

Taskforce on Nature-related Financial Disclosures

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Dear the Co-Chairs, Taskforce Member Organisations, and the Taskforce Secretariat

Taskforce for Nature-related Financial Disclosures

We welcome the establishment of the Taskforce for Nature-related Financial Disclosures (TNFD) and we thank you and congratulate the co-chairs, member organisations and secretariat for the V0.1 Beta Release of the TNFD disclosure framework.

We have responded to the online questionnaire.

Here, we summarise our feedback to support further iterations of the framework.

1. Terminology

We believe terminology and definitions should be rooted in IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services¹).

Markets' inability to incorporate and account for biodiversity loss, and in some cases, finance biodiversity loss, is a policy failure that requires a policy response. The TNFD should enable capital flows that address biodiversity loss, and as such, encourage national policy making consistent with IPBES.

The framework, understandably, uses the term "nature" and the relation of companies to "nature", even though reference is given to biodiversity, the focus is on nature.

We note that this is in contrast to other initiatives that have biodiversity as their starting point, for example:

- CBD², IPBES, TEEB³, PBAF⁴
- The new biodiversity measurement methods from e.g. CDC⁵, Iceberg Data Labs, CREM^{6*} and Impact Institute
- Several working groups
- The studies from the Dutch and French central banks and the NGFS⁷ and the Dasgupta review

¹ <https://ipbes.net/>

² Convention on Biological Diversity - <https://www.cbd.int/>

³ The Economics of Ecosystems and Biodiversity - <http://teebweb.org>

⁴ Partnership for Biodiversity Accounting Financials - <https://www.pbafglobal.com/>

⁵ Caisse des Depots - <https://www.cdc-biodiversite.fr/>

⁶ A Dutch Sustainability specialist consultancy - https://crem.nl/en/home_en

⁷ The Network of Central Banks and Supervisors for Greening the Financial System - <https://www.ngfs.net/en>

The terms “nature” and “biodiversity” have different meanings, and in our view, the TNFD should capture both.

“Nature” relates to parks, forests, protected areas, lakes, rivers and oceans but is less related to the dependency of companies on biodiversity and ecosystem services, to different land-use intensities for crop production, or to the negative impacts of pollution.

While we’re not suggesting a rename, we note that “nature” is a less well-defined concept within financial markets, and as such, may make it harder for companies to set targets (it may work for governments and local authorities as they can set targets to protect certain areas, but that’s not a choice available to most companies).

By giving more emphasis to biodiversity and the drivers of biodiversity loss, we think the TNFD would provide companies (and their investors) additional clarity in target-setting.

More broadly, the report’s use of terminology (in particular, in chapter 3) is detailed, but at times, confusing. Arjan Ruijs, Senior Responsible Investment Officer, ACTIAM, has expertise on biodiversity and ecosystems⁸. We would welcome a meeting with the TNFD secretariat to discuss the parts of the report where we would encourage further clarity.

2. Dependency vs. Impact

The TNFD also focuses more on “dependency” than on “impact”. For example:

- In the explanation of nature, the framework focuses on ecosystem services provided by nature and the importance of these ecosystem services for companies (or in other words, the dependency companies have on nature and biodiversity).
- There is less attention to the impact of biodiversity loss and the drivers of this loss (for example, change in land use).

Most current nature and biodiversity initiatives a focus on the impact of companies on biodiversity and the drivers of biodiversity loss, for example:

- Iceberg Datalabs, the BFFI⁹ (established by CREM), and the GBS¹⁰ (established by CDC Biodiversité).

IPBES focuses on how different drivers contribute to biodiversity loss.

While we see benefits in focusing on dependencies (for example, the opportunities of nature-based solutions), we would encourage alignment with existing initiatives, and therefore, further attention to impact.

3. Companies

⁸ Arjan Ruijs is senior responsible investment officer in the Sustainability & Strategy team of ACTIAM. He is responsible for the ACTIAM Sustainable Investment Policy and ESG Research. He has over 20 years of experience as environmental economist at Wageningen University and at PBL-Netherlands Environmental Assessment Agency. Arjan is an all-round sustainability expert, with specific expertise in analysing the interactions between biodiversity and ecosystem services and the economy. Arjan holds a PhD in economics from the University of Groningen.

⁹ The Biodiversity Footprint Financial Institutions method

¹⁰ Global Biodiversity Score

The TNFD will allow information to flow between company, bank / lender, asset manager and asset owner to understand, disclose, and take action to address financially material biodiversity risk.

As such, we believe the TNFD should apply to both company and investor.

We support the TNFD's three dimensions of risk: Physical, transition and systemic, all of which are financial.

4. Remedy / Biodiversity Positive

Since the TCFD¹¹ was established, the investment industry, particularly in Europe and the UK, has begun to introduce “double materiality”, where investors pursue both risk and return objectives and a real-world sustainability objective. An example is “net zero”, where investors are targeting net zero greenhouse gas emissions as an investment goal in its own right.

We believe the TNFD should allow for “remedy” or “biodiversity positive”, where companies and their investors allocate capital to restore nature and enhance biodiversity.

We see conceptual similarities with human rights frameworks of “Protect”, “Respect” and “Remedy”, and in our view, the TNFD should further address “Remedy”. For example, we suggest LEAP R, where R is Remedy. We would expect the TNFD to incentivise investments in economic activities that remedy biodiversity loss.

5. Frameworks

We welcome the four transitions: Land, ocean, fresh water, atmospheric. This matches the materiality drivers that underpin ACTIAM's sustainable investment policy, with biodiversity being the measure of variability within each.

We suggest ENCORE¹² and IPBES for biodiversity measurement, and recommend MSA¹³ or PDF¹⁴ for target setting. In particular, for asset managers, we recommend a “foot-printing” methodology that would allow us to measure our portfolio impact. That said, foot-printing should be used to prioritise stewardship and company behaviour-change.

We note the complexities, in particular, for asset owners with delegated investment mandates, and suggest alignment with ISSB¹⁵ to increase supply chain transparency and disclosure (we will make the same recommendation to ISSB).

We welcome the three dimensions of contribution: Direct, indirect and cumulative, and in particular, we like the addition of cumulative to existing sustainability frameworks. The difficulty with measurement is how to distinguish between one-off impacts on biodiversity (for example, deforestation) with continuous or recurring impacts (for example, related to nitrogen deposition).

¹¹ Taskforce for Climate-related Financial Disclosures

¹² Exploring Natural Capital Opportunities, Risks and Exposure

¹³ Mean Species Abundance

¹⁴ Potentially Disappeared Fraction (see page 8 - https://www.financeforbiodiversity.org/wp-content/uploads/Finance-for-Biodiversity_Guide-on-biodiversity-measurement-approaches.pdf)

¹⁵ International Standards Sustainability Board - <https://www.ifrs.org/groups/international-sustainability-standards-board/>

In conclusion

The TNFD's V0.1 Beta Release is an important first-step in addressing the biodiversity crisis. We strongly support the TNFD's ultimate aim, per its website, to shift financial flows away from negative (and towards positive) nature and biodiversity-related outcomes. As the framework evolves, nature and biodiversity-related outcomes should be front-and-centre of the TNFD's approach to metrics and target-setting. We, of course, would welcome the opportunity to contribute our expertise where appropriate to do so.

Yours faithfully

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