

TNFD: First Steps by Sector

How are different sectors across the UK getting started with TNFD?

This report demonstrates how seven sectors across the UK are approaching the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations and guidance. It details how companies are getting started with TNFD and their first steps to familiarise themselves with the recommendations and pilot the guidance (before adopting or reporting). It also discusses their reasons for considering TNFD-aligned reporting, and broader steps that could help unlock further action from the sector.

The sector overviews summarise findings from bilateral discussions and sectoral working groups held between January and July of 2024. It covers seven sectors: asset management; banking; construction; insurance; asset owners; retail, food, and hospitality; and water utilities. Within these sectors, there was a range of familiarity with TNFD from those who were just starting, to those who were piloting the guidance, to those that had already or planned to disclose.

How companies **interested in TNFD or already piloting TNFD** can use this guide:

1. Navigate to the sector most relevant to your business.
2. Use the 'Why are companies considering TNFD-aligned reporting?' section to understand why sector peers are piloting TNFD and why your ExCo and Board might be interested in doing so.
3. Use the 'What are most companies' first steps?' section to draw inspiration from sector peers on how your business can start its journey with TNFD and/or compare your approach to others in the market.
4. Navigate to any other sectors in your value chain to understand how your broader business ecosystem is addressing TNFD.
5. Access guidance from TNFD website:
 - i. [The Recommendations](#)
 - ii. [Guidance on the identification and assessment of nature-related issues: the LEAP approach](#)
 - iii. [Sector guidance](#)

Interested companies should also review the dedicated page for "[Getting started with the TNFD Recommendations](#)" on the TNFD website, which includes a practical guide and suite of resources to help organisations get started with the adoption of the TNFD recommendations.

Insights across all sectors

- UK businesses' primary driver for exploring TNFD is because investors are asking for disclosures of nature risk assessments and nature strategies aligned with TNFD.
- Most businesses anticipate TNFD-aligned disclosure will become mandatory in the UK.
- Businesses start with a high-level materiality assessment, aligned with the [LEAP assessment](#) guidance (Locate, Evaluate, Assess, Prepare). This identifies priority sectors, business units, product lines, and/or locations with the most material exposure to nature-related risks and opportunities. These typically form the focus of additional assessment.
- Most businesses are taking an integrated approach with climate, looking where they can leverage existing datasets, skills, policies and processes for nature.

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Asset Management



Figure 1: Summary of Asset Management TNFD first steps

Why are asset managers considering TNFD-aligned reporting?

- The key driver for considering TNFD-aligned reporting across UK asset managers is the expectation that nature-aligned disclosure will become mandatory in the UK or other jurisdictions relevant to their portfolios.
- Asset managers are also using the TNFD recommendations as a strategic tool to help manage their exposure to material nature risks. To do this, asset managers are first thinking through the desired outcome and actions across the business that the TNFD assessment could inform. This has allowed them to identify which elements of the TNFD guidance are most useful and to focus there. Many asset managers have found this an effective method to demonstrate a clear business case and build senior buy-in for TNFD piloting and adoption.
- Asset managers that have strong buy-in across their Executive Committees (ExCos) and Boards have found it easier to gain momentum across the wider business as there is not a need to "push up". Many have found framing nature within the context of existing work and approaches on climate a useful entry point.
- Asset managers that specialise in environmental impact investment have found the TNFD assessment and reporting process relatively smooth as it aligns well with their existing investment philosophy. This alignment was also an effective framing to use when introducing the ExCo and Board to the TNFD framework. It also meant that there was existing work underpinning the fund development that could be leveraged for TNFD reporting.

What are most asset manager's first steps?

Governance

- Asset managers have typically established working groups looking at nature and TNFD that include representatives across different parts of their business. These groups' remit include to, for example:
 - Provide feedback, review and direction for the business' ongoing TNFD assessment work.
 - Define the scope of the business' initial TNFD report based on what was achievable with data available across the business.
 - Develop a nature strategy for the business ensuring a joint approach across different teams covering risk assessment, data collection and management, risk management and engagement, product development and opportunities.

Strategy

- Almost all asset managers have started their TNFD assessments with listed assets, for which there is more data available and engagement procedures are better defined relative to other asset classes. Within this, most businesses started with public equity, while some were also looking at parts of their fixed income portfolios.
- Asset managers have found the [Natural Capital Investment Alliance](#), [Nature Action 100](#) and [Finance Sector Deforestation Action \(FSDA\)](#) useful peer groups for upskilling on nature and understanding how to integrate nature considerations into engagement frameworks.
- Many asset managers have considered the opportunities associated with nature and several have active nature-themed funds or products, focussing on either or both of:
 - Nature restoration
 - Reduction of the drivers for nature loss (often startups in the materials and industrials sector)
- Some asset managers have begun to think through how the TNFD approach could be applied to private assets. Early work on private assets includes both private equity and real estate.
- Few businesses have considered the resilience of their strategy and investments under different short-, medium- and long-term scenarios within their risk assessment.

Risk & Impact Management

- Most asset managers have followed a similar approach for their high-level risk assessment. This typically involves using high level and publicly available data and tools to identify which portfolio segments are at highest risk and prioritising engagement with these segments. Some businesses have also purchased datasets to support this analysis.
- However, there is considerable variation in terms of how this assessment is organised. Some asset managers are focussed on identifying high impact commodities using tools like the [SBTN high impact commodity list](#), others focus on identifying high risk companies based on their exposure to specific sectors and geographies.
- For example, one asset manager continually monitors exposure to high-risk commodities through their public equity portfolio, whereas another asset manager has 200 businesses on their nature watchlist with which they engage to gather more information.
- Many asset managers have developed an engagement framework around natural capital. Several businesses have a well-developed process and set of questions to assess potential risk in more detail for those investees flagged in the screening process.
- For example, one asset manager actively engages 25 of their investee companies with the highest exposure to nature risks. They encourage businesses to perform their own LEAP assessment to identify their most material dependencies, impacts, risks and opportunities.

Metrics & Targets

- Many asset managers have leveraged the 'comply or explain' approach to the TNFD metrics and underscore the importance that reporting focuses on the most material dependencies, impacts, risks and opportunities. They urge investees to follow the same approach.
- Some businesses have aligned to 'initiative targets' recommended by [Finance for Biodiversity](#). These focus on getting the right frameworks, processes and skills in place to deliver nature impact, rather than on outcome metrics such as water, deforestation or restoration.
- For example, one asset manager encourages their investments 'to address marine and terrestrial biodiversity across their value chains in line with global 2030 biodiversity targets'. Another asset manager ensures investment in nature restoration is embedded within their climate targets, set through the [Net Zero Asset Managers Initiative](#), as nature-based solutions are a critical component of their Net Zero pathway.
- Businesses have taken two main approaches to address a lack of location data:
 - Purchasing a dataset with asset locations. Some asset managers have found that the function of the asset is not always provided in these datasets (e.g. retail outlet or manufacturing site) and so an analyst is required to triangulate and layer additional data to make it useable for investment decisions.
 - Using country-level data to inform investment decisions. Asset managers recognise the uncertainties in this approximation and typically develop a plan to investigate location-specific data later in the engagement process.
- Most asset managers considered the data landscape to be too nascent to support the quantification of financial risks, and so their assessments are focussed on impacts and dependencies.
- Some asset managers are using the publicly available Natural History Museum Biodiversity Intactness Index. For example, one asset manager has used this database to develop key performance indicators for their portfolio including biodiversity footprint avoided, land preserved, and number of species preserved.

What would unlock further action?

- Market-led taxonomy for investments to improve positive nature outcomes and/or reduce harms to nature.
- Aligned approach for integrated climate-nature scenario analysis.
- Cross-industry collaboration platforms to help improve asset location data.
- Guidance for asset managers on how to approach risk assessments for private assets and engage with private companies.



What would unlock further action?

- ✓ Practical guidance and supporting data for how to **quantify financial risks and opportunities**
- ✓ Build **industry consensus** on:
 - ✓ How to undertake LEAP assessments
 - ✓ How to interpret TNFD guidance and metrics
 - ✓ Which datasets and underlying assumptions to use

What are leading banks doing?

Consider how to use LEAP outcomes to inform credit decision-making

Overlay asset location data with state of nature data to identify high-risk clients

What are most banks' first steps?

Perform high-level materiality assessment to identify priority sectors and/or locations

Leverage work on physical climate risks to support Locate assessment

Use LEAP framework to help meet CSRD requirements, if applicable

Why are banks considering TNFD-aligned reporting?

Mandatory disclosure requirements on nature in the UK

Competitive pressure from peers to keep up with industry standards

Nature-related risk resulting in material financial risk

Opportunity to access new nature-related product markets

Figure 2: Summary of Banking TNFD first steps

Why are asset managers considering TNFD-aligned reporting?

- The key driver for banks to consider TNFD-aligned reporting and potentially adopt TNFD is to prepare for potential future regulatory requirements in the UK. Banks are building capacity, data and understanding in preparation so they are comfortable with what they would disclose if nature-related reporting became mandatory.
- Banks are also piloting and considering TNFD-aligned reporting to (i) ensure they keep pace with action on nature from peers in the market, (ii) manage their exposure to nature-related financial risk, and (iii) inform new product development.
- Many banks are also building the case for adoption with Board members by highlighting the importance of nature in meeting broader transition targets.

What are most banks' first steps?

Governance

- Accountability for TNFD piloting typically sits with teams that have conducted climate work, often group sustainability. These teams often work closely with nominated nature leads within relevant functions, for example, risk, finance, and business units.
- Some banks have established dedicated project management units for the development and implementation of an organisational nature strategy. In these cases, this acts as the coordinating hub across the bank.

Strategy

- Many bank's initial focus is the integration of nature into existing climate plans, demonstrating both how action on nature helps meet existing climate goals, as well as how work on nature builds off of that from climate. Most banks are incorporating learnings from TCFD implementation into work plans for nature in the short term (2 years).
- Most banks have identified a priority use case for piloting TNFD and outcomes of the LEAP assessment. For most, the primary use case is using the LEAP assessment as a screening tool for targeted client engagement. Some banks also intend to use LEAP outputs to inform credit decision-making and new product development once nature risk data is more mature.
- Many banks subject to [EU Corporate Sustainability Reporting Directive \(CSRD\)](#) requirements are using the TNFD LEAP approach to help meet CSRD reporting requirements.

Risk & Impact Management

- Banks have typically used tools such as [ENCORE](#) and the [WWF biodiversity risk filter](#) to create a sectoral heatmap / materiality assessment to prioritise sectors with:
 - i. High impacts on nature,
 - ii. High dependency on nature and,
 - iii. High credit exposure within the lending portfolio.
- Banks are using this heatmap as a method to prioritise sectors for further assessment, with some further disaggregating to account for which subsectors the banks' clients were concentrated in.
- Many banks are leveraging previously performed climate physical risk assessments to help inform their LEAP assessment, in particular, any use of asset location data for clients.
- Several banks have overlaid asset location data with state of nature data to identify clients operating in high-risk locations.

Metrics & Targets

- Most banks recognise the need for better client data and are beginning to explore ways in which to collect this data from clients directly. Larger clients have started disclosing impact data which some banks are systematically collecting.
- Most banks are exploring ways in which they can quantify the impacts and dependencies of their clients in high priority sectors.
- Few banks are quantifying the financial risks associated with their clients' impacts and dependencies.

What would unlock further action?

- Practical guidance and supporting data for how to quantify financial risks and opportunities.
- Build industry consensus on:
 - How to undertake LEAP assessments;
 - How to interpret TNFD guidance and metrics and
 - Which datasets and underlying assumptions to use.



What would unlock further action?

- ✓ Industry-wide agreement on **top 5 high risk materials** and **top 5 metrics**
- ✓ Coordinate **supplier engagement** and support on nature
- ✓ Develop a view of the **impact and risk profile** for the **top imports** of the **UK construction sector**
- ✓ Align on **consistent definition of reporting boundary**
- ✓ Explore how **Environmental Product Disclosures** could be used to inform TNFD assessments

What are leading construction businesses doing?

 <p>Perform LEAP assessment across all planned construction sites in the UK</p>	 <p>Gauge readiness of key suppliers to provide nature-related data or information</p>
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What are most construction businesses' first steps?

 <p>Leverage location data from BNG and assurance work for LEAP assessment of onsite impacts</p>	 <p>Conduct high level materiality assessment to identify priority commodities in supply chain</p>	 <p>Focus on subset of metrics for which there is already existing work e.g. BNG, water</p>
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Why are construction businesses considering TNFD-aligned reporting?





 <p>Investor pressure to disclose nature strategy</p>	 <p>Requests from clients for nature strategy and approach to Biodiversity Net Gain</p>	 <p>Leveraging on related frameworks such as CSRD and CDP</p>	 <p>Access to sustainability and nature linked loans</p>
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Figure 3: Summary of Construction TNFD first steps

Why are construction businesses considering TNFD-aligned reporting?

- The primary reason that construction businesses are considering TNFD-aligned reporting is due to requests from investors for details of their nature risk assessment and nature strategies aligned with the TNFD framework.
- Some contractors are receiving requests from clients for details of their approach to nature, with particular interest in performance against [Biodiversity Net Gain \(BNG\)](#) and water efficiency metrics. Some clients are also asking contractors to perform supply chain mapping to understand where their materials are sourced (if they do not already).
- Some businesses are exploring whether they can leverage work already undertaken for other reporting frameworks such as [EU Corporate Sustainability Reporting Directive \(CSRD\)](#) and [Carbon Disclosure Project \(CDP\)](#) to meet TNFD requirements.
- Some construction businesses are interested in exploring TNFD-aligned reporting as banks are suggesting that sustainability-linked loans include metrics linked to TNFD-aligned reporting.



Governance

- Businesses are integrating nature into pre-existing governance structures and processes. For example, some businesses have a structured, annual review process with procurement teams to qualitatively assess the sustainability credentials of their suppliers and contractors. This already covers some nature credentials and is a natural entry point for any additional TNFD considerations.
- Businesses are using the same reporting boundary for nature as they have done for climate. Businesses define this in line with their sphere of influence which is typically based on commercial factors including site ownership, contractor and subcontractor agreements, which entity is applying for planning permission, and architecture and design responsibility. For example, if a contractor does not have architecture or design responsibility, it often does not have the ability to influence the site location, design or materials being used. As a result, many contractors would consider these aspects outside of their reporting boundary.

Strategy

- Businesses are linking emerging climate transition plans with the TNFD recommendations and guidance. They are looking for clear entry points for nature where action already being taken on climate can easily be expanded to include nature. For example, when they talk to their suppliers about climate, can they also bring nature into the conversation.

Risk & Impact Management

- Businesses have typically started with a high-level materiality assessment to identify priority impacts, dependencies, risks and opportunities following the TNFD LEAP framework covering both direct operations and supply chains.
- Businesses are using publicly available tools to underpin these initial LEAP assessments. In particular, the [ENCORE database](#) to identify production processes with the highest impacts and dependencies, the [WWF biodiversity and water risk filter](#) to identify areas with potentially high physical risk exposure and the [SBTN high impact commodity list](#) to identify materials in their supply chain that may generate significant impacts on nature.
- Many businesses have performed a more detailed assessment of direct impacts on construction sites through existing work on BNG compliance. The scope of initial LEAP assessments for onsite impacts range in size with some businesses choosing a subset of their operations as a pilot and others covering all fixed locations.
- Much of the mapping that underpins these assessments has already been completed under physical climate risk exercises.
- Additional work for TNFD-aligned reporting typically focusses on evaluating dependencies onsite and impacts and dependencies within value chains, which are not looked at under BNG or climate risk assessments.
- Initial supply chain assessments suggest that the most material risks are from the sourcing and use of timber, copper, concrete, Hydrotreated Vegetable Oil (HVO) fuel and Personal Protective Equipment (PPE). These outputs often inform supplier engagement.
- Businesses mentioned that a lot could be leveraged from the prioritisation exercises that had been undertaken for climate which have looked into which product categories, as opposed to suppliers, are expected to be the most emission intensive and at highest risk. Approaching nature in this same way allows assessments to leverage existing work done for climate and general assurance. This includes identification of specific production processes and commodities, carbon data often linked to usage/activity data, and location specificity.



- Similarly as for operational sites, businesses are leveraging previous work for climate to help undertake supply chain assessments. These are typically organised by product category rather than supplier. In particular, they are building out from climate assessments and general assurance exercises using the same location data, identification of production processes and commodity types, as well as usage and activity data.
- Some businesses are holding exploratory workshops with prioritised suppliers within their value chain to share early thinking around nature, understand whether this is on suppliers' radars, and assess what data might be available. Construction businesses are keen to work together as an industry to identify which specific nature-related information or data is required from suppliers to support TNFD-aligned reporting before issuing any data requests to their supply chain.

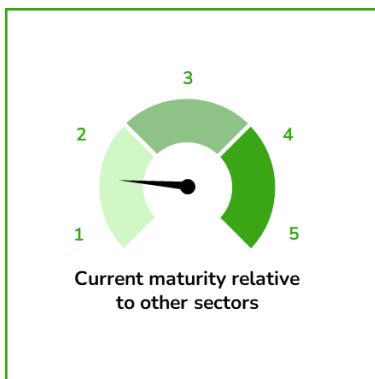
Metrics & Targets

- Most businesses are initially focusing on a subset of metrics for which there is already good understanding and data such as water and those already considered under BNG. They are leaving work on additional metrics - e.g. soil - for later. Many businesses already collect data on water consumption and local water stress levels for construction sites.
- Some businesses are developing integrated nature and climate transition plans and looking into which targets they think would be appropriate to include. Some businesses have made high-level commitments around nature such as the [Nature Positive Business Pledge](#) and are now working through what this means operationally.

What would unlock further action?

- Industry-wide agreement on top 5 high risk materials and top 5 metrics.
- Coordinate supplier engagement and support on nature.
- Develop a view of the impact and risk profile for the top imports of the UK construction sector.
- Align on consistent definition of reporting boundary.
- Explore how Environmental Product Disclosures could be used to inform TNFD assessments.

Insurance



What would unlock further action?

- ✓ Establish **partnerships** to make public state of nature data decision-useful for financial sector
- ✓ Develop industry approach for **quantifying nature-related financial risk** for underwriting and investment activity
- ✓ Identify promising **entry points** for new insurance products

What are leading insurers doing?

<p>Assess opportunities to develop new insurance products linked to nature</p>	<p>Integrate nature into climate strategy or transition plans</p>
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What are most insurers' first steps?

<p>Undertake high level materiality assessment to identify priority sectors using public datasets</p>	<p>Build internal buy-in across business units and Board members</p>	<p>Extend existing engagement activities on climate to include nature themes and metrics</p>
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Why are insurers considering TNFD-aligned reporting?

<p>Mandatory disclosure requirements on nature in the UK</p>	<p>Investor pressure to disclose nature strategy</p>	<p>Enquiries from customers and clients</p>	<p>Nature-related risk resulting in material financial risk</p>
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Figure 4: Summary of Insurance TNFD first steps

Why are insurers considering TNFD-aligned reporting?

- Insurers are typically piloting TNFD in expectation of future mandatory regulation. Some businesses are using the EU [Corporate Sustainability Reporting Directive \(CSRD\)](#) as an opportunity to bring together different reporting frameworks including TCFD and TNFD.
- Action on TNFD is also driven by requests from investors and shareholders as well as proactive enquiries from customers and clients on how the business is dealing with nature. For example, one integrated insurer-asset manager-savings business has engaged with its pension and savings customers to understand their demand for the business to develop a strategy on nature. This created a pull through from the savings customer base that enabled the asset management function to invest in upskilling on nature.
- Businesses have typically used the TNFD recommendations and guidance as a strategic tool by first identifying which actions across the business that they would like to inform and then selecting the components of the framework that will help then do so. Businesses have made an effort to avoid viewing the TNFD recommendations as a checklist and keeping ultimate actions and decisions the focus of any work.

What are most insurers' first steps?

Governance

- Businesses have begun establishing governance processes by identifying committees and individuals with accountability for nature. For example, some businesses have explicitly recognised that their CEO's responsibility to integrate sustainability into their strategy includes nature. This has helped drive risk management and action on nature from the boardroom.

Strategy

- Insurers have identified a range of portfolio risk hotspots through initial materiality assessments. Common priorities include water withdrawal and deforestation.
- Most businesses are prioritising integrating nature into their engagement frameworks, especially where this intersects with climate. For example, one insurer has published a water policy and plans to follow with both a circular economy and deforestation engagement strategy.
- Insurers are exploring how to integrate Nature Based Solutions (NbS) and activities that support nature-positive outcomes into their investment arm activities and several have already launched investment funds with nature themes.
- Underwriters are also scoping the potential for new insurance products linked to nature-related risks and opportunities. For example, some underwriters are considering how nature-related risks may interact with director and officer liability insurance products.
- Some businesses are integrating nature into their climate strategy or transition plans and identifying priority actions for each of their direct operations, investment portfolio and engagement activities.

Risk & Impact Management

- Most insurers first step is to undertake a high-level materiality assessment aligned with the LEAP framework. This often takes a sector-based approach and focuses on impacts and dependencies (as opposed to financial risks and opportunities).
- Most assessments use publicly available datasets and tools. The most common are the [ENCORE database](#), the [SBTN high impact commodity list](#) and the [SASB sector materiality map](#).
- Some insurers are using the LEAP framework to understand the impact of nature-related policies and progress against nature-related targets that have been previously set, for example, concerning deforestation.
- Businesses are building an understanding of what data is available today and what data might be needed in the future to extend the scope or granularity of the assessment. Assessments range in scope with some insurers focussing on their investment activities, while others are also looking at underwriting activities and direct operations.
- Some insurers are working with NGOs, research institutes and other non-profits (such as the Wildlife Trusts and WWF), over consultancies. One insurer has partnered with Zoological Society London (ZSL) to build a baseline understanding of TNFD requirements and perform a gap analysis based on their current capacity and skills.
- Insurers have found the [EU Business and Biodiversity platform](#) and [UNEP FI Principles for Sustainable Insurance \(PSI\)](#) to be useful platforms for resources and collaboration.

Metrics & Targets

- There is apprehension among insurers to invest time in some of the more complex metrics in the TNFD guidance. This is due to previous difficulty in the assurance of associated insurance carbon emission calculations and pressure from the FCA and PCAF.
- Some businesses have integrated TNFD-aligned metrics into existing due diligence and engagement processes which does not require the development of new processes or frameworks which had made it easier to generate stakeholder buy in.

What would unlock further action?

- Establish partnerships to make public state of nature data decision-useful for financial sector.
- Develop industry approach for quantifying nature-related financial risk for underwriting and investment activity.
- Identify promising entry points for new insurance products.

Pension Funds & Asset Owners



What would unlock further action?

- ✓ Determine collective appetite for policy change on nature and **define ask to UK government**
- ✓ Define **expectations of asset manager partners**
- ✓ Develop **joint principles for investing** to drive positive outcomes for nature

What are leading pension funds and asset owners doing?



Develop stewardship, voting and engagement principles on nature



Identify opportunities to include nature themes in existing funds

What are most pension fund and asset owner's first steps?



Determine best focus of effort across stewardship, asset manager mandates, and policy advocacy




Access additional available resources e.g. NA100




Undertake high level materiality assessment to identify priority sectors / investments


Why are asset owners considering TNFD-aligned reporting?




Nature-related risk resulting in material financial risk



Mandatory disclosure requirements on nature in the UK



Opportunity to deploy capital to generate positive nature outcomes



Action from peers and coalitions

Figure 5: Summary of Pension Fund & Asset Owner TNFD first steps

Why are pension fund and asset owners considering TNFD-aligned reporting?

- Many pension funds and asset owners believe that nature loss poses material financial risk and requires action. This risk is particularly pronounced for investments in companies (e.g. equity and corporate bonds). One business commented that evidence around the scale of nature risks could mean that failing to properly manage these risks may result in an asset owner not fulfilling their fiduciary duty.
- Pension funds and asset owners are interested in how they can deploy parts of their portfolio to generate positive outcomes for nature, reflecting interest from pension holders to generate positive environmental benefits with their savings.
- Large integrated savings-insurance-investment businesses that aggregate savings for retail customers are also piloting TNFD guidance to ensure that they are prepared if TNFD-aligned reporting becomes mandatory in the UK in the future.

What are most pension fund and asset owner's first steps?

Governance

- Some pension funds are considering the evidence to suggest that oversight of nature-related risks is relevant to the fiduciary duty of their trustees.



Strategy

- Asset owners are considering action on nature along three different possible dimensions. The ideal route of action will depend on the circumstance of each asset owner, for example, internal capacity and whether it works with asset management partners. Many asset owners are considering combinations of the three actions below.
- **Asset owner action:** Some asset owners are taking on responsibility for internal assessment of the impacts of their investments, or the investments that their asset management partners make on their behalf, and then managing these impacts and risks through direct engagement with investee companies and portfolio allocation. For example, asset owners are using asset allocation as a form of stewardship and signalling as well as voting and, particularly within high-impact sectors, checking there is someone accountable for nature at Board level. Many asset owners are using [Nature Action 100](#) to coordinate these strategies.
- **Influence on asset manager action:** Some asset owners are requesting that their asset manager partners take on responsibility for assessing and managing the impacts of the investments that they make on behalf of the asset owners and doing so through engagement with investee companies and portfolio allocation. For example, as part of stewardship approaches, asset owners are reviewing asset manager business models and ensuring that they provide return clearly aligned with their values including their approach to nature impacts and risks. Some asset owners have set high-level guidance for asset managers detailing how they would like asset managers to approach this issue.
- **Influence on policymaker action:** Asset owners are taking on responsibility for managing the impacts and risks of their investments by advocating for policy and regulation that incentivises and/or requires companies to manage their impacts and risks.

Risk & Impact Management

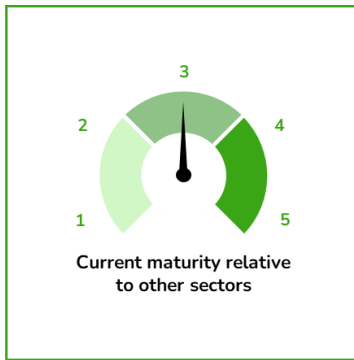
- Some asset owners have started internal TNFD-aligned assessments. These typically start with a high-level materiality assessment leveraging public datasets and tools such as [ENCORE](#) and the [WWF biodiversity risk filter](#). Some have used heat maps and sector breakdowns, as well as indices from major financial data providers to analyse exposure to risk.
- Some leading (and larger) asset owners have yet linked assets to locations or mapped supply chains using geospatial data.

Metrics & Targets

- Asset owners that have performed an assessment aligned with the TNFD's LEAP guidance are largely focussing on qualitative metrics defining what share of the portfolio is deemed as "high risk". This is typically determined by public tools such as [ENCORE](#) or by metrics linked to deforestation and/or water, where currently available data is best.

What would unlock further action?

- Determine collective appetite for policy change on nature and define ask to UK government.
- Define expectations of asset manager partners.
- Develop joint principles for investing to drive positive outcomes for nature.



What would unlock further action?

- ✓ Sector alignment on **core metrics**, enabling **consistent asks from suppliers and farmers**
- ✓ Collaboration across businesses to define industry **norm for risk and impact assessment** across **global supply chains**

What are leading RFH businesses doing?

<p>Partner with local authorities and businesses to reduce impact on ecosystems</p>	<p>Location specific risk assessments on high-risk product lines</p>
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What are most RFH businesses' first steps?

<p>High level materiality assessment with public tools and datasets</p>	<p>Ensure structure and governance for nature work builds out from existing climate work</p>	<p>Use existing resources through schemes such as Consumer Goods Forum and LEAF Marque</p>
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Why are RFH businesses considering TNFD-aligned reporting?

<p>Mandatory disclosure requirements on nature in the UK</p>	<p>Investor pressure to disclose nature strategy</p>	<p>Nature-related risk resulting in material financial risk</p>	<p>Competitive pressure from peers to keep up with industry standards</p>
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Figure 6: Summary of Retail, Food & Hospitality TNFD first steps

Why are retail, food and hospitality businesses considering TNFD-aligned reporting?

- Regulation is a key driver for retail, food and hospitality businesses considering TNFD-aligned reporting, both in terms of potential mandatory disclosure requirements in the UK as well as related regulation from the EU, particularly the [CSRD](#), the [Corporate Sustainability Due Diligence Directive \(CSDDD\)](#) and the [EU Deforestation Regulation \(EUDR\)](#).
- Investor pressure is also a common driver for action. For example, one large consumer goods business has had several discussions with major shareholders dedicated to nature within the last 6 months.
- Some businesses are exploring TNFD as they already report against CDP and aware that CDP has recently aligned [their questionnaires](#) to the TNFD recommendations.

What are most retail, food and hospitality businesses' first steps?

Governance

- Several businesses have found, when tabling discussions on TNFD at the ExCo and Board-level, it has been useful to use climate as a starting point, as Boards already understand climate and see it as a priority. This makes it easier to understand and prioritise action on nature. Boards have been particularly interested in the interdependencies between climate and nature.

- Businesses with more familiarity with the TNFD guidance recommend being strategic in how it is used and ensuring that businesses first think through what strategic decisions they would like to inform and then structure any assessments around this. This is critical to ensure outputs are decision useful and to avoid producing reports purely for disclosure's sake. Sustainability teams are finding this makes it easier to make the business case for action internally, build buy-in across senior leadership and minimise the resource cost of assessment.
- Businesses are applying previous learnings from TCFD disclosure, for example, structuring TNFD assessments and reports around their business structure and using commercial language, to ensure that outcomes are action-oriented and easily digestible by different internal teams.
- Most teams with responsibility for leading on nature and TNFD (typically group sustainability) are focussing on upskilling key stakeholders across the business on nature and TNFD. Some businesses are using consultancies to provide training across the broader business.
- Businesses are cognisant that, especially for the agri-food system, many of the actions taken to address nature will be similar to the actions taken to address climate . As a result, businesses are taking efforts to ensure that work on nature builds out of existing work on climate (either under TCFD, ISSB or CSRD) and is additional. This has relevance to a wide range of actions across the business including performing risk and opportunity assessments, collecting data from suppliers, and identifying actions across the business to manage impacts and risks.

Risk & Impact Management

- Many businesses have started work on TNFD with a high-level materiality assessment, leveraging the [ENCORE database](#), the [WWF risk filter](#) and the [SBTN high impact commodities list](#) to underpin their materiality assessments.
- These assessments are being used to identify the most material risks and opportunities which require further assessment and action. Some businesses are engaging technical risk managers in each business unit to feed into materiality assessments and prioritisation, ensuring specific expertise is accounted for in the process.
- Initial materiality assessments performed by businesses have identified soil quality, water quality (including salinity) and water availability as the most material sources of nature risk to agricultural supply chains within the UK.
- Several businesses have also used materiality assessments to identify the highest risk commodities and inputs within their global supply chains. More detailed assessments and scoping of risk mitigation actions then often focus on a subset of these commodities. For example, one business has launched an assessment exercise for its three highest risk commodities partnering with university researchers to evaluate biodiversity impacts in key value chain locations, which will support them in identifying actions to mitigate risks.
- Several businesses are in the process of or intend to perform location-specific risk assessments on product lines for which this data is available.

- Some businesses are using cost-benefit analysis to evaluate potential [insetting](#) actions (i.e. opportunities to work with and/or invest in suppliers to adopt more sustainable practices) to ensure best return on investment. Example actions considered include regenerative agriculture practices and wetland and mangrove restoration. Businesses have found it easier to make an investment case for actions that both capture carbon and address nature risks.
- Some businesses are developing strategies cognisant of the need to address nature risks at the systemic or ecosystem level. They are considering collaboration with nearby businesses that are mutually dependent on the same ecosystem services. For example, one business mentioned an international project that installed water harvesting for factories to increase water use efficiency. In addition, they are working with the local government and other businesses within that water basin to influence the sustainability of collective water use. This improves resilience for both local businesses and surrounding communities.
- Many businesses use the [Consumer Goods Forum](#) for guidelines on managing risks such as those associated with the production of palm oil and human rights. This both directly covers approaches to managing nature risks and provides learnings from the approaches taken to manage other risks.
- Some businesses use the [LEAF Marque](#) certification as an environmental assurance system for produce, which includes some nature components such as animal welfare and nature conservation.

Metrics & Targets

- Some businesses are using external data providers to assess and provide metrics for the health of local ecosystems for farms across the UK.
- Those businesses that are evaluating impacts and risks across their supply chain are largely using qualitative metrics linked to different risk factors specific to individual commodities e.g. “high risk of deforestation”.

What would unlock further action?

- Sector alignment on core metrics, enabling consistent asks from suppliers and farmers.
- Collaboration across businesses to define industry norm for risk and impact assessment across global supply chains.

Water Utilities



What would unlock further action?

- ✓ Codevelop **standardised UK water sector metric list** that aligns to TNFD and Ofwat requirements
- ✓ Align on cross-sector **data requirement for suppliers**

What are leading water utilities doing?



Setting operational targets based on priority impacts and dependencies



Qualitative assessment of financial implications of nature risk


What are most water utilities' first steps?



Identify actions across the business that TNFD disclosure will help inform




Assess to what degree existing Ofwat reporting meets TNFD requirements




Conduct high level LEAP assessment to identify priorities


Why are water utilities considering TNFD-aligned reporting?




Investor pressure to disclose nature strategy



Mandatory disclosure requirements on nature in the UK



Nature-related risk resulting in material financial risk



Competitive pressure from peers to keep up with industry standards

Figure 7: Summary of Water Utilities TNFD first steps

Why are water utilities considering TNFD-aligned reporting?

- The key driver for piloting and considering adoption of TNFD across UK water utilities is due to requests from investors for details on the business' nature risk assessment and nature strategy, aligned with the TNFD.
- Many water utilities anticipate that nature-related reporting will become a mandatory requirement in the UK.
- Many water utilities consider nature related risk as financially material to their organisation, primarily due to their high dependence on high quality local water supply.

What are most water utilities' first steps?

Governance

- Some water utilities have ExCo members (CEO or CFO) with particular interest in or awareness of nature-related issues, which makes resource allocation, accountability and wider stakeholder buy in easier.
- Some water utilities organise governance structures differently between nature and climate. Many have a single committee with accountability for climate, whereas nature responsibility is often split across several different committees (ESG, Land Management) as it is highly relevant to each of their responsibilities.

Strategy

- Many water utilities that have undertaken a LEAP assessment have first thought through which decisions and actions across the business that they would like the assessment to inform. This has helped to ensure that effort and resource is being prioritised in the right places and to have real impact on business decisions and performance.
- Some businesses have corporate natural capital accounts which value the benefits of owned land. These accounts support conversations on TNFD with ExCo and Board.
- A few water utilities have started to think through how to engage suppliers on nature and support them to move at a similar pace to the utilities. Water utilities that have begun to think about data requirements from suppliers are looking to work together with other utilities across the sector to ensure there is a consistent and coordinated ask.
- Multiple utilities are building on work done internally to upskill on climate, and are linking their climate and nature strategies together.

Risk & Impact Management

- Many water utilities have made assessments of impacts and dependencies on nature, in line with preexisting reporting procedures for Ofwat applicable for all UK water utilities. Many aspects of these assessments are already quantified.
- Few water utilities are assessing the financial risk or opportunity that arises as a result of impacts and dependencies. Some are producing qualitative risk ratings of low, medium or high based on expected financial materiality to business.
- Some businesses are using LEAP as an internal engagement framework to identify material nature risks, and then exploring how these relate to their existing risk register. This would allow nature risks to be addressed through pre-existing risk management and stakeholder engagement processes.

Metrics & Targets

- All utilities recognised that there was a high degree of alignment between the requirements of the TNFD core metrics and the metrics that water utilities are required to report to Ofwat under current UK regulation. In particular, Performance Commitments and reporting related to Sites of Special Scientific Interest (SSSI) were highlighted as particularly useful for TNFD requirements.
- As these metrics are not always collected and reported in the format specified in the TNFD recommendations, utilities were leveraging the "comply or explain" approach within the TNFD guidance to explain the format provided aligns with UK regulatory requirements.

What would unlock further action?

- Codevelop standardised UK water sector metric list that aligns to TNFD and Ofwat requirements.
- Align on cross-sector data requirement for suppliers.



TNFD UK Consultation
Group, convened by the
Green Finance Institute (GFI)

The [Green Finance Institute \(GFI\)](#) was established with support from the UK Government and the City of London in 2019 to partner on unlocking private sector finance to meet net zero and nature targets. The organisation works across multiple sectors, convening key stakeholders to identify barriers and develop solutions. Most recently, GFI CEO, Dr Rhian Mari Thomas OBE, acted as chair of the independent taskforce established to advise on the National Wealth Fund.

Specific to nature investment and environmental business resilience, the GFI hosts the Secretariat for the TNFD and the UK National Consultation Group of over 600 companies, funded by Defra. The broader nature team ([GFI Hive](#)) has advised and assessed on all three rounds of Defra's Natural Environment Investment Readiness Funds (NEIRF) working with financial institutions, farmers, UK eNGOs and companies to support the UK to develop the supply, demand and enabling policy environment to unlock private sector investment in nature.

The GFI also leads work on GBF Target 19 with UNEP FI and UNDP Biofin, supporting signatories on developing models and markets that unlock private sector finance for nature restoration and conservation.

In addition to hosting the Secretariat for the TNFD, the Green Finance Institute is the convenor of the [TNFD UK Consultation Group \(UK CG\)](#) of over 1,300 members and 600 companies. The UK CG is one of seventeen consultation groups that work to expand outreach on nature and the TNFD recommendations and guidance.

The UK CG acts as a central hub of support to UK companies as they seek to understand, engage with, pilot and adopt the TNFD recommendations and guidance.

We host events to build public awareness, provide targeted advice on piloting and adoption, and gather feedback on the recommendations and guidance.

As part of the UK CG, you will be kept up to date via email of upcoming events (which occur four to five times a year) and materials. You are also invited to contact the CG if you are looking to host your own events or are looking for any information on nature-related risks or the TNFD. To join the UK Consultation Group, please enter your details to [this form](#).

