



IFoA Response to TNFD Discussion Paper on Nature Transition Plans

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Key points

- The IFoA broadly supports the proposals as set out in the discussion paper and believes that it is a positive way forward.
- However, we are concerned that some of the proposals potentially overlap the objectives of the newly formed Task Force on Inequality and Social Related Financial Disclosures (TISFD).
- We have some reservations concerning the lack of specificity of the recommendations in certain key aspects.
- The IFoA recommends that the TNFD applies an approach balanced between the high-level principle guidance of the GFANZ framework and the more detailed and granular guidance provided by the TPT framework. We would encourage a strong focus on the key issue of consistency.

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Taskforce on Nature Related Financial Disclosures' (TNFD) Discussion Paper on Nature Transition Plans. This response is prepared by the IFoA's Climate and Nature Risk Reporting Working Party with input from the IFoA Sustainability Board. It is written in the public interest.

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A. The TNFD draft guidance focuses on nature transition plans, separate from climate. However, it recommends that organisations identify and manage synergies and trade offs with other sustainability goals, including social issues, and with a preference for eventually creating an integrated plan. Do you agree with this approach?

We fully support the implementation of a more integrated plan. However, we note that the Task Force on Inequality and Social Related Financial Disclosures (TISFD), which has been recently established to provide specific recommendations concerning social issue-related disclosures, has yet to provide recommendations. Therefore, we consider that whilst climate and nature-related issues are integrated and relatively mature, and merit identification of synergies, this does not (yet) extend to social disclosures. We would hope within the next few years that it would also be possible to integrate Inequality and Social-Related disclosures and encourage this to be done as soon as practical.

It is likely that a number of recommendations from the different Task Forces will overlap. We would support an effort to simplify the set of all Task Force recommendations by highlighting those in common and wording them identically as far as possible. This consistency will reduce the burden on organisations seeking to comply with them.

B. The TNFD has followed the GFANZ and TPT structures for the development and disclosure of climate transition plans for nature transition plans. Does this overall structure work well for a nature transition plan? Does it facilitate integration of nature and climate transition plans and social objectives? How could it be improved?

We support this overall approach to drive consistency wherever possible as we remain concerned about the proliferation of standards and requirements. We encourage the TNFD to consider the CRSD framework in Europe as an additional consideration.

We also encourage a greater focus on the integration of nature-related risks into accounting measures and in particular a call for adoption of IAS37 and IAS 38, similar to SMIAC's first action in the G20 Nature Investment Roadmap¹.

Reverting to TPT and GFANZ, the Climate and Nature-Related Risk Reporting working party of the IFoA has undertaken a comparative study between TPT and GFANZ frameworks, as part of a broader study examining transition planning practices². The study finds that, while there are broad and extensive levels of consistency between the two frameworks, there are some aspects which are identified more clearly by the GFANZ framework than the TPT framework.

- The GFANZ framework acknowledges the importance of “just transition” as a relevant consideration when developing transition plans. By contrast, the TPT framework fails to mention this as being a relevant factor. The IFoA supports the concept of “just transition” as being a relevant and important consideration in evolving disclosure requirements. Further suggestions regarding key differences that require attention are mentioned in our response to issue E below.
- “Foundations” incorporates a “business model and value chain” but does not explicitly include the objectives to reach net zero by 2050 or sooner, in line with science-based pathways to limit warming to 1.5 degrees. (See note on 1.5 degrees below).
- “Implementation” includes a requirement for the entity to disclose the effects of its transition plan on its business operations, financial position, performance and cash flows, but could usefully include a

¹ <https://www.africaninvestor.com/g20-nature-investment-roadmap-tabled-by-smi-africa-council-for-bold-global-action/>

² *International Practices in Climate Transition Plan reporting: lost in translation?* by A. Banker, S. Campbell, S. Gandotra, M. Gayen, P.J.M. Klumpes*, D. Matteucci, N. Meyer, K. Mok, B.J. Walshe, S. Worsley.

statement of how the net-zero objectives and priorities are incorporated into its core evaluation and decision-making tools and processes.

- “*Engagement Strategy*” could usefully encourage the provision of feedback and support to clients and portfolio companies to encourage net zero-aligned transition strategies and plans. Engagement with government and other sectors does not mention support to an orderly transition to net zero.
- “*Metrics and Targets*” does not require the publication of metrics and targets focused on aligning financial activity in support of the broader real-economy net-zero transition and related societal issues associated with the “just transition” (e.g. metrics related to what extent organisations’ activities impact societal-level distributive, procedural and restorative justice).

TPT provides substantially more granular requirements than GFANZ. However, TPT guidelines can be extended further to require the establishment of a suite of nature and/or biodiversity bespoke metrics and targets to drive execution of the net-zero transition plan. For example, impact materiality (inside-out) metrics could be more clearly specified related to environmental data (e.g. CO₂E gallons), species footprint (e.g. mean species abundance ratio (MSA)) and natural capital. Likewise, financial materiality (outside-in) metrics could be more clearly specified related to potentially disappeared fraction (PDF), biophysical risk and proximity analysis.

- “*Governance*” could require roles for the board and senior management to ensure they have ownership, oversight and responsibility for net-zero targets. This could usefully also require the implementation of a change management program and open communications to embed a net-zero transition plan into the organisation’s culture and practices.

The IFoA therefore recommends that the TNFD applies an approach balanced between the high-level principle guidance of the GFANZ framework and the more detailed and granular guidance provided by the TPT framework. We would encourage a strong focus on the key issue of consistency.

Finally, given the observed rise in global average temperatures and lack of progress in reducing greenhouse gas emissions, the chance of limiting warming to 1.5 degrees is looking less likely. The UNEP’s 2024 emission gap report suggested that limiting warming to 1.5 degrees would require nations to cut 42 per cent off annual greenhouse gas emissions by 2030 and 57 per cent by 2035. All these disclosure standards should consider how the alignment pathways should be adjusted if these reductions do not look realistic.

C. Does the discussion paper provide an appropriate balance between guidance for corporates and financial institutions?

In general, the IFoA agrees that there is a balance between corporates and financial institutions. However, the IFoA also considers that, while the international insurance industry plays an important role in facilitating the green transition, including nature-related aspects, there is currently no specific guidance provided for this industry sector. Given that actuaries fulfil an important role in both risk management and advisory services for this key financial sector, we would welcome specific guidance to clarify how the sector can support the green transition.

D. Does the discussion paper provide an appropriate balance between addressing nature related topics, while considering other sustainability objectives, such as consideration of just transition and human rights aspects?

The IFoA agrees with the importance of emphasising the consideration of just transition and human rights aspects as noted in the discussion paper. However, the IFoA is concerned that this should not give rise to inconsistency with the ultimate outcomes of the TIFSD’s ongoing development of these concepts. Such inconsistency would make for a more burdensome and less comprehensive integrated set of nature, climate and social frameworks.

E. Are the structure and content of the individual themes (Foundations, Implementation Strategy, Engagement Strategy, Metrics and Targets and Governance) appropriate? How can they be improved?

The IFoA has already noted in issue B above that there remain inconsistencies between the GFANZ and TPT frameworks in relation to each of these themes - the TNFD should decide on the balance it deems most appropriate in elaborating its guidance for each.

F. Are the proposed transition financing strategies, which adapt GFANZ's climate transition financing strategies, appropriate for a nature transition plan? Should they be included at all? How can they be improved? How could the criteria for managed phase-out be best defined?

The IFoA does not have any specific suggestions in relation to this topic. However, reference is made to the recently published WWF publication on this issue, which argues for five key agenda items that can help shape a nature-positive agenda for banks³.

G. Does the proposed disclosure guidance elicit decision-useful information for investors and other report users? How can it be more useful?

The IFoA considers that the disclosure guidance is generally consistent with that of the GFANZ and TPT frameworks, noting the various minor caveats mentioned in the response to issue B above.

H. Are there any areas where the guidance in this TNFD discussion paper could be usefully more aligned with other related initiatives and frameworks, including existing climate related transition planning guidance from GFANZ, the TPT and others?

The IFoA research paper also identifies minor but important differences generally in both the relevant IFRS⁴ and EFRAG guidance related to the public reporting of transition plans as to their form and content⁵. Specifically, EFRAG guidance is more specific as to the form and content of transition reports⁶. It is therefore recommended that the TNFD disclosure guidance takes accounts of these differences as they may otherwise lead to confusion by investors and other types of users concerning the overlay between the TNFD disclosure recommendations and the more generic IFRS and EFRAG.

I. How might the TNFD take the work on nature transition planning forward to support further integration of transition planning across nature, climate and social issues?

The IFoA does not have any specific suggestions in relation to this issue, again noting the importance of awaiting the finalisation and publication of the relevant TIFSD disclosure recommendations in connection to this issue.

It would be helpful if the existing guidance for climate-related transition plans were used as a starting point for future nature-related efforts. This is again related to our concern at the proliferation of requirements. We suggest considering whether a short narrative essay might better serve efforts in the short term whilst more metrics and accounting efforts are being developed.

J. What guidance should be incorporated on the role of biodiversity credits in nature transition plans?

³ WWF (2024) *Banking on Nature Positive: How Development Banks and Commercial Banks Can Collectively Contribute towards a Nature-Positive Agenda*. WWF.

⁴ IFRS Sustainability. IFRS Sustainability Disclosure Standard *IFRS S2 Climate-Related Disclosures*. London: IFRS.

⁵ EFRAG (2022). *European Sustainability Reporting Standard (ESRS) E1 Climate Change*. Brussels: EFRAG.

⁶ In June 2024, the European Union issued a Due Diligence Directive (EU 2023/2859), which also contained more specific requirements concerning the form and content of transition plans, relative to the formerly issued Corporate Sustainability Disclosures Directive (EU 2022/2464). It is recommended that the TNFD make more explicit reference to these requirements.

The IFoA does not have any specific suggestions in relation to this issue, however it is noted that the topic of biodiversity offsets and credits can be controversial and we recommend broad-based consultation and further research.

K. Would a prototype template for a nature transition plan be useful additional guidance?

The IFoA does not believe that a prototype template is yet appropriate for nature transition plans, as the nature incidence and materiality of nature on corporations varies significantly across industries, regions and geographical location.

Over time, best practices may emerge but there is limited understanding of what “good” looks like. Additionally, there are only a limited number of National Biodiversity Strategies and Action Plans (NBSAPs) that have been published⁷, making it difficult to develop consistent perspective of conservation strategy and plans in the other countries.

Should you wish to discuss any of the points raised please contact Caroline Winchester, IFoA Policy Manager (caroline.winchester@actuaries.org.uk / 01259 761020) in the first instance.

⁷ 44 in November 2024, relative to 196 Parties who are signatories, <https://www.un.org/sustainabledevelopment/blog/2024/11/biodiversity-cop-16-important-agreement-reached-towards-goal-of-making-peace-with-nature-2/>