

# TNFD: What the COP15 biodiversity framework means for investors

**P**reserving nature and biodiversity requires a fundamental change in business models, transparency and financial investment – the Global Biodiversity Framework (GBF) agreed at COP15 in Montreal is a significant step in the right direction and means, at a minimum, that investors and businesses really do need to integrate nature and biodiversity related issues, alongside climate change, into their strategic planning and reporting.

Presided over by China, and hosted by Canada after four years of negotiations and delays, almost 200 governments in the early hours of Monday 19 December 2022 signed an historic agreement to preserve nature and biodiversity.

The question we need to ask now that the GBF has been signed is, what does this mean for ensuring the natural systems global economies and communities rely upon are preserved? And what does this mean for financial firms, investors and businesses? Nature and biodiversity were buzzwords in finance in 2022 but, now with a

GBF agreement in place, more concrete action is expected.

The GBF is structured around a shared vision of living in harmony with nature supported by four goals for 2050 and 23 interim targets to 2030. The goals are ambitious and include increasing areas of preserved natural ecosystems, halting human-caused extinction of threatened species, and restoring wild species populations.

Goals also include ensuring that the value of ecosystem services to communities, indigenous peoples (mentioned 20 times in the document) and economies are recognised, preserved and restored. Benefits from genetic resources and digital sequences are shared and that finance and capacity is made available to implement, closing the estimated \$700 billion per annum financing gap required to protect and restore biodiversity and reducing harmful subsidies.

Of the 23 GBF targets, the commitment to conserve 30% of the Earth by the end of the decade is probably the most significant. However, the full 23 targets support a range of goals and measures which could also have significant implications, notably Target 15 on

Key GBF target themes	GBF targets**	Private financial institution and investor impact
1 <b>Land and water use:</b> 30% Land and Marine conservation* by 2030, halting degradation and supporting restoration of 30% of degraded areas*and increasing the area and quality of green and blue spaces in urban areas	1,2,3,12	High
2 <b>Species extinction:</b> halting species extinction (plus species recovery), sustainable wild species management, sustainable and legal wild species trade and eliminating/ minimising impact of alien species at least 50% by 2030	4,5,6,9	High
3 <b>Pollutants and nutrients:</b> reducing pollutant output and nutrients and pesticides by at least half, working towards eliminating plastic pollution	7	High (specific industries)
4 <b>Climate change impact reduction:</b> on biodiversity and increasing resilience through use of nature-based solutions	8	Medium
5 <b>Sustainable farming practices:</b> in aqua/agriculture fisheries and forestry including reduction in harmful subsidies by at least \$500B per year by 2030	10,18	High (specific industries)
6 <b>Integrating nature into planning, policy and development:</b> in addition, securing ecosystem services benefits to local communities and indigenous peoples (including genetic and digital sequencing information (DSI), use of biotechnology)	11,13, 14,17	Medium
7 <b>Transparency and monitoring disclosures:</b> legal, administrative and policy measures taken to encourage and enable Financial Institutions and Businesses to monitor and disclose on biodiversity risks, dependencies and impacts, as well as improving consumer information to enable people to make better choices, aiming to reduce over-consumption and halving food waste by 2030	15, 16	High
8 <b>Mobilising finance and capacity:</b> totalling \$200 billion per year including from developed to developing countries (\$25 billion by 2025, \$30 billion+ in 2040), domestic financing, blended finance, green bonds and biodiversity offsets and credits. Innovation and capacity, data availability – including rights of indigenous people and gender equality in decision making and access. Calls to make optimal use of synergies between climate action and nature action	19-23	High

\*30% of world's lands, inland waters, coastal areas and oceans

\*\*The full text of the agreement is attached [here](#)

disclosures for business and finance. The goals can be distilled into eight key themes and implications:

### What happens next?

Whilst the GBF agreement is not legally binding as it stands, it expects national governments to implement the goals and targets into national biodiversity strategies and action plans (NBSAPs), to report on progress, as well as to raise awareness, education and communication on the importance of biodiversity. There will also be international, NGO, media and public pressure to honour these agreements and see progress, and there will be a COP16 in two years' time

What was important to note at the conference was the increased and significant presence and voice of business and finance, with over 110 private financial institutions present, and around an equal number of businesses as well as public development banks. The voice of business was also very loud and present in the Business for Nature call to make nature related disclosures mandatory, with over 330 businesses and financial firms signing the declaration.

The key question is what happens next? To what degree (and pace) do countries now embrace the agreements signed in the GBF? Do private and public financial institutions adopt, align to and incorporate targets as we have seen in the sustainable development goals (SDGs) and do consumers also change behaviour based on expectations on information available from products or into financial investments based on the GBF?

Whilst we are not going to see a sudden wave of new projects and initiatives, we should see significant shifts and emphasis over the coming 12 to 18 months and we should also see, as the GBF calls for, companies take a much more integrated approach across climate and nature risks, impacts and adaptation strategies. Many private sector organisations are already including nature and biodiversity into their strategies. They are already taking a more integrated view across climate and nature and will use the COP15 GBF agreement to formalise and increase ambition in their strategies and targets. In particular, the targets on: Land Use; Integrating Nature into Planning, Monitoring and Disclosures; and for key industries' consumer information.

For national financial regulators, local and global financial standards bodies, GBF Target 15 on monitoring and disclosures is significant and provides increased momentum for voluntary global industry bodies such as the TNFD (Taskforce on Nature-related Financial Disclosures) to be adopted.

The TNFD is a market-led, government-supported and science-based initiative with over 800 organisations supporting TNFD's work through the TNFD Forum. The group was formally launched in June 2021 following an eight month preparation phase involving over 200 organisations, and received a mandate from both the G7 and G20 governmental groups.

The TNFD mission is to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

The TNFD Taskforce (effectively the design team) is comprised of 40 individuals from across the finance sector, businesses and market service providers, representing \$20.6 trillion assets under management and 70% of the globally systemic banks (G-SIB) as



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identified the Basel Committee assessment methodology.

Co-chaired by myself, former CEO of Information giant Refinitiv, and Elizabeth Mrema, executive secretary of the CBD (Convention on Biological Diversity) the Taskforce has released three beta versions of the framework to date, including a definitional outline of nature that includes four realms (land, ocean, freshwater and atmosphere) and 34 biomes.

It is aiming to create a global standard approach, modelled on and re-using the four pillars of the Taskforce on Climate-related Disclosures (Governance, Strategy, Risk Management, Metrics and Targets) but introducing specific nature and biodiversity considerations in the assessment of nature related dependencies, impacts, risks and opportunities; one of the most important considerations being location of a company's direct operations and its suppliers, and their dependency and impact ecosystem services and the state of nature in these specific locations.

The release of the final beta version of the TNFD Framework is scheduled for March this year, which will include disclosure recommendations, and the final recommendations are due in September 2023.

The ISSB (International Sustainability Standards Board) also announced at COP15 that it will incorporate nature and biodiversity into future standards development, with an initial focus on building the links with the ISSB draft climate standard (including consideration of the work of the TNFD, an existing ISSB knowledge partner).

As these voluntary and mandatory standards are developed, the GBF also calls for governments and regulators to implement legal and policy changes to enable disclosures. It is therefore reasonable to expect more mandatory reporting requirements, building on standards already emerging from financial regulatory bodies today. It is also expected that more and more companies and financial investors will put nature and biodiversity as an integrated part of their investment, risk assessment and strategic planning, acknowledging that the risks of not doing so greatly outweigh the costs. ■

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