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## Disclosure: TNFD Publishes Updated Draft Framework

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Disclosure



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On November 4, the Taskforce on Nature-Related Financial Disclosures (TNFD) published the **third iteration** of its beta framework for nature-related risk management and disclosures. The draft framework, which is an update to the second draft released in June, is designed to help companies report on their nature-related risks and impacts. It also includes disclosure requirements and guidance on how to establish science-based targets. According to the framework's executive summary, TNFD is now half-way through its planned two-year "design and development phase" in building the framework. The fourth draft is scheduled for release in March 2023, prior to final recommendations being published in September 2023. The taskforce consists of 40 members, including financial institutions, corporations, and markets service providers, and is assisted by a forum of over 750 members together with 18 scientific organizations and standard setting bodies.

The executive summary of the framework states that the taskforce's aims are to:

- "Help drive alignment with the emerging global reporting baseline under development by the International Sustainability Standards Board and with best practice standards and tools already used by market participants today;"
- Provide a readily-adaptable and flexible "approach to materiality to accommodate the preferences and regulatory requirements of report preparers and report users from organizations of different sizes and across different jurisdictions;"
- "Encourage early action by companies and financial institutions to begin reporting nature-related dependencies, impacts, risks and opportunities;" and
- Offer a structured path to increase disclosure over time, given the Task Force's view that nature-related issues are "a rapidly growing strategic imperative for sound governance, strategy, risk management and capital allocation."

**Taking the Temperature:** This TNFD initiative is notable as an effort to design a voluntary framework using an extensive, iterative development process involving a large number of stakeholders spanning different sectors. The TNFD adopted this approach because there currently is no standard framework for these types of disclosures coupled with the well-recognized need for and benefits accruing from a globally consistent approach. In general, the issue of governance and disclosures concerning biodiversity and nature have been taking on increasing prominence in the overall sustainability discussion. We recently **reported** that a group of over 300 companies, in advance of the nature-focused December COP15 in Montreal, signed a **statement** asking governments to mandate that “large and transnational businesses and financial institutions assess and disclose their impacts and dependencies on biodiversity, by 2030,” in light of the fact that companies generally provide far less nature-related disclosures (i.e., regarding deforestation or water security) than other climate-related disclosures. And, as we also **discussed** the Deputy Governor of the Banque de France, the French central bank, Sylvie Goulard, stated in a **speech** on October 24 that central banks need to take more aggressive action regarding nature-related risk, in part because of their complexity and also because “shocks” in one sector can have significant impacts on other sectors. We anticipate that this trend will continue: Regardless of whether an issuer or financial institution is in a single or double materiality jurisdiction—whereby information is material not only because of its potential impact on the issuer but also because of the issuer’s impact on climate—attempting to make and justify distinctions between an issuer’s impact on the environment and whether that impact could in turn “boomerang” to have a material impact on the issuer will become exceedingly difficult. As a result, companies and their directors should increase their assessments of governance and disclosures concerning nature-related impacts, regardless of whether they are mandated by government regulation.