisation's approach to locate the sources of inputs used to create value that may generate nature-related dependencies, impacts, risks and opportunities.

D. Describe how targets on nature and climate are aligned and contribute to each other, and any trade-offs.

E. Describe how stakeholders, including rights-holders, are engaged by the organisation in its assessment and response to nature-related dependencies, impacts, risks and opportunities.

More transparency on disclosure recommendations for financial institutions

- The TNFD has defined four types of metrics: dependency metrics, impact metrics, risk metrics and opportunity metrics
- It is not expected that FIs use all subcategories of metrics, the use of specific metrics should be guided by what is meaningful and material for each FI
- There is a recognition that FIs have a reliance on disclosures from non-FI corporates - hence there may be limitations to what FIs can assess and disclose
- Disclosure guidance will continue to evolve before the v1 release in Sep 2023

Approach to materiality

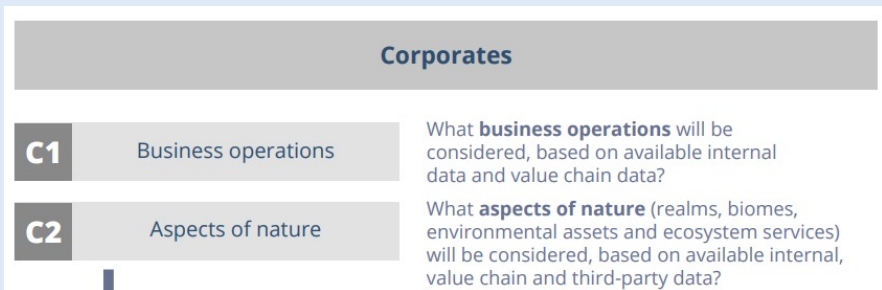
- The framework is working to encourage the flexible application of the TNFD disclosure recommendations - meaning disclosure can happen as soon as v1.0 is released next September 2023
- These recommendations are in the form of 'core' and 'enhanced' disclosure requirements

Disclosure requirement	Definition
Core	Requirements that constitute a baseline of TNFD adoption
Enhanced	Additional disclosure requirements, depending on the type and size of the disclosing organisation

- Over time, the TNFD will encourage all report preparers to 'increase disclosure ambition' and move from 'core' to 'enhanced' disclosures
- This approach provides flexibility for organisations with different reporting requirements and capabilities

The LEAP Approach

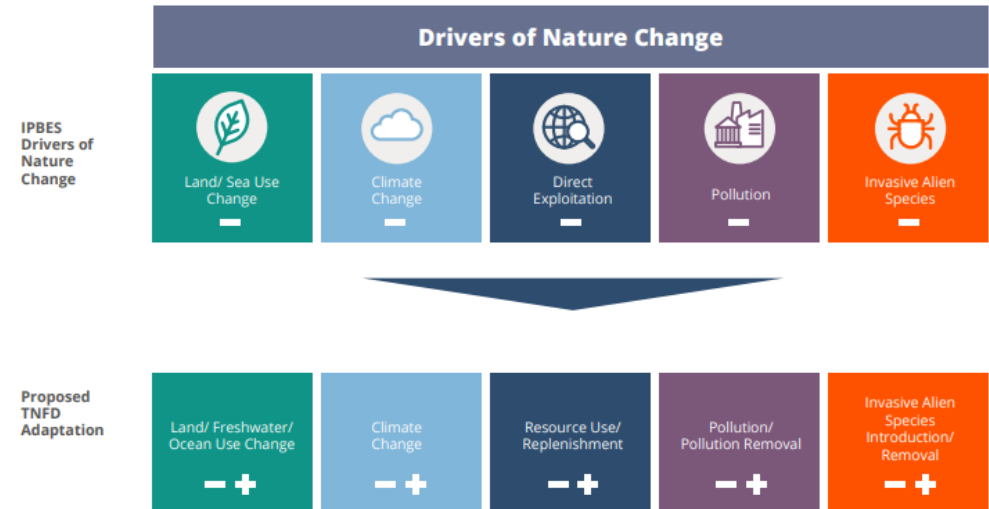
- v0.3 acknowledges that the ultimate objective is for both corporates and financial institutions to be able to incorporate LEAP into their existing enterprise or portfolio risk management systems
- New specific guidance on scoping the assessment for corporates



- The new version includes changes to the Assess phase of LEAP, including the consolidation of the 5 components into 4 by incorporating opportunities alongside risks throughout the Assess phase
- There have also been changes to the Evaluate phase, including:
 - A recognition that reducing negative impacts on nature is not the same as having a positive impact on the state of nature
 - Ensuring that the framework incorporates the capacity of businesses to mitigate negative impacts whilst also having positive impacts on nature
 - Helping to shift the flow of capital away from ‘nature negative outcomes’ and towards ‘nature positive outcomes’ (this idea will only strengthen after COP15 and the definition of nature-positive)



- The TNFD now has proposed drivers of nature change based on the IPBES drivers of nature change
 - The TNFD defines impact drivers as measurable quantities of a natural resource that are used as an input to production and measurable non-product output of a business activity that affect nature
- v0.3 discusses the idea that negative impacts, impact mitigation (reducing negative impacts on nature) and positive impacts should be assessed, measured and disclosed separately, not on a net basis
- The TNFD acknowledges that reducing negative impacts on nature can help nature to regenerate and restore itself, thus is connected to positive impacts
- More information from p31 in the new version, including examples of impact mitigation and positive impacts

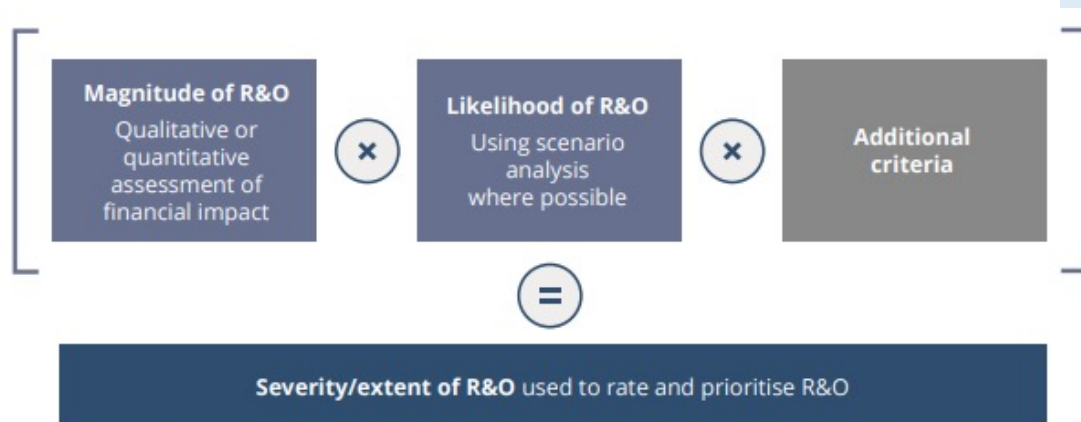


Approach to metrics and targets

- v0.3 discusses two updated types of assessment metrics: exposure and magnitude metrics

Metric	Definition
Exposure	Based on nature-related dependencies and impact identified in the Evaluate phase of LEAP (Evaluate priority dependencies and impacts)
Magnitude	Can be used to assess the financial implications to the organisation of nature-related risks and opportunities. Magnitude metrics should be used as part of the criteria to prioritise nature-related risks and opportunities. These metrics should quantify the financial value of nature-related risks and opportunities for the organisation

- The criteria for prioritizing nature-related risks and opportunities



- The TNFD now recommends that when corporates applying the framework set targets for nature and measure performance against them, they set science-based targets for nature following the SBTN
- The TNFD and SBTN alignment on target setting (see Figure 10, p55:
 - New symbiosis between the two: SBTN target setting methods generate data and output that can help corporates apply parts of LEAP for nature-related risk and opportunity assessment, and applying the LEAP approach can help corporates generate the data needed to set science-based targets for nature
- The guidance will be updated as SBTN release further updates, will be a focus of v0.4 in March 2023

Engagement with Indigenous Peoples and Local Communities (IPLC)

- The TNFD has partnered with IUCN to engage indigenous peoples through IUCN's networks
- The framework is meeting bi-monthly with IPLC leaders across five continents
- Through these meetings the TNFD is working on the social dimensions of nature-related issues
- The new discussion paper: 'Societal dimensions of nature-related risk management and disclosure – Considerations for the TNFD framework' goes into more detail