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TNFD Publishes Final Draft Disclosure Framework

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On March 28, 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) **announced the release** of the fourth and final iteration of its **beta framework** for nature-related risk management and disclosures, including a tiered approach to disclosure metrics. An update to the third draft released in November 2022, the draft framework is designed to help companies report on their nature-related risks and impact and ultimately direct capital flows into nature-related investment. A final set of recommendations is expected in September 2023.

The TNFD is an international initiative whose framework is modelled on the framework developed by the Task Force on Climate-related Financial Disclosures (TCFD). The TNFD consists of 40 members, including financial institutions, corporations and markets service providers, and is assisted by a forum of more than 750 members and 18 scientific organizations and standard-setting bodies.

The fourth iteration outlines, for the first time, the TNFD's approach to disclosure metrics, which the TNFD is striving to ensure are both science-based and practical for market participants to use as a part of their reporting cycle. "Like the TCFD, the TNFD is developing a global framework for risk management and disclosure, not a standard. The final draft draws from, and is designed to inform, relevant standards including those from the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI), both knowledge partners to the TNFD."

The task force proposes three tiers of disclosure metrics:

1. *Core Global Disclosure Metrics* that are relevant broadly to organizations across sectors and are reflected in global policy priorities, including the [Global Biodiversity Framework \(GBF\)](#);
2. *Core Sector Disclosure Metrics* that enable capital providers to make comparable assessments of businesses within a sector; and
3. *Additional Disclosure Metrics* that enable report preparers to include metrics that might be particularly relevant to their business model and nature-related issues.

The disclosure-metrics approach seeks to “provide report users, as the providers of capital, with comparability across and within sectors; while at the same time providing report preparers with flexibility, acknowledging the differences in nature-related issues across sectors and business models.”

Another new component in the draft framework includes the TNFD’s adaption of the system of greenhouse gas emission “scopes” (Scope 1, 2 and 3) to nature-related disclosures, using the labels “direct,” “upstream,” “downstream” and “financed” operations. The latest draft also includes guidance on the taskforce’s proposed approach to the use of scenario analysis of nature-related issues that is aligned with the TCFD approach. The revised framework also now includes proposed guidance on engagement with affected stakeholders; proposed guidance targeting the agriculture and food, mining and metals, energy and financial institutions industries; and proposed guidance for four biomes, including tropical forests.

Taking the Temperature: The TNFD will continue to gather market feedback ahead of its final recommendations in September 2023 so that market participants can soon begin identifying, assessing and disclosing their nature-related issues. “Ongoing collaboration with our standards development partners and with regulators will also be critical to help codify the Taskforce’s recommendations so that nature-related reporting becomes standard business practice over time,” according to Elizabeth Mrema, TNFD Co-Chair and Deputy Executive Director of the United Nations Environment Programme. Globally, approximately 200 organizations are pilot testing aspects of the framework and the results of that testing will provide additional input into the final framework.

The fourth iteration of the draft framework follows the adoption of the historic “Kunming-Montreal Global Biodiversity Framework” by nearly 200 countries at the 15th Conference of Parties to the UN Convention on Biological Diversity (COP15) in December 2022. As we [previously reported](#), the GBF, finalized after intense negotiations, sets forth four goals in furtherance of a 2050 Vision for Biodiversity as well as 23 targets for 2030. As [observed](#) by Mrema when commenting on COP15 attendance in Montreal, an increasing number of businesses, including large and transnational companies and financial institutions which are often regarded as ESG leaders, will need to ensure that they regularly monitor, assess and transparently disclose their risks, dependencies and impacts on biodiversity; provide information needed to consumers to promote sustainable consumption patterns; and report on compliance with access and benefit-sharing regulations and measures.

In addition to voluntary initiatives like TNFD, following COP15, legislators and regulatory authorities are also starting to include biodiversity considerations into climate-related policy initiatives. For example, in March 2023, we [highlighted](#) EU measures imposing

stricter national targets relating to the preservation of natural ecosystems known as carbon sinks. The incorporation of biodiversity preservation in emissions reduction is aligned with the [EU's biodiversity strategy for 2030](#).

As the regulatory and self-governance landscape around sustainability continues to evolve, it makes sense for companies, as well as their boards and executive leadership, to broaden their sustainability focus to consider (alongside climate change-related risks and opportunities) the potential impact of nature-related developments on their business, as well as their own contributions—positive and negative—to biodiversity preservation.