



ORRAA Policy Brief:

The Ocean and the Taskforce on Nature-related Financial Disclosures

In 2020, the [Taskforce on Nature-related Financial Disclosures](#) (TNFD) was set up with the goal of supporting a shift in global financial flows away from harming nature and towards nature-positive outcomes.

As a complement to the [Taskforce on Climate-related Financial Disclosures](#) (TCFD), the TNFD is a market-led initiative with the mission to develop and deliver a risk management and disclosure framework for businesses and financial institutions to report and act on nature-related risks and opportunities. By applying the TNFD framework, investors will be able to more accurately assess their exposure to nature-related risks and inform decision-making.

The [final recommendations of the TNFD](#) were formally launched in September 2023. More than forty different financial institutions and businesses, representing USD\$20.6 trillion of assets, led the development of the TNFD framework.

Why is this important?

ORRAA and many of its members, recognising the critical importance to shift finance flows towards sustainable ocean action, supported the development and beta review of the TNFD to ensure that the framework is relevant to ocean-related risk and opportunity disclosures.

The World Economic Forum estimates that more than half of global GDP – USD\$44 trillion of economic value - is moderately or highly dependent on nature, and therefore exposed to financial risks from biodiversity loss.¹ The launch of the TNFD framework is a critical development in building awareness of ocean-related risks and opportunities, and an important step in the direction of shifting global financial flows away from harming the ocean and towards more sustainable, ocean-positive investment. More transparent corporate disclosures can build momentum towards ocean-positive finance action, allowing investors to make informed decisions and prioritise ocean-positive investments.

The 2022 Kunming-Montreal Global Biodiversity Framework (GBF) under the UN Convention for Biological Diversity (CBD) calls on governments and regulators to implement legal and policy changes to encourage businesses, private entities, and financial institutions to monitor, assess, and disclose biodiversity risks, dependencies, and impacts in their operations. With the final framework of the TNFD launched in September 2023, now is the time for businesses and financial institutions to take forward the adoption of the TNFD and consider their response to emerging biodiversity-related disclosure requirements, particularly on reporting such impacts on marine biodiversity.

The initial uptake of the TNFD will be voluntary, but the tides are shifting, and it is expected that following the trajectory of the TCFD, reporting will become mandatory in the near future.

¹ <https://www.weforum.org/agenda/2023/01/davos23-nature-loss-is-an-economic-crisis-innovation-is-needed-now/>

Recommendations

ORRAA recommends that its private sector partners and all our members work to:

1. **Disclose.** Private sector and financial institutions should align internal policies and operations to ESG objectives, including the exclusion of activities that are climate harmful and biodiversity negative, and voluntarily monitor, assess, and disclose biodiversity risks, dependencies, and impacts in their operations, adhering to both the Taskforce on Nature-related Financial Disclosures and the Taskforce on Climate-related Financial Disclosures.
2. **Promote.** Companies using TNFD or undertaking similar biodiversity risk assessment should share and promote case studies, knowledge, tools, and resources of early TNFD adoption with an ocean lens, to support other organisations in applying the TNFD.
3. **Share.** For organisations building or maintaining datasets about the ocean, ensure data is widely available and accessible so that companies can utilise it to report on TNFD.
4. **Shift.** Financial institutions should utilise new TNFD disclosures as a mechanism to shift investments from those that harm nature to nature-positive, sustainable blue solutions. This includes driving investment into coastal and marine nature to halt biodiversity loss, build resilience and sustain livelihoods.
5. **Build.** ORRAA members can support and engage to further develop the TNFD framework on ocean-specific guidance and metrics as well as encourage its mandatory application by 2030, in alignment with the TCFD.

A Deeper Dive

Ocean Investment Risk and Opportunity

The ocean economy is conservatively estimated to be worth USD \$24 trillion, with annual benefits of around USD \$2.5 trillion a year.² This places the ocean as the world's seventh largest economy when ranked with national GDPs. In addition:

- It is estimated that two in every three publicly traded companies are exposed to and in some degree dependent on a healthy ocean.³
- Trillions of dollars are invested in the blue economy today. Research shows that a business-as-usual approach will result in great risk to our economies, with a cost potentially reaching up to USD\$8.4 trillion over the next 15 years.⁴
- The IPCC Special Report on the Ocean and Cryosphere in a Changing Climate found that unmitigated climate-induced declines in ocean health will cost the global economy USD\$428 billion/annum by 2050 and USD\$1.98 trillion/annum by 2100.⁵
- Infrastructure damage from coastal flooding alone will cost the world USD\$14.2 trillion by the end of the century - threatening assets worth up to 20% of the global GDP - and affecting more than 280 million people.⁶

And yet, SDG14: Life Below Water is the least invested in of the SDGs, with just 3.5% of total SDG funding going to it, while only 0.01% of climate finance is invested into coastal and ocean Nature-based Solutions.

Closing the Biodiversity Finance Gap: Aligning Investment with Global Standards and Policy Goals

Fully funding the Global Biodiversity Framework (GBF) has been [estimated](#) to cost ~USD\$800 billion/annum, yet current annual global spending on biodiversity is estimated at just ~USD\$100 billion/annum. This indicates a biodiversity funding gap of approximately USD\$700 billion/annum.

The GBF outlines two fundamental pathways to address this biodiversity funding gap:

1. Phasing out and reorienting USD\$500 billion in subsidies that harm biodiversity (in particular, fishery, forestry, and agricultural subsidies), and
2. Channeling USD\$200 billion in financial resources for biodiversity, including through leveraging private and blended finance, and innovative finance schemes from payment for ecosystem services, green and blue bonds, offsets, credits, and others.

Currently, more than 60 percent of investment into biodiversity is from governments. With greater acknowledgement of the interdependencies between biodiversity and climate action, financial risks from the degradation of nature, and the investment opportunities offered in Nature-based Solutions, the finance and business sectors are beginning to step-up and play a role in supporting this critical natural infrastructure.^{7,8,9}

² <https://wwf.panda.org/discover/our-focus/oceans-practice/reviving-the-ocean-economy/>

³ *ibid.*

⁴ <https://value-at-risk.panda.org/-intro>

⁵ <https://www.ipcc.ch/srocc/>

⁶ <https://www.nature.com/articles/s41598-020-67736-6>

⁷ <https://www.goldmansachs.com/intelligence/pages/gs-research/assessing-the-financial-links-to-natural-capital/report.pdf>

⁸ <https://icg.citi.com/icghome/what-we-think/citigps/insights/sustainable-ocean-economy>

⁹ <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/risk/ocean-financing.pdf>



The implementation of the TNFD gives financial institutions and businesses a pathway to signal their commitment to biodiversity-positive investments and alignment with global policy goals such as the GBF. The TNFD has already been endorsed by both [G7](#) and [G20](#) finance ministers. Over 400 business and finance institutions from 52 countries have signed a declaration calling for countries [to make TNFD reporting mandatory](#) by 2030.

Like the TCFD, the TNFD is a voluntary framework for risk management and disclosure, not a standard. However, the TNFD is designed to inform, and is already being leveraged in corporate disclosure standards including the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI). The ISSB has committed to integrating the TNFD work into its Sustainability Disclosure Standards as of January 2024. Regulators are paying more attention to the impacts of climate and nature on the financial security of the global economy. As the global regulatory landscape evolves, so will the requirements for companies to include nature-related disclosures in ESG reporting. There are also several countries preparing for nature-related regulations to guide corporate action on biodiversity.

Core Elements of the TNFD

The TNFD integrates both nature and climate-related risks, given their interdependencies. To support alignment on reporting, the TNFD is structured around the same four disclosure pillars as the TCFD:

- **Governance:** how the organisation's oversight and decision-making functions take nature-related risks and opportunities into account ensuring top-level commitment.
- **Strategy:** integrating actual and potential effects of nature-related risks and opportunities on the organisation's business model, strategy, and financial planning, where such information is material.
- **Risk management:** how the organisation integrates its exposure to risks associated with the decline of biodiversity into its overall risk management approach. This involves identifying potential impacts on operations, supply chains, and financial performance due to nature-related factors.
- **Metrics and targets:** quantitative and qualitative performance indicators and aims related to nature-related risk and opportunities, based on material nature dependencies and impacts.

The divergence between the TCFD and the TNFD comes in the metrics, targets and indicators associated with the disclosure pillars. A complicating factor in the disclosure of nature-related risks is that they are inherently more complex and localised than climate risks, so there is no equivalent to a universal metric such as greenhouse gas emissions.

The TNFD is designed to try to address this information gap, including by developing sector-specific and biome guidelines that help to assess nature dependencies and impacts at a more granular level.

During the review of the four beta versions of the TNFD framework, market participants called for accessible guidance on how to build internal understanding and respond to nature-related risks and opportunities, as a complement to the core disclosure recommendations. In response, the TNFD developed an integrated assessment approach called LEAP. LEAP is not a mandated process under the TNFD, and as such, not everything that is identified, assessed, and evaluated needs to be disclosed. Rather, it serves as an iterative process to support internal, nature-related risk and opportunity assessments.

The LEAP approach helps companies in:

- Locating the interface with nature;
- Evaluating dependencies and impacts;
- Assessing risks and opportunities; and
- Preparing to respond to nature-related risks and opportunities, and report.



An extended [LEAP approach for financial institutions \(LEAP-FI\)](#) was developed to assess nature-related risks and opportunities in relation to finance activities (e.g. debt and equity investing, trading, and insuring).

The Ocean in the TNFD

1. Implementation Guidance

The TNFD is working to develop a knowledge bank and tools catalogue to provide case studies and resources that can support the assessment process. Some currently available resources that directly relate to the Ocean include a hypothetical case study on the [aquaculture sector](#); a case study developed by Stakeholders to provide “[Nature-related risk reporting for investors: A case study of the aquaculture sector](#)”; and the UNEP- FI toolkit “[Diving Deep: Finance, Ocean Pollution and Coastal Resilience](#)” to support banks, insurers and investors to align decision-making with a healthy ocean and a sustainable blue economy.

Following the launch of the TNFD in September 2023, we encourage ORRAA members and early adopters of the TNFD to share additional case studies and implementation resources with the TNFD Secretariat to build out the knowledge bank and tools catalogue with ocean-relevant guidance.

2. Targeted Biome-Specific Guidance

The TNFD has launched targeted guidance on four biomes to date, including [the marine shelf](#), to help companies who produce, operate, or source in these biomes to apply the LEAP approach, using a set of specific guiding questions. The marine shelf guidance offers guidance on common nature-related risks and opportunities operating in ocean and coastal systems, together with a list of biome-specific target standards (such as the UNEP-FI [Blue Economy Finance Principles](#), the [Marine Stewardship Council Fisheries Standard](#), and the [High-Quality Blue Carbon Principles & Guidelines](#)).

3. Data Availability

There are currently few if any accurate global metrics to facilitate reporting. Where there is data, it is important to ensure it is available and accessible to organisations operating outside the academic, science and/or data industries so that companies can utilise it to report on TNFD. Data availability across biomes is an item of continued discussion within the TNFD. A nature data analysis by the TNFD has concluded that while a significant amount of nature-related metrics and data already exist, core challenges remain around standardisation, maintenance and connectivity, improving accessibility for data users, and comparability to assist policy making, business strategy, and capital allocation decisions by financial markets.

In early 2023, an ORRAA Solution Lab was hosted by Clyde & Co to provide inputs into the TNFD development process. Key recommendations from that session included recognition of the challenges of data availability for measuring dependencies and impacts in the ocean, particularly acknowledging that while location- or species- specific datasets exist, more global resources are not available. ORRAA members from the academic, civil society and public sectors look to work with TNFD Secretariat to facilitate access to and sharing of ocean-related data.

Key Resources

- Taskforce on Nature-related Financial Disclosures - <https://tnfd.global/>
 - TNFD Final Recommendations - <https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/>
 - Getting started with the adoption of TNFD recommendations - <https://tnfd.global/publication/getting-started-with-adoption-of-the-tnfd-recommendations/>
- How the nature-related regulatory disclosure landscape is evolving. https://www.ey.com/en_us/climate-change-sustainability-services/the-nature-related-disclosure-landscape
- TNFD: What the COP15 biodiversity framework means for investors. *Originally published in Environmental Finance Biodiversity Report 2023.* <https://tnfd.global/what-the-cop15-biodiversity-framework-means-for-investors/>
- The Case for a Task Force on Nature-related Financial Disclosures. <https://www.globalcanopy.org/wp-content/uploads/2020/11/Task-Force-on-Nature-related-Financial-Disclosures-Full-Report.pdf>
- TNFD and nature-related financial disclosures: The new framework for ESG risks. Deloitte. <https://www2.deloitte.com/lt/en/pages/consulting/topics/TNFD-and-nature-related-financial-disclosures.html>
- Biodiversity: TNFD releases recommended disclosure metrics. Goldman Sachs Equity Research, April 2023. <https://www.goldmansachs.com/intelligence/pages/biodiversity-recommended-disclosure-metrics.html>
- 2023. TNFD. Findings of a high-level scoping study exploring the case for a global nature-related public data facility. <https://tnfd.global/news/tnfd-publishes-scoping-study-data-facility/>

Learn More About ORRAA [here](#).