

CORPORATE SOCIAL RESPONSIBILITY

Aligning Business Strategy with Nature: The Role of Taskforce on Nature-Related Financial Disclosures (TNFD)

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Image Credit | TNFD

Guiding businesses in biodiversity risk management.

✔ **INSIGHT** | FRONTIER 10 Mar 2025

The Growing Imperative for Biodiversity Action

It is fundamental for businesses to recognize that biodiversity is not a mere environmental concern. It is essential for the economy and the stability of society. Ecosystem services such as pollination, water filtration, and carbon sequestration are relevant to businesses. Since 1970 there has been an average population decline of wildlife by 69 percent.¹ Preserving ecosystems is important for businesses because diverse ecosystems produce an average of \$33 trillion of ecosystem services worldwide.² However, these systems are being compromised due to human intervention in the form of deforestation, overfishing, and pollution. The agriculture sector is in dire straits as the population of pollinators such as bees is on the decline which has resulted in crop losses. Similarly, water dependent business activities are faced with drought while the clearing of wildlife habitats is increasing cases of zoonotic diseases, impacting global business.

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Businesses that ignore these challenges expose themselves to reputational risk, regulatory fines and operational disruptions. Conversely, those that have taken proactive steps to mitigate their biodiversity impacts can be leaders in a rapidly evolving market landscape.

The Taskforce on Nature-Related Financial Disclosures (TNFD) framework can help businesses in managing nature-related risks, similar to TCFD (Taskforce for Climate-related Financial Disclosure) does for climate risks.³ By understanding how ecosystems impact their operations, businesses can identify vulnerabilities, mitigate risks, and capitalize on emerging opportunities. In addition to traditional ecological efforts, this framework seeks to embed nature-related issues at the center of business strategy. Employing the TNFD framework enables businesses to build resilience, meet investor demands for transparency, and strengthen relationships with stakeholders. It also fosters innovation, encouraging businesses to develop new products and practices that contribute to a nature-positive economy.

Core Elements of the TNFD Framework

The TNFD framework is composed of four pillars: governance, strategy, risk management, and metrics. These pillars interrelate to provide businesses with an integrated framework for managing biodiversity risks and exploring new opportunities.

Governance

Governance is the base of the TNFD framework. It mandates businesses to define roles and responsibilities for managing nature-related risks at the highest level of the corporation. By establishing governance processes, a company can ensure that biodiversity is incorporated into its strategic decision-making. In addition, the company maintains accountability across all levels.

Case Example:⁴ Japanese pulp and paper manufacturer Oji Holdings exhibits effective governance through its CEO-led sustainability committee. The committee meets biannually to discuss risks and opportunities related to biodiversity and reports directly to the board. By placing accountability at the highest level, Oji Holdings confirms that nature-related risks are prioritized.

Companies also need to involve a broad set of stakeholders including Indigenous communities, local peoples, and environmental groups as part of their biodiversity initiatives. This collaborative approach enhances the credibility of corporate initiatives and improves biodiversity conservation efforts.

Strategy

Strategy is an essential element of the TNFD framework. It requires companies to strategize and evaluate how nature-related risks or opportunities will impact their business models, value creation, and financial plans. It includes identifying dependencies with natural ecosystems and assessing potential negative impacts caused by biodiversity loss on their sustainable goals. For example, an agribusiness may assess its dependency on pollinators like bees and formulate a plan against risks from diminishing bee populations. Likewise, a water-intensive beverage business might prioritize investing in watershed restoration to protect long-term water availability.

Case Example: Japanese retailer Seven & i Group has incorporated biodiversity concerns in its strategic planning.⁵ The company actively promotes practices that minimize ecological impacts, including responsible sourcing and reduced deforestation in its supply chain. By aligning its strategy with biodiversity goals, the company lowers risks and improves its reputation in the marketplace.

Scenario analysis can be an important approach within strategic planning. Companies can generate different scenarios and test the resilience of their operations under different biodiversity environments. This forward-looking approach can help companies develop contingency plans for shifting environmental conditions.

Risk Management

Risk management deals with the processes used by businesses to identify, assess, prioritize and monitor nature-related dependencies. It also involves monitoring associated risks. This includes evaluating the direct and indirect impacts of business operations on ecosystems, and dependencies on natural resources that support business activities. Some of the methodologies of managing biodiversity related risks include quantification of biodiversity loss. The ENCORE which stands for Exploring Natural Capital Opportunities,

Risks and Exposure is one of the methodologies that help companies in understanding the effect of their activities on natural resources.⁶ This enables them to make informed decisions as to how best to address their biodiversity impacts.

Case Example: Engineering firm Kandevia Corporation uses a methodology proposed by the TNFD called LEAP (Locate, Evaluate, Assess, Prepare). The methodology is used in managing biodiversity risks in their waste-to-energy projects.⁷ This helps the company determine key ecosystems affected by its operations, evaluate the potential impacts, and develop strategies to reduce harm. Incorporating biodiversity risks into overall risk management processes is important for guaranteeing that these concerns are not treated as isolated issues. Companies must embed nature-related risk assessments into enterprise-wide risk frameworks, allowing them to address biodiversity impacts alongside other financial and operational risks.

Metrics and Targets

Metrics and targets are fundamental for tracking progress and ensuring transparency in the management of biodiversity. A company should define key indicators for assessing their influence on ecosystems and set clear achievable targets. For example, a company might track metrics that measure the area of habitat restored, the number of species protected, or the decrease in water usage in its operations. By tracking these metrics, a company can provide empirical evidence of its commitment to biodiversity. In turn, the stakeholders are able to assess the company's performance against well-defined indicators.

Case Example: Japan Airlines showcases how metrics and targets can drive biodiversity conservation.⁸ The company tracks the number of sexually reproducing corals grown in Okinawa, the development of red-crowned crane initiatives, and the percentage of in-flight items using certified materials. They also monitor broader environmental metrics, including isotopes in wastewater, plastic pollution, greenhouse gas emissions, invasive species, and species extinction risks.

Setting ambitious but achievable targets is critical for effectively managing biodiversity. These targets should be consistent with global and national biodiversity goals such as the Kunming-Montreal Global Biodiversity Framework, which proposes to protect 30% of land and oceans of the earth by 2030.⁹

Adoption Trends and Global Momentum

The TNFD framework launched in 2023 has rapidly gained popularity among industries and regions. This growth came in as a result of regulatory pressures, investor concerns and response to biodiversity loss as a source of systemic risk. Adoption trends show both the momentum and the challenges in scaling nature-positive practices globally.

The 16th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 16) in Cali, Colombia saw governments and organizations committed to strengthen the conservation of biodiversity through finance and policy measures. One key outcome of the conference was to establish a subsidiary that includes Indigenous Peoples in biodiversity decisions.¹⁰ This initiative recognizes the important role that local and Indigenous communities play in protecting ecosystems along with governments, nongovernmental organizations (NGOs), and businesses.

Another outcome from COP 16 was the development of a global “Strategy for Resource Mobilization”. The objective of this plan is to secure \$200 billion annually by 2030 to support global biodiversity efforts.¹¹ Although the contributions from the wealthy nations remain below the set levels, the plan includes innovative mechanisms like repurposing subsidies that harm biodiversity and leveraging blended finance solutions.

Combining public and private resources is becoming increasingly important for funding biodiversity initiatives in developing countries. These blended finance solutions demonstrate how financial innovation can address systemic challenges stemming from biodiversity loss. For example, Banco Davivienda partnered with the International Finance Corporation (IFC) to launch a biodiversity bond. This \$50 million bond aims to protect and restore specific ecosystems in Colombia.¹²

These global initiatives intended to expand participation of Indigenous Peoples and to develop innovative funding mechanisms are likely to accelerate TNFD adoption across organizations worldwide. By integrating diverse stakeholders and leveraging financial innovation, these efforts will enhance the inclusivity of biodiversity conservation and provide scalable solutions for addressing systemic risks associated with biodiversity loss.

Corporate Adoption Across Multiple Sectors

Over 500 companies from 54 jurisdictions that include 25 emerging economies, are working towards the adoption of TNFD-aligned reporting as of January 2025. These companies represent \$6.5 trillion in market capitalization, with financial institutions managing \$17.7 trillion in assets.¹³ Banks and asset managers, such as HSBC, Manulife Investment Management, and other firms, are adopting the TNFD to assess biodiversity risks of their portfolio investments. Energy sector companies like Tokyo Electric Power have started to recognize the risks of their over dependence on natural ecosystems and begun formulating strategies to integrate the TNFD principles into operational planning. These initiatives demonstrate how resource-intensive industries can transition toward sustainability using the TNFD framework.

Likewise, retail and consumer goods leaders such as IKEA are also modifying their supply chain management practices to be consistent with TNFD guidelines. These include a focus on sustainable sourcing and strategies to reduce ecological footprints.

The momentum behind TNFD adoption reflects a growing recognition of the urgent need to incorporate biodiversity considerations into corporate and financial decision-making. By aligning with global and national biodiversity goals, companies can strengthen their resilience, secure stakeholder trust, and contribute meaningfully to a nature-positive future.

Overcoming Challenges and Driving Progress

The TNFD has faced several criticisms despite its growing adoption. These challenges include data limitations, inclusivity gaps, and alleged susceptibility to corporate greenwashing. Moreover, since the TNFD adoption is still voluntary, the information

provided by the companies may not be fully verifiable.

Many companies find it challenging to assemble reliable data on biodiversity. This further weakens the effectiveness of the framework. Critics argue that the voluntary nature of the framework risks permitting superficial compliance rather than fostering substantial action. A lack of representation from Indigenous communities and scientific experts has led to further criticisms. Moreover, some NGOs and stakeholders view TNFD as prioritizing corporate financial risk over biodiversity conservation. For example, the framework tends to depict loss of biodiversity as a risk to profit instead of addressing how corporate operations impact biodiversity loss. This approach has led to accusations that instead of promoting environmental stewardship, the TNFD serves corporate interests.

To respond to these concerns, companies should prioritize transparency and accountability in their adoption of TNFD. This includes investing in optimal data systems in order to collect and report reliable biodiversity metrics. Of equal importance is the incorporation of diverse voices, including Indigenous Peoples and ecological experts. Addressing these systemic concerns and engaging in biodiversity goals will help companies to realize the full potential of TNFD. However, doing so requires a fundamental shift from considering biodiversity as a financial metric to recognizing it as a shared ecological responsibility.

The Business Case for TNFD

Adopting the TNFD framework is not merely an endeavor – it is a business necessity for companies that seek to thrive in a rapidly evolving economic and ecological landscape. By incorporating nature-related risks into their core strategies, businesses can enhance their resilience, strengthen stakeholder relationships, and spur innovation and value creation.

Enhancing Resilience and Risk Management

A compelling reason for companies to adopt TNFD is to strengthen their resilience to external shocks. Companies are increasingly exposed to the effects of biodiversity loss, from disrupted supply chains to resource scarcity. TNFD provides the means to address these challenges before they escalate into crises.

Most industries are dependent on the use of natural resources. For instance, a company that adopts TNFD to evaluate its reliance on pollinators can take measures to protect bee populations to guarantee continued crop production. Similarly, water-intensive processes that companies use may adopt TNFD to identify high-risk areas and invest in watershed restoration to secure their long-term operations.

Preemptive nature-related risk management decreases financial losses and regulatory exposure. Governments worldwide have been implementing stringent environmental regulations, and companies that fail to act may face penalties, operational restrictions, or even lawsuits. By aligning with TNFD, companies can anticipate and comply with emerging requirements and avoid penalties.

Building Stakeholder Trust and Reputation

Transparency is a foundation of the TNFD framework, and businesses that adopt it can build stronger relationships with investors, consumers, and other stakeholders. In an era of growing environmental awareness, stakeholders demand accountability and action from companies. TNFD-aligned reporting provides credible data on a company's biodiversity impacts and management strategies, which promotes trust and confidence.

Investors are increasingly using environmental, social, and governance (ESG) criteria into their investment decision-making. They are now more likely to be attracted to firms that adopt the TNFD framework and emphasize committing to living in harmony with nature. This is especially relevant in industries such as finance where asset managers prioritize portfolios that align with long-term environmental goals. Consumers are also increasingly rewarding businesses that align with their principles. Firms adopting the TNFD can boost their likelihood of becoming sustainability champions, increasing brand loyalty and market competitiveness.

Moreover, adopting the TNFD framework will strengthen a firm's relationship with regulators and policymakers. Transparency in reporting demonstrates a company's desire to protect the environment and position itself as a critical player in fulfilling biodiversity conservation efforts.

Driving Innovation and Competitive Advantage

TNFD can potentially drive innovations by stimulating businesses to rethink the way they interact with nature. This can result in the development of new products, services, and business models that align with biodiversity conservation. For instance, agricultural businesses are turning to regenerative farming which replenishes the soil and improves biodiversity. Likewise, consumer goods companies are adopting circular economy models to reduce waste and improve resource utilization. These measures not only differentiate businesses in competitive markets but also may create additional revenue sources.

Aligning with Global Biodiversity Goals

Another significant advantage of TNFD is its alignment with international frameworks such as the Kunming-Montreal Global Biodiversity Framework that aims to protect 30% of the land and oceans globally by 2030. Businesses that incorporate TNFD framework in their practices contribute to these global efforts and prepare themselves for future regulations. Meeting these targets is not just about compliance but also a strategic move that signals leadership in the transition to a nature-positive economy. Businesses that align with global biodiversity targets are better equipped to anticipate market changes, adapt to shifting consumer preferences, and attract investment committed to sustainable development.

Financial Implications and Long-term Value Creation

Although the initial costs of adopting TNFD may be high, the long-term financial gains outweigh the initial investment. Businesses that mitigate biodiversity risks experience reduced operational costs and an improved financial performance. For instance, investments in sustainable resource management can lead to cost savings by increasing efficiency and reducing waste. Similarly, companies adopting the TNFD framework are better positioned to obtain funding from green finance initiatives, as investors increasingly prioritize sustainability-focused projects.

Moreover, TNFD adoption enhances a company's ability to compete for talent. Employees, particularly younger generations, are drawn to organizations that demonstrate a genuine commitment to environmental stewardship. By aligning with TNFD, companies can attract and retain top talent, further strengthening their competitive position.

The business case for TNFD is clear. It is a pathway to resilience, trust, and innovation in an era of growing environmental challenges. Companies that adopt the framework can mitigate risks, fulfil stakeholder expectations, and contribute to global conservation goals while unlocking new opportunities for growth and value creation. By embracing TNFD, businesses not only secure their own future but also play an important role in building a nature-positive sustainable global economy.

Conclusion

The TNFD provides businesses with an important framework to address biodiversity loss, a challenge with far-reaching implications for resilience and long-term stability. By incorporating nature-related risks into their strategies, businesses can align operations with sustainability goals, safeguard their supply chains, and build stronger relationships with stakeholders.

This article highlights why there is a need for urgent action on biodiversity and the value of TNFD's structured approach. From mitigating risks to spurring innovation and accessing new markets, adopting TNFD offers businesses a pathway to enduring resilience and competitiveness.

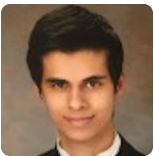
Challenges remain, including data limitations and voluntary compliance, but these are manageable with investments in robust systems and stakeholder engagement. Global initiatives, such as those outlined in COP 16, further bolster TNFD's relevance and demonstrate how businesses can align with international biodiversity goals while contributing to equitable solutions.

Businesses that act now can future-proof their operations and lead the transition to a nature-positive economy. By embracing TNFD principles, businesses position themselves as sustainability leaders while contributing meaningfully to a sustainable and equitable future. The time for action is now—TNFD provides the framework to make it happen.

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