



Nature reporting in New Zealand's financial sectors

This document aims to enhance the understanding of nature-related disclosure developments, their implications for the financial sector, and the emerging opportunities in the field of nature markets. The aim is to brief the financial sector (banks, insurers and investors) on the state of play for nature-related disclosures, as proposed in the [Taskforce for Nature-related Financial Disclosures](#) (TNFD). This document sheds light on current trends in sustainability reporting globally and within New Zealand.

International developments and emerging trends

United Nations initiatives¹ highlight the critical role of financial institutions in transitioning to net zero economies² and advocate for proactive measures to facilitate this shift. In a similar vein, [the Financial Stability Board](#) has acknowledged the significance of climate and nature risks in maintaining financial stability³ for the world's economies. Consequently, the board has established the [Taskforce on Climate-related Financial Disclosures](#) (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD) to address these concerns. This movement is further supported by investor-led and financial institution-led initiatives, which draw inspiration from the United Nations and the Financial Stability Board initiatives. Collectively, these efforts underscore a global trend towards including climate and nature metrics in sustainability reporting.

Multiple agencies are now more openly acknowledging the intertwined relationship between nature, climate, and economic stability. Financial firms and institutions, actuaries, and regulatory agencies are increasingly concerned about the link between financial stability and the equilibrium of climate and nature, as well as the necessity of maintaining a social license to operate.

While nature disclosures remain voluntary at a global level, a growing international momentum exists towards reporting that encapsulates the climate, nature, and financial dimensions of business operations. The drive is being led by financial services and investors, international development agencies, and by agricultural companies and food retailers with large value chains. The reporting requirements of signatories to the UNEP FI initiative [The Sustainable Blue Economy Finance Principles](#) represents one example of the efforts to increase disclosure.

However, much work is still needed to create the conditions for operationalising nature-related disclosures, not least with a view to developing nature metrics and setting targets. The challenge of incorporating supply chain links and maintaining social licenses to operate across diverse fields promises to add further stimulus.

These trends indicate that nature-related disclosures are likely to become the norm even if they may not be imminent in legislated forms but driven primarily by private policies.



The synergy between climate and nature disclosures

Nature disclosures are a relatively new development and lack refined, agreed metrics and the political and social force of climate disclosures. But nature disclosures are given momentum and enabled by the example of climate disclosures. The understanding of both nature and climate risks and impacts and their interrelationships are being seen as crucial factors in future market competitiveness as well as informing likely regulatory interventions. Adopting nature-related disclosures alongside climate disclosures may well come to define sustainable business practices, especially as the biological and ecological impacts of climate change become more apparent.

For organisations already reporting on climate aspects, considering nature dependencies is a logical next step as they consider questions of:

- social license
- market opportunities and competitiveness
- supply chain demands
- de-risking investments.

Organisations that have adopted climate disclosure requirements have already established corporate practices and accounting architectures that will likely facilitate the adoption of nature-related disclosures too. The TNFD uses a similar framework to the one developed by the Taskforce on Climate-related Financial Disclosures, which focuses on strategic governance to evaluate risks, opportunities, impacts, and dependencies. For example, the TNFD uses the same four pillars as the TCFD framework. These are: Governance, Strategy, Risks Management, and Metrics and Targets (Figure 1).

TNFD recommended disclosures

Governance

Disclose the organisation's governance of nature-related dependencies, impacts, risk and opportunities.

Strategy

Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.

Risk & impact management

Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risk and opportunities.

Metrics & targets

Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

Figure 1: The recommended disclosures under the Taskforce on Nature-related Financial Disclosures (TNFD) framework. The Taskforce on Climate-related Financial Disclosures (TCFD) uses the same four pillars of disclosure: Governance, Strategy, Risk and Impact Management, and Metrics and Targets.

International principles and coalitions driving change

Several key international initiatives are aligning to direct private finance and investment towards nature. These include, but are not limited to:

- for banks: [The Finance for Biodiversity Pledge](#) and [The Principles for Responsible Banking](#)
- for insurers: [The Net-Zero Insurance Alliance](#)
- for investors: [Nature Action 100](#).

Importantly, TNFD has just published its first voluntary [Guidance for Financial Institutions](#) (i.e. banks, investors, insurance, asset managers and owners) outlining recommended disclosures, including guidance for some sub-sectors. This draft guidance is intended to be applied at the level of financial entity to avoid overlaps with domestic regulatory regimes for financial product disclosure.

Framework developments and opportunities

The TNFD launch marks a significant development in international financial disclosures. Nature metrics will be more fully developed in the near future, with work underway by The Global Reporting Initiative (GRI) and ongoing work by the TNFD, such as the [final recommendations of the TNFD](#). As a nature-reliant economy, international markets will be a strong driver for nature reporting in New Zealand. Investment demand could also be a driving force; there is an opportunity for those in New Zealand who are ready to invest in nature-positive products to gain a foothold in [international nature-related markets](#). New Zealand has the opportunity to channel private finance into nature as a medium to long-term nature positive investment, including conserving and restoring biodiversity.

Nature scenarios are not as well-defined as climate scenarios, requiring companies to undertake individual assessments and consider both shareholder and stakeholder views on their impacts. Furthermore, businesses need to pay special attention to the unique biodiversity and ecological state of their operational areas, as nature disclosures are closely tied to specific localities. The Global Reporting Initiative (GRI) has released a revised [Biodiversity Standard](#), so for those businesses using GRI there is an opportunity to include biodiversity reporting.⁴

In New Zealand, businesses have a certain level of readiness for nature-related disclosures because of either:

- their sustainability reporting, for example if they are GRI reporters
- requirements and measurement protocols under schemes like Global Gap or MSC.

Enablers for disclosure in the blue economy

The pursuit of sustainable and restorative marine economy has given rise to finance-focused initiatives that directly and indirectly drive measurement and enable disclosure in the marine space. TNFD has published guidance documents for aquaculture sector disclosure and more generic guidance for [Biomes](#), which includes the marine shelf. In addition to the [Sustainable Blue Economy Finance Principles](#), UNEP-FI also developed the toolkit [Diving Deep: Finance, Ocean Pollution and Coastal Resilience](#) as a resource for banks, insurers, and investors to align decision-making with a healthy ocean and a sustainable blue economy. Other key initiatives include the Asian Development Bank's [Ocean Finance Framework](#), [Green and Blue Bond Framework](#), and the IFC's [Guidelines for Blue Finance](#). The UN Global Compact prepared a [Practical Guidance to Issue a Blue Bond](#), which is a valuable resource for businesses seeking blue finance.

New Zealand's position in nature reporting

Businesses that incorporate climate and nature metrics into their strategic decision-making are poised to be leaders in these developments. Assessing nature and climate risks may have a far-reaching impact on financial decision-making, especially in the global effort to transition to a net-zero economy.

In New Zealand, [climate disclosures are a regulatory requirement](#) for financial institutions, and there is a growing expectation that [managing nature-related risks](#) will also become common practice. The recent initiative by the Aotearoa Circle to test [TNFD's LEAP approach](#) is evidence of present interest, likely to catalyse further interest, and contribute to developing local knowledge and practice of nature disclosure in New Zealand.

The financial sector can lead this process and play a crucial role in the transition to net zero by encouraging reporting of climate and nature risks. The sector also has opportunities to enhance business reputation and competitiveness and develop innovative financial products.

Interest in nature-based disclosures presents the New Zealand financial sector with significant opportunities, not least the chance to pilot the recommendations in the TNFD framework. The sector is well placed to take advantage of its current work in helping to implement the [Aotearoa New Zealand Climate Standards](#). Alignments between the TNFD guidance and the Aotearoa New Zealand Climate Standards present opportunities to adapt and voluntarily adopt the TNFD recommendations and for the finance sector to take the lead.

Footnotes

¹Such as the UN Environment Programme Finance Initiative (UNEP FI) [Principles for Responsible Banking](#), and [Net-zero Insurance Alliance](#)

²'[Net zero](#)' refers to reducing GHG emissions to as close to zero as possible, with any remaining GHG emissions being absorbed from the atmosphere by forests and oceans.

³'[Financial stability](#)' is defined as 'the absence of system-wide episodes in which the financial system fails to function (crisis). It is also about resilience of financial systems to stress'. World Bank, (n.d.).

⁴The GRI Topic Standard Project for Biodiversity is a review of the GRI 304: Biodiversity 2016 standard, and aims to represent the internationally agreed best practice and to align with recent developments such as the TNFD and the [Science Based Targets Network](#).



[Nature risks and opportunities in the Hawke's Bay](#)

