

Nature Brief 01. | TNFD beta v2: What are the updates?



July 2022 | NatureAlpha's analysts summarise the latest updates in the evolving framework

Introduction of metrics

V2 discusses the need for a standardised and integrated approach to measurement, outlining an integrated, overarching architecture for nature-related indicators, metrics and targets, including cross-industry metrics categories.

Metric type	Definition	Role
Assessment	Metrics used within an integrated internal assessment process for nature-related risk and opportunity management	These assessment metrics help to inform internal decision making and would not be required to be disclosed. Relevant in Locate, Evaluate and Assess stages of LEAP as well as P1 and P2.
Disclosure	Metrics required to be disclosed to market participants in line with the TNFD's disclosure recommendations	Some, but not all, assessment metrics may also be Disclosure Metrics. Disclosure Metrics are not detailed in V2.

LEAP FI Update

V2 adds an introductory set of questions to help financial institutions prioritise and focus effort. These questions are intended to come before the first two phases (Locate and Evaluate).



F1: Type of Business

What is the nature of our business as a financial institution?

What are the main functional units within our business?



F2: Entry points

To what sectors/geographies do we allocate capital?

What asset classes/financial products do we have and what are their potential interactions with nature?

What biomes/ecosystems do our financial activities interact with and how?



F3: Type of analysis

What level of assessment is feasible/appropriate given the level of aggregation of financial products and services?

> Go to **Locate and Evaluate** stages of LEAP

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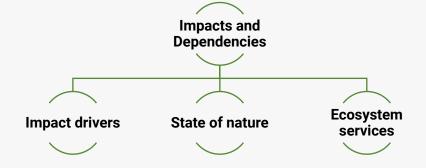
Draft guidance on dependency and impact metrics

V2 **defines dependencies and impacts**, as well as setting up categories for these dependency and impact metrics. These categories will respond differently based on whether a dependency or impact perspective is applied.

The TNFD has defined **dependencies** as aspects of ecosystem services that an organisation or other actor relies on to function. Dependencies include ecosystems' ability to regulate water flow, water quality and hazards like fires and floods; provide a suitable habitat for pollinators (who, in turn, provide a service directly to economies); and sequester carbon (in terrestrial, freshwater and ocean realms).

The TNFD has defined **impacts** as changes in the state of nature, which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative. They can be the result of an organisation's – or another party's – actions and can be direct, indirect or cumulative.

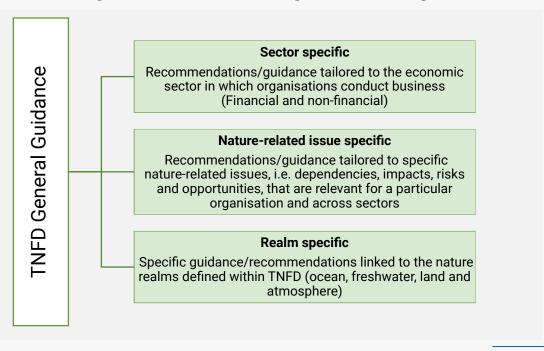
Source: Categories of dependency and impact metrics; TNFD Beta Framework v2. For a more detailed insight into each category, refer to p74 of the TNFD Beta Framework v2



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Approach to specific guidance

V2 outlines an approach to the development of **specific recommendations using three categories**: Sector-specific, Nature-related issue specific and Realm specific.



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NatureAlpha provides proprietary analytics tools to allow investors to **assess biodiversity risks**, **natural capital risks and nature footprint at scale**. Metrics are focused on serving financial services users, providing the data needed to support disclosure & investment decision-making.

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