

# α NatureAlpha

NatureAlpha Brief | TNFD Beta v0.4: What are the updates?

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28 March, 2023

# Nature Brief 04. | TNFD beta v4: At a glance update

March 2023 | NatureAlpha's analysts summarise the latest updates in the evolving framework

## 1 General requirements

New requirements are highlighted in blue below::

- The organisation should set out its approach to materiality
- The organisation should provide a description of the scope of the disclosures
- The organisation should identify nature related risks and opportunities
- The organisation should consider the specific locations of its interface with nature
- The organisation's disclosures should consider and be integrated with other sustainability-related disclosures
- The organisation should take consideration of stakeholder engagement into account

*For more detail see p16-17 of v0.4*

## 2 Strategy

V4 features updated guidance as follows:

### Strategy A

- Guidance provided on the information organisations should provide as part of the dependencies and impacts disclosure
- It is now explicit that the dependencies and impacts listed should be linked to the priority locations identified in Strategy D

### Strategy C

- Guidance broadened to discuss an increased rate of change of nature-related risks
- Specified that analysis should consider the financial performance over the short, medium and longer term
- Recommended that organisations disclose the resources it can put in place to adapt its strategy

### Strategy D

- Refers to ecosystems in a greater number of locations
- Guidance requests disclosure of the definitions the organisation has used to identify the ecosystems for disclosure

## 3 Risk & Impact Management

V4 features new draft guidance on risk and impact management disclosures as follows:

### Risk and Impact Management A

- Two parts: A(i) disclosure in direct operations and A(ii) disclosure in value chain(s)
- The split recognises the challenge to value chain reporting currently due to data and analytics limitations (should improve over time)

### Risk and Impact Management B

- Guidance broadened to include actions taken in light of the risk management process, i.e. examples of the disclosing actions taken by an organisation



## New guidance on the following areas:



### Risk assessment

V4 defines new guidance on the assessment of nature-related risks applied with varying levels of complexity.

#### Heatmaps | Where is the risk?

Use to identify risks that may warrant a deep dive analysis; Inform exclusion policies and/or constitute topics for engagement with portfolio companies

#### Asset tagging | How much risk?

Use to focus on sectors, or dependencies or impacts on nature that a heatmap exercise has identified as potentially material. Can inform portfolio composition, help prioritise individual portfolio companies for engagement

#### Scenario-based | Financial implications?

Use to explore the financial implications of nature-related risks through scenario analysis. Feed into decisions about capital allocation, diversification and portfolio company engagement



### Stakeholder engagement

New importance placed on making sure that the societal dimensions of nature-related dependencies, impacts, risks and opportunities are central to the TNFD mission.

#### Draft guidance on engagement with affected stakeholders was released in v0.4 and covers:

- Expected outcomes and benefits of engagement
- Types of affected stakeholders for engagement, i.e. Indigenous Peoples, Local Communities
- Recommended modalities for engagement
- When and why the engagement may be appropriate
- Importance of Informed Consultation and Participation and Free, Prior and Informed Consent of Indigenous Peoples and Local Communities as part of the process



### Target setting

The v0.4 release includes new draft guidance on target setting.

#### Considerations an organisation should take into account when setting targets for nature:

Target design features that can help ensure that targets best support wider impact and risk management objectives

The TNFD recommends that when setting targets, organisations should set science-based targets for nature using the Science Based Targets Network (SBTN)

When setting targets, organisations are encouraged to align them to the TNFD disclosure metrics, the Global Biodiversity Framework's monitoring framework, other international treaties and global policy goals



## LEAP update

V4 defines a revised set of criteria for identifying priority locations - these should also be identified as priority locations for the LEAP approach:

### Locate

Alongside highlighting proximity to areas of key biodiversity and protected areas, areas of high ecosystem integrity and rapid decline in ecosystem integrity **present greater risks than areas of low integrity**

Areas where an organisation has high dependencies and impacts on nature will present risks and opportunities to the organisation, **regardless of whether they relate to the criteria on ecosystem integrity, biodiversity importance and water stress.**

### Prepare

New guidance on metrics to assess responses to nature-related dependencies, impacts, risks and opportunities

Further detail can be found in Section 5.2 of v0.4

### Additional guidance

Provided by sector: v0.4 p 40-41

By biome: p42-43



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

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