Submission to the TNFD's Discussion paper on nature transition plans

Australian Sustainable Finance Institute | January 2025

Australian Sustainable Finance Institute

Taskforce on Nature-related Financial Disclosures
Submitted electronically

Dear TNFD Secretariat

Discussion paper on nature transition plans

The Australian Sustainable Finance Institute (ASFI) welcomes the opportunity to provide feedback on the TNFD's discussion paper on nature transition plans.

ASFI is a not-for-profit organisation committed to realigning the Australian financial system to be sustainable, resilient, and inclusive. ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that support ASFI's mission. ASFI members collectively hold over AU$37 trillion in assets under management and are committed to allocating capital in a way that creates positive social and environmental outcomes.

Nature loss poses considerable systemic and organisational risks to financial institutions. In this regard, we welcome the focus from the TNFD on nature transition plans, including the recommendations that organisations seek to move towards integrated transition plans (covering a range of sustainability issues) in time.

Our feedback on the discussion paper is set out below.

1. ***Integrating nature into transition planning can enhance climate, nature, and resilience outcomes across a broad range of business activities***

ASFI supports the view that integrating nature into businesses' transition plans can accelerate climate, nature and adaptation and resilience outcomes. This approach recognises the interconnection between climate and nature and helps to coordinate action and better identify cost-effective climate solutions.

In the context of transition planning, nature considerations should extend beyond carbon sequestration and emissions avoidance to consider climate resilience, biodiversity, and natural ecosystems. Additionally, nature-based approaches can support business productivity and profitability, particularly for sectors that have a high dependence on and impact on nature, for example agriculture.

In this regard, we welcome not only the TNFD's discussion paper on nature transition plans, but also GFANZ's discussion paper on integration of nature in net-zero transition plans. We view both papers as complementary and support their continued development to promote the integration of nature into business strategy, risk management, financial decision-making, and long-term planning to meet global sustainability outcomes. A holistic approach that recognises nature's essential role in achieving net-zero transitions, broader sustainability goals, and resilience of economic activities is crucial.

2. ***Considering nature in net zero transition planning is an important first step towards integrated climate and nature planning***

ASFI welcomes the guidance set out in the TNFD's discussion paper that illustrates a staged approach for organisations to move from climate transition plans to integrated climate and nature transition planning. We encourage the TNFD to continue emphasising this message, and to accompany it with further practical examples of how organisations can go about doing so.

3. ***Integration of nature should leverage existing transition plan themes***

ASFI supports the approach in the TNFD's paper that seeks to integrate nature into the five existing themes of net-zero transition planning recommended by GFANZ in its Net-Zero Transition Plans guidance, and those adopted by the Transition Plan Taskforce (TPT) as the disclosure elements in their Disclosure Framework for climate transition plans. This approach complements existing work by financial institutions and promotes integrated development and disclosure of nature and climate transition plans.

ASFI applauds the inclusion of the clear explanations and guidance offered in the TNFD's discussion paper for each theme, particularly the valuable insights aimed at financial institutions. ASFI encourages the inclusion of further examples in subsequent iterations of guidance documents.

ASFI offers the following feedback on TNFD's draft guidance for each of the transition planning themes:

<u>Foundations</u>

Scope and framing
ASFI welcomes the staged approach outlined for transitioning from climate transition plans to integrated planning. This approach enables entities to progressively assess and incorporate nature-related impacts, dependencies, risks, and opportunities into their transition planning beyond climate goals. We encourage the TNFD to embed this approach into the proposed components of nature transition plans, especially in the Foundations theme, to support and guide the gradual evolution and scope of nature transition plans as entities progress along their nature journey. This should include providing examples at varying levels of maturity.

ASFI supports the TNFD's recommendation to define, as much as possible, the relevant departments, regional or national branches, or asset classes within financial institutions that fall within the scope of the nature transition plan. ASFI further recommends extending this to include relevant portfolios, clients, and key stakeholders, such as investors.

Other Foundations theme components
Similarly, ASFI welcomes the guidance provided for other components of the Foundations theme. We reiterate our previous recommendation for more detailed, staged guidance on developing these components, akin to the gradual approach encouraged for disclosing TNFD recommendations, along with examples to enhance clarity.

<u>Implementation Strategy</u>

Products and services
ASFI recommends that the TNFD develop guidance on developing or leveraging existing financial mechanisms to support investment in nature-based solutions that primarily contribute to NZTP (complementing GFANZ efforts) but also support broader nature-related goals.

Policies and conditions
ASFI welcomes the TNFD's guidance on policies and conditions to support transition plan

decision-making, particularly the emphasis on considering, if relevant, business locations and value chains. We encourage the TNFD to expand this guidance by examining how existing policies can be built on for nature transition planning and providing practical examples of best practices for integrating nature-related considerations into policymaking.

Engagement Strategy

Landscape, river basin and seascape engagement
ASFI welcomes the guidance materials for engagement with stakeholders and Indigenous Peoples and Local Communities at a landscape, river basin or seascape level and the recognition that financial institutions can play a key role in bringing together portfolio companies, clients, peers and other stakeholders within a single landscape with related dependencies, impacts, risks and opportunities, to broker inclusive and equitable solutions, monitor progress and improve coordinated action.

Value chain engagement
ASFI recommends the development of a staged approach to stakeholder engagement that enables a gradual understanding and adoption of the nature journey, both within financial institutions and across their clients, portfolio companies, and suppliers. This gradual approach will also accommodate the development pace of tools and methods for collecting and analysing nature-related data and information. ASFI sees value in TNFD and GFANZ collaborating to ensure that future guidance is complementary and avoids overlap, particularly when addressing nature with a focus on NTZP.

Metrics and Targets

ASFI welcomes the consistency between nature transition plans and the TNFD's previous work on metrics and targets, including those recommended for financial institutions and the distinction between these metrics and the newly introduced transition plan delivery metrics and targets. We encourage the TNFD to expand on the guidance by providing practical recommendations and examples for situations where data is both available and where it is not.

There is a need for a deeper understanding and consistent use of nature-related metrics within the finance sector, ensuring alignment with material and priority issues across sectors. ASFI recommends further developing methodologies and guidance for measuring nature-related metrics and levers at the portfolio level, allowing financial institutions to assess their impact effectively and comparably.

In particular, ASFI welcomes the TNFD’s guidance regarding a staged approach to development of nature-related targets for financial institutions. This staged approach is important given the complexities of developing quantitative, outcomes-based nature targets. The development of interim targets, including those that are output or process-oriented, should be considered acceptable as a first step for financial institutions to build their understanding of how nature interacts with their business, and as availability of data, standardisation of metrics, and development of nature scenarios improves. In this regard, ASFI supports the TNFD’s approach to setting an ambition and building supportive location-informed targets as interim steps to building organisational targets.

Governance

ASFI welcomes the TNFD’s guidance on the roles, responsibilities and remuneration and the approach to addressing skills and culture to support the delivery of transition plans. We recommend the TNFD expands this guidance to make a clearer linkage to the Governance pillar of the TNFD recommendations and how these support the development and implementation of nature transition plans.

Additionally, we recommend incorporating principles of transparency and accountability into

leadership roles and responsibilities to ensure adherence with transition plans. This could include overseeing reporting, auditing, and compliance mechanisms related to the implementation and disclosure of the transition plan.

4. **Additional comments**

Sector Pathways, data, tools, and methodologies for nature and climate transition planning – including nature scenarios - are still evolving and may not be fully available for all regions, sectors, or situations. ASFI notes that these resources need to be developed to further support financial institutions to more deeply implement their transition plans.

At the same time, there are sufficient resources – including guidance from GFANZ and TNFD – for financial institutions to begin integrating nature considerations into their net-zero transition planning and progressively develop their approaches toward integrated climate and nature transition planning.

We would be happy to discuss the above feedback further. For any questions, please contact angelica.delhierro@asfi.org.au.