

## **Promoting an African voice for the Taskforce on Nature-Related Disclosures (TNFD) and nature-related financial risk management**

FSD initiative empowers Africa's largest financial institution build capacity in natural capital financing

### **Background**

Africa faces a critical shortfall in financing for the maintenance and improvement of its natural capital, risking accelerated ecosystem decline that could undermine the continent's economic foundations.

Recognising this urgent challenge, FSD Africa has taken on the vital mission of promoting natural capital financing across the continent. By leveraging its expertise, FSD Africa aims to catalyse private investment in this crucial sector through a multifaceted approach: offering technical support, building institutional capacity and fostering strategic partnerships. These efforts aim to unlock new investment opportunities and drive sustainable development throughout Africa, ensuring the preservation and growth of the natural resources that underpin the region's prosperity.

### **FSD response and intro to the programme**

In response to the growing recognition of nature-related risks in Africa, FSD Africa has taken a proactive stance by championing the African perspective in global discussions on nature-related financial disclosures. Recognising the critical importance of the Taskforce on Nature-related Financial Disclosures (TNFD), FSD Africa has launched a project to build awareness and institutional capacity for nature-related financial risk management across African countries. This initiative facilitates the transition towards a nature-positive economy and sustainable livelihoods, aligning with key findings from influential studies such as the Economics of Biodiversity: the Dasgupta Review.

Central to this effort is acknowledgment that Africa's unique context must be represented in the design stage of disclosure agreements for financial institutions and corporates. While the TNFD framework provides a valuable tool for international entities to assess and report on nature-related risks, FSD Africa recognises the urgent need to adapt these principles to local African contexts.

By providing targeted awareness campaigns and capability-building support, FSD Africa is working to ensure that African financial institutions and businesses are not only prepared to implement these frameworks successfully but also contribute meaningfully to their development. This approach ensures that Africa's voice is heard in global discussions on nature-related financial risk management, promoting more inclusive and effective strategies for sustainable development across the continent.

### **The project's goals**

Building on its commitment to promote an African voice in nature-related financial risk management, FSD Africa has outlined a comprehensive set of objectives for its TNFD-focused initiative. It aims to contribute to the development of a TNFD framework that is appropriate and fit for purpose for the African context. This approach is grounded in a strong theoretical foundation that emphasises the economic imperative for action, while also being refined through practical engagement with key stakeholders including financial institutions, corporations and local regulators across the continent.

Furthermore, FSD Africa is leveraging its extensive network and relationships to support the TNFD's efforts in enlisting key G20 countries, with a particular focus on South Africa. This strategic engagement forms part of a broader initiative to secure G20 support, building on the recent endorsement from the G7. Additionally, FSD Africa is undertaking catalytic sovereign stakeholder outreach to support the TNFD, targeting influential countries such as South Africa, Zambia, Kenya, Mauritius and Ghana. These nations are seen as potential pivotal players in facilitating a regional rollout of the TNFD framework, ensuring that Africa's unique perspectives and needs are adequately represented in global nature-related financial disclosure standards.

## **Progress to date**

FSD Africa's TNFD-focused initiative has made significant strides across three main workstreams. The first involves developing a robust academic justification for the TNFD and advocating for strong action from financial institutions on natural capital protection. The second focuses on trialling and piloting the emerging TNFD framework, providing valuable feedback on its effectiveness and building capacity among African-based financial institutions. The third workstream centres on launching and leveraging the African Natural Capital Alliance (ANCA) to advocate for long-term action and policy and regulatory engagement with nature. It aims to integrate natural capital into sustainable development discourse.

The TNFD FSD Africa program has had a significant impact in promoting nature-related financial disclosures and capacity building across Africa. The program has conducted 152 TNFD piloting sessions, training approximately 600 individuals, including 10 C-suite or board-level executives. Additionally, 21 regulatory road mapping sessions and 7 webinars have further enhanced the understanding and implementation of nature-related financial risk management. The program has facilitated networking through 4 major events hosted by the African Natural Capital Alliance (ANCA) and participated in over 10 external events. This has led to the creation of two capacity-building tools and the publication of two whitepapers. Progress towards financing nature-based solutions (NbS) has also been noted, with 6 TNFD piloting champions showing readiness for commercial opportunities and 10 more indicating readiness for technical assistance. Moreover, 11 members of the ANCA commercial opportunities working group are actively engaged in this initiative.

These efforts collectively aim to establish a strong 'African voice' on nature-related financial matters and ensure that the TNFD framework is truly fit for purpose in the African context. By bridging academic research, practical implementation and policy advocacy, FSD Africa is playing a crucial role in shaping the future of nature-related financial risk management in Africa and beyond.

## **Pilot with FirstRand**

Building on its comprehensive approach to promoting nature-related financial risk management in Africa, FSD Africa has fostered several strategic partnerships with key financial institutions across the continent. A notable example of this collaborative effort is FSD Africa's partnership with FirstRand, one of Africa's largest financial services groups. This partnership embodies the organisation's commitment to capacity building and advocacy within the African financial sector.

FirstRand has emerged as a key beneficiary of FSD Africa's initiatives, actively engaging in the development and implementation of nature-related financial disclosures. As a member of the Taskforce on Nature-related Financial Disclosures (TNFD), FirstRand's involvement spans several critical working groups, including data, communication and finance sector guidance. This multi-faceted participation allows FirstRand to contribute valuable African perspectives to the global discourse on nature-related financial risks and opportunities.

Moreover, FirstRand's commitment to sustainable finance is further demonstrated by its status as a signatory to the Task Force on Climate-related Financial Disclosures (TCFD). This alignment with both TNFD and TCFD frameworks positions FirstRand at the forefront of integrating climate and nature considerations into financial decision-making and reporting practices in Africa.

Through this partnership, FSD Africa is not only improving FirstRand's capacity to manage nature-related risks and opportunities but also leveraging the institution's influence to advocate for wider adoption of these practices across the African financial landscape. This collaboration serves as a model for how targeted capacity building and engagement can drive meaningful change in the financial sector's approach to natural capital and biodiversity conservation.

## **Pilot initiatives**

Building on its partnership with FirstRand, FSD Africa facilitated a comprehensive application of the TNFD framework through two significant pilot initiatives. These pilots were designed to improve FirstRand's understanding of nature-related risks and opportunities, while also providing valuable feedback on the beta version of the TNFD framework.

The first pilot involved conducting an initial nature-risk assessment and stress testing exercise. This focused on the agricultural and extractive industries, sectors chosen for their high impact and sensitivity to nature risks. The assessment evaluated how these sectors impact and depend on nature, and how nature-related factors affect their business activities and supply chains. This exercise yielded preliminary results, estimating the influence of identified nature-related opportunities and risk factors on average company-level financial performance and asset values over time within each sector.

The second pilot centred on applying the beta version of the TNFD framework directly to FirstRand's operations. This involved assessing the institution's readiness to implement the framework across its risk management practices, disclosure procedures and existing organisational structures and processes.

Both pilots enabled FirstRand to provide constructive feedback on the beta TNFD framework, contributing to its refinement and ensuring its applicability in the African context. Moreover, these initiatives are guiding the development of FirstRand's own nature and biodiversity risk management programme, demonstrating the practical outcomes of this partnership.

FSD Africa's engagement with FirstRand was facilitated through its advocacy arm, the African Natural Capital Alliance (ANCA), as part of the ongoing development of the TNFD. This approach underscores the importance of nature-related risks in financial decision-making, drawing parallels with the widely recognised Taskforce on Climate-related Financial Disclosures (TCFD). By emphasising that nature-related risks, like climate risks, require strategic consideration in boardrooms and policy-making spaces, FSD Africa and FirstRand are pioneering a more comprehensive approach to risk management in African finance.

This collaborative effort not only improves FirstRand's capacity to manage nature-related risks but also contributes to the broader goal of making the TNFD framework fit for purpose in Africa. In this way it strengthens the continent's voice in global discussions on sustainable finance and natural capital preservation.

#### [SIDEBAR 1]: The role of the TNFD

##### The role of the TNFD



The TNFD was established in response to the growing appreciation of the need to factor nature in financial and business decisions

“

The TNFD is a global, market-led initiative with the mission to **develop and deliver a risk management and disclosure framework** for organizations to **report and act on evolving nature-related risks and opportunities**, with the ultimate aim of supporting a **shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes**.

The TNFD follows in the **footsteps of the work of the Task Force on Climate-related Financial Disclosures (TCFD)** on climate risk management and disclosures, but **focuses on ensuring that nature-related risks and opportunities are effectively understood and communicated** by corporates to the financial community.

”

From the TNFD Beta Framework, March 2022





#### [SIDEBAR 2]:

## The African Natural Capital Alliance is the key advocacy group

ANCA is a public facing group that acts as the vehicle to drive advocacy for the TNFD and nature-related risk management in Africa



### Purpose of ANCA

<p><b>Become the Voice for Africa on the African nature agenda</b></p>  <p>Provide common and consistent messages on nature-related issues, in particular on the importance of Africa's natural capital and the management of nature-related risks and opportunities</p>	<p><b>Advocate for the TNFD in Africa</b></p>  <p>Promote the TNFD, and encourage policymakers, regulators, financial institutions and other companies to adhere to the TNFD and develop approaches to manage nature-related risks and opportunities</p>	<p><b>Ensure the applicability of the TNFD in Africa</b></p>  <p>Coordinate a forum to provide structured feedback and input to the TNFD regarding the appropriateness of its management and disclosure framework within an African context</p>	<p><b>Become thought leaders on nature in Africa</b></p>  <p>Collectively share information, learnings and knowledge on best practices around nature-related risks and opportunities</p>
---	---	--	---

Note –TORs are available further detailing ANCA activities  
FSD AFRICA PRESENTATION

### [SIDEBAR 3]:

#### Capacity Building Training

- 152** TNFD piloting sessions
- ~600** Number of people trained
- 10** C-suite/Board training sessions
- 21** Regulatory road mapping sessions
- 7** ANCA webinars


#### Networking

- 4** Events hosted by ANCA (Africa Climate Week, ANCA Gala Dinner, GEA Conference, ANCA Summit)
- 10+** Events where ANCA secretariat participated (e.g. facilitating or participating in panel discussion)
- 56** Members to the African Natural Capital Alliance (ANCA)



#### Knowledge creation

- 2** Capacity-building tools developed
- 2** Whitepapers published



#### Progress toward financing NbS transactions

- 6** TNFD piloting champions with advanced readiness for commercial opportunities
- 10** TNFD piloting champions who have articulated readiness for technical assistance
- 11** Members of the ANCA commercial opportunities working group

Strategic priority for remainder of this phase of the nature program

### QUOTES:

“What we try to do at the Taskforce level, is to make sure that there’s a data store available to everybody at no cost, because this is a battle that we always fight when we, in Africa, take part in any memberships or data: we pay in euros, and it’s just **huge**,” Madeleine Ronquest, Head of Environmental, Social Risk and Climate Change , FirstRand, South Africa