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Companies Get Renewed Pressure to Disclose Nature-Related Risks

Voluntary approach faces spate of complex data challenges 85% of biggest companies are highly dependent on nature. The risks encompass issues ranging from deforestation and water stress to pollution and species loss.

By Gautam Naik

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Executives from companies, banks and asset managers published guidelines aimed at helping businesses disclose the risks they face from dwindling ecosystem resources, part of a broader global effort to get more funds devoted to halting and reversing nature loss. The science-based recommendations, known as the Task Force for Nature-related Financial Disclosures (TNFD), have been refined over the past two years with input from executives at companies including BlackRock Inc., UBS Group AG and HSBC Holdings Plc. TNFD seeks to be the primary way for companies to measure and act on their nature-related dependencies and opportunities.

“Nature risk is sitting in company cash flows and capital portfolios today,” said David Craig, co-chair of the TNFD and former CEO of Refinitiv, in a statement. “The costs of inaction are mounting quickly.” The risks encompass issues ranging from deforestation and water stress to pollution and species loss. About 85% of the world’s largest companies are directly dependent on nature across their operations, according to data from S&P Global Inc., which has provided input into the TNFD process. The effort faces challenges because, unlike climate change where progress can be measured by metrics such as greenhouse gas emissions, nature risk extends to both terrestrial and marine habitats and is location- and activity-specific, making consistent and reliable data hard to come by.

TNFD is a voluntary system — building on the older Task Force for Climate-Related Financial Disclosures (TCFD) — and success will depend on how quickly it’s adopted. The process may speed up if countries push to make TNFD disclosures mandatory, just as some have done for TCFD. The plan for TNFD is to start tracking voluntary market adoption beginning next year.

“There’s reason to make the case that it could be slow and even more complex” than climate disclosure, said Erin Bellman, executive director of Science Based Targets Network, in an interview. But it also might move faster since there were lessons learned from TCFD, she said.

Researchers at Lombard Odier Investment Managers say TNFD will “awaken” investors and companies to acknowledge what they’ve long reaped from the natural world. The agriculture, tourism, real estate, apparel, chemical and construction industries are among the sectors most dependent on nature.

Some nonprofits oppose the TNFD process because they say it lets companies create a template that lays the foundations for possible future regulations. “It is full of loopholes that can allow for rampant greenwashing and its reporting takes a generalized form that means that company claims cannot be checked against realities on the ground,” said Shona Hawkes, an adviser with the Rainforest Action Network, in a statement.

The TNFD said its 14 recommended disclosures followed a consultation process that involved more than 200 companies. The plan also is aligned with requirements of the Kunming-Montreal Global Biodiversity Framework, which was adopted in 2022. GSK Plc is among the companies that plan to adopt the recommendations, with more expected to announce the same in coming weeks, according to TNFD.