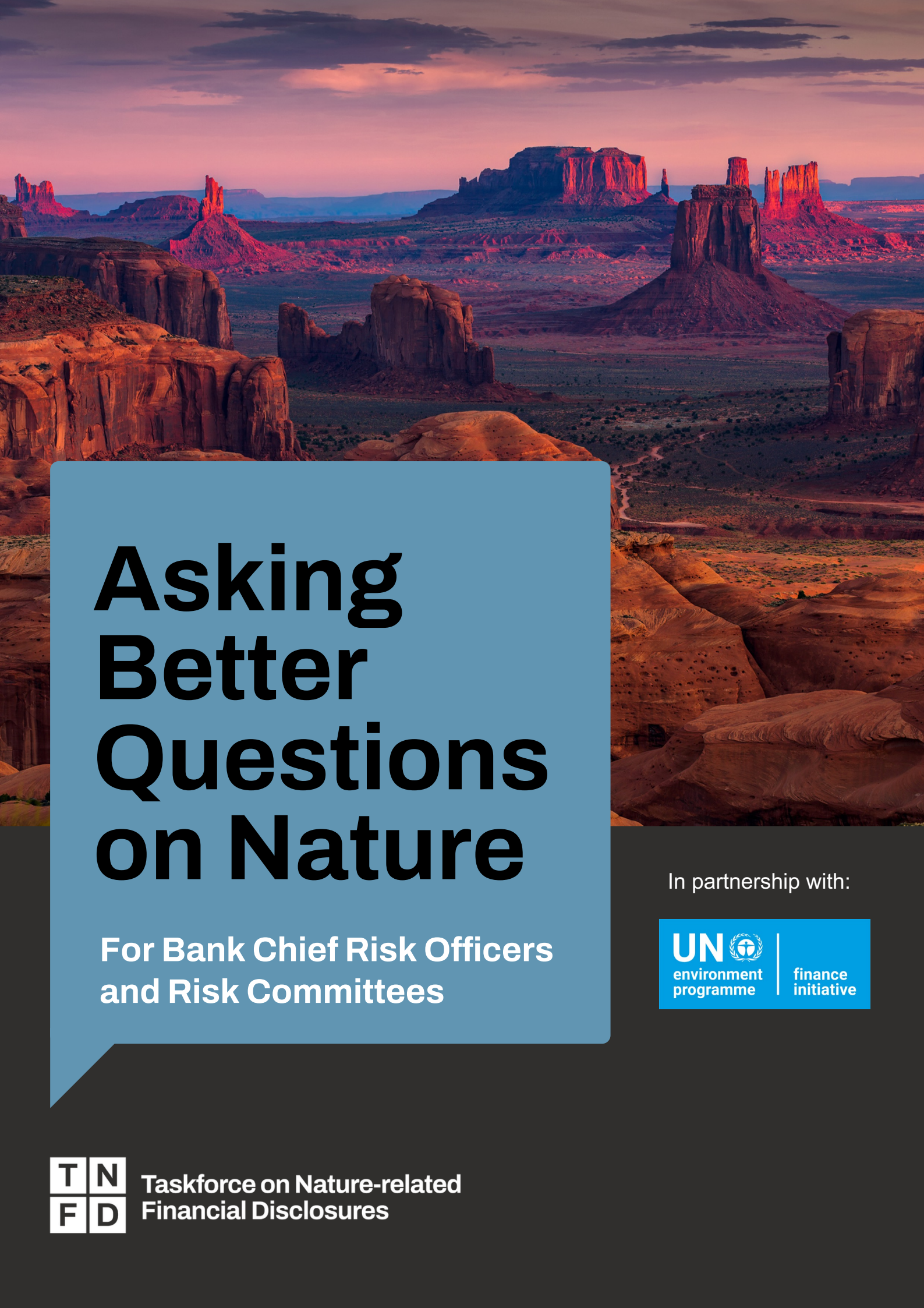




Asking Better Questions on Nature

**For Bank Chief Risk Officers
and Risk Committees**

In partnership with:

UN 
environment
programme

finance
initiative



**Taskforce on Nature-related
Financial Disclosures**

1

Understanding nature's relevance to our business

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Nature is a strategic risk management issue

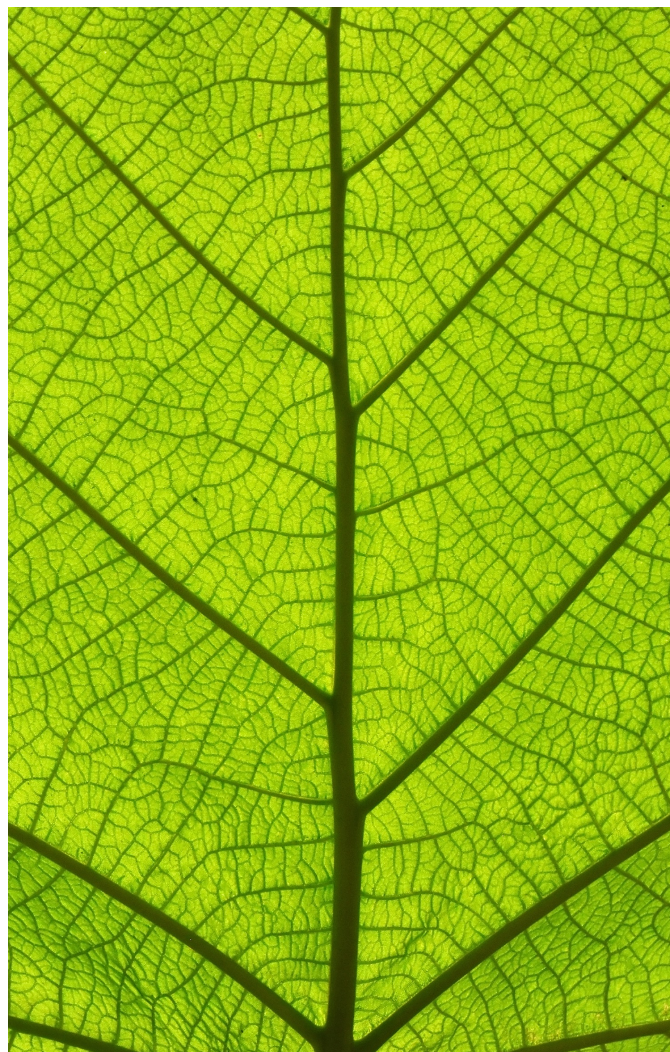
The resilience of nature underpins the prosperity and resilience of the global economy. In other words, nature can have a material financial effect on an organisation and its future financial prospects.

The business and biodiversity assessment of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) confirms that the decline in biodiversity and ecosystem services is a critical systemic risk to economies, financial stability and human wellbeing. As a bank chief risk officer or risk committee member, it is therefore vital that you understand the degree, character and severity of your organisation's dependencies and impacts on nature and how those can lead to material risks and opportunities (collectively known as nature-related issues).

As providers of financial capital and advice to their clients, banks have a vital role to play in societal and business sector management of nature-related issues. Banks are directly exposed to nature-related risks through their credit and investment portfolios. Through their relationships with their customers, banks can also shape the response to nature-related issues by companies across entire economies. Banks can finance negative impacts on nature by their customers and, by the same token, finance the reduction and mitigation of such impacts. They can also finance positive impacts by businesses contributing to nature-positive outcomes.

Nature-related risks and opportunities vary by type of bank, largely due to differences in product portfolios, exposures, clients and time horizons. Commercial banks are exposed to nature loss through business loans and credit lines to both small and medium enterprises (SMEs) and larger clients. Retail banks are exposed both through their clients and to wider macroeconomic developments; for example, property value decline due to flooding or increasing water stress. Investment banks are exposed both through capital markets and through their advisory activities.

Over the past five years, recognition has grown among central banks – including through the Network for Greening the Financial System (NGFS) – that nature-related issues beyond climate change are a source of potential systemic risk to financial systems and economies. Banks are increasingly expected to be building the systems and capabilities to assess and respond to nature-related risk, as they have over the past decade with respect to climate risk. At the same time, growing attention from governments, investors and consumers on halting and reversing nature loss creates commercial opportunities for banks to finance nature-based solutions as part of a broader 'net zero, nature positive' transition.



Policy signals from central banks and supervisors on nature

Central banks and financial supervisors increasingly recognise that nature-related risks can have material implications for financial institutions and the wider financial system. The European Central Bank's [supervisory expectations](#) and [best practice report](#) call for institutions to take a strategic, forward-looking and comprehensive approach to climate- and nature-related risks. Guidance from the [Monetary Authority of Singapore](#) and the [Swiss Financial Market Supervisory Authority](#) similarly supports integrating environmental and nature-related risks into governance and risk management, while the NGFS provides a [conceptual framework](#) for assessing these risks. Together, these developments point to increasing supervisory scrutiny of how nature-related risks are identified, managed and incorporated into decision-making.

45% of PRB members with nature as a priority have now set targets on nature

According to the UN Principles for Responsible Banking (PRB), 84 PRB members have identified nature as a key impact area. As of October 2025, 13% of PRB members have set initial nature-related targets and 32% have set robust targets. Over 45 PRB signatories are now using the Taskforce on Nature-related Financial Disclosures (TNFD) framework, and more are benefitting from tailored guidance (including sector-specific tools) to help banks align with the Kunming-Montreal Global Biodiversity Framework (GBF) and shift capital flows toward nature-positive outcomes.¹

Management of risk and the role of bank risk committees

Most large banks today have established risk committees to maintain appropriate and thorough monitoring, guidance and control over all relevant risks, including environmental and social risks. It is typically the responsibility of this committee to advise and support the chief risk officer, management team and board of directors regarding the monitoring of the bank's actual and future risk strategy and appetite, considering all types of risks, including nature-related risks.

As a chief risk officer or member of the risk committee, this means your prudential duty to protect depositors, clients and the long-term interests of shareholders includes a responsibility to consider the potential financial effects of nature-related issues on the bank's loan, investment, trading and funding activities. When the bank provides financing or investment services, it also means you have a responsibility to ensure that long-term risks – including those arising from nature loss – are reflected in credit assessments, capital allocation decisions and client engagement.

Many banks today do not adequately account for the financial effects of nature-related issues in their risk management and capital allocation frameworks.² In many portfolios, nature-related issues – particularly beyond climate change – remain invisible as risk drivers. In part, this is because nature-related risks are still emerging as institutionalised risks to be managed, with limited data, tools and methodologies in place. This guide seeks to strengthen awareness and support capacity building within banks.

As a chief risk officer or risk committee member, your duty to support board and senior management decision making should include a clear understanding of nature-related issues, how they could impact the bank and how the bank's capabilities can be strengthened to improve risk management and resilience in the face of accelerating nature loss.

1. UNEP FI (2025) [Principles for Responsible Banking Third Biennial Progress Report](#)
2. UNEP FI (2026) [Nature-based risk assessment: Integrating project-related finance](#)

Defining nature

Nature consists of four realms: land, freshwater, ocean and atmosphere. Climate is a subset of nature, considered part of the atmosphere realm.³

Ecosystem services are the contributions of ecosystems to the benefits that are used in economic and other human activity. They can be divided into:

- Provisioning services (for example, water supply, genetic material and biomass provision);
- Regulating and maintenance services (like flood mitigation, pollination and global climate system regulation); and
- Cultural services (like recreational and spiritual services).⁴

For a primer on more nature-related definitions, explore the [TNFD recommendations](#), Section 2 on Foundations for understanding nature and business.

Definitions⁵

Nature-related dependencies: Dependencies are aspects of environmental assets and ecosystem services that a person or an organisation relies on to function. A company's business model, for example, may be dependent on: the ecosystem services of water flow, water quality regulation and the regulation of hazards like fires and floods; provision of suitable habitat for pollinators, which in turn provide a service directly to economies; and carbon sequestration.

Nature-related impacts: Change in the state of nature (quality or quantity), which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative. They can be the result of an organisation's actions or those of another party.

Nature-related risks: Potential threats (effects of uncertainty) posed to an organisation that arise from its and wider society's dependencies and impacts on nature.

Nature-related opportunities: Activities that create positive outcomes for organisations and nature by creating positive impacts on nature or mitigating negative impacts on nature. Nature-related opportunities are generated through impacts and dependencies on nature, and can occur:

- When organisations avoid, reduce, mitigate or manage nature-related risks, for example, connected to the loss of nature and ecosystem services that the organisation and society depend on; and
- Through the strategic transformation of business models, products, services, markets and investments that actively work to reverse the loss of nature, including by restoration, regeneration of nature and implementation of nature-based solutions.

How to use this guide

This 'Asking Better Questions on Nature' guide is designed to help bank executives focused on risk management, including the chief risk officer and those serving as risk committee members, to surface the decision-useful information they need to ensure proper monitoring and control of nature-related dependencies and impacts in their portfolios.

This guide is structured around questions you might wish to consider, with guidance on the information and analysis you should expect from the teams supporting your decision-making. The guide has been prepared by the TNFD and the United Nations Environment Programme Finance Initiative (UNEP FI). It is based on discussions with senior professionals at banks around the world that are already considering climate and nature-related issues.

In this guide it is important to distinguish between types of materiality:

Impact materiality: Information on the organisation's most significant impacts on the economy, environment, and people, including impacts on their human rights.⁶

Financial materiality: The information that the International Sustainability Standards Board (ISSB) requires an entity to provide to meet the needs of primary users of general purpose financial reports (sometimes referred to as 'financial materiality') is set out in its IFRS S1 General Requirements (paragraphs 17–18) as follows:

An entity shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. In the context of sustainability-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.

3. The TNFD (2023) [Recommendations of the Taskforce on Nature-related Financial Disclosures](#).

4. The TNFD (2023) [Recommendations of the Taskforce on Nature-related Financial Disclosures](#).

5. The TNFD (2026), [TNFD Glossary Version 6.0 – January 2026](#)

6. The TNFD (2026), [TNFD Glossary Version 6.0 – January 2026](#); GRI (2021) [GRI 3: Material Topics 2021](#).

Evidence review on the financial effects of nature-related risks

The TNFD, the University of Oxford (as part of the Resilient Planet Finance Lab) and Global Canopy have published a [report](#) that synthesises the current evidence on the financial materiality of nature-related risks for corporates and financial institutions. The report explores how nature-related risks, stemming from business dependencies and impacts on nature, can translate into financially material outcomes.

What is the Taskforce on Nature-related Financial Disclosures (TNFD)?

The TNFD is a global, market-led, science-based and government-supported initiative to help companies and financial institutions factor nature into corporate decision-making. The Taskforce consists of 40 senior executives from companies and financial institutions globally, representing over USD 20 trillion in assets under management with operations and value chains in over 180 countries.



QUESTION 01

How, where and to what extent do the bank's loan, investment, trading and funding portfolios depend on and impact nature?

Why ask?



Banks have dependencies and impacts on nature through the finance they extend to their clients and portfolio companies. These dependencies and impacts on nature may give rise to risks and opportunities for the bank's portfolio companies, their clients and their value chain partners and, in turn, for the bank itself. Understanding them is essential to understanding the bank's own risk exposure.



Data challenges

Nature is location specific. The biodiversity of central London is very different from the biodiversity of central Borneo. Therefore, dependencies and impacts are location specific. Location data is critical for meaningful nature-related analysis, particularly in identifying exposure to sensitive ecosystems and high-risk areas.

Many banks do not currently have location data for all activities undertaken by all companies in their portfolios. Access to and availability of location data vary by sector and asset class.

For example, the locations of activities in the mining sector are better documented in both free and paid-for sources than those in the agriculture sector. Similarly, it is easier for banks to access location data for real estate or project finance than it is for commodity finance, for example.

Banks can consider taking a phased, risk-based approach to data collection, starting with segments of the portfolio prioritised not only by data availability but also by their impact/dependence on nature. Georeferencing portfolios as early as possible, possibly from credit origination, can address this location data challenge, as can local data vendors and national databases.

QUESTION 01
(Cont’d).

What to look for

A bank’s biggest dependencies and impacts on nature come from its financing activities or from the upstream and downstream value chains of the companies it finances. The bank’s direct operations (e.g., offices) and supply chain (e.g., office materials) will also have dependencies and impacts, but these are generally small relative to the dependencies and impacts in the portfolios.

Look for evidence that your teams have a robust understanding of potential dependencies and impacts across loan, investment, trading and funding portfolios.

Banks often start with a top-down review of the potential dependencies and impacts of specific industries they are exposed to, based on sector-level averages (for example, using the ENCORE tool). A high-level heatmap of potential concentrations of nature-related issues across sectors, impact drivers, ecosystem services, geographies and asset classes in the portfolio can provide a useful summary analysis. Banks can use this initial mapping to prioritise clients for further investigation, and to understand the locations of their activities, the types and condition of nature in those locations, and the actual dependencies and impacts.

As well as supporting internal risk assessment, this analysis can serve as a basis for further engagement with clients, helping both the bank and the client better understand the business’s potential risk and resilience drivers. For example, the analysis might highlight specific locations for production or commodities sourcing where vulnerability to growing water stress is of concern.

Some sectors and commodities have relatively good traceability, and source locations are known (for example, some leading companies can trace nearly 100% of their palm oil or coffee to the source.⁷ Others (e.g., metals and minerals) have very limited traceability. In these circumstances, assumptions about potential dependencies and impacts might have to be made based on industry and geographic averages. Clients’ approaches to monitoring and managing their exposure to nature-related issues can also be a useful input to the analysis.

ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) is a free online tool that helps organisations explore their exposure to nature-related issues and take the first steps to understand their dependencies and impacts on nature.

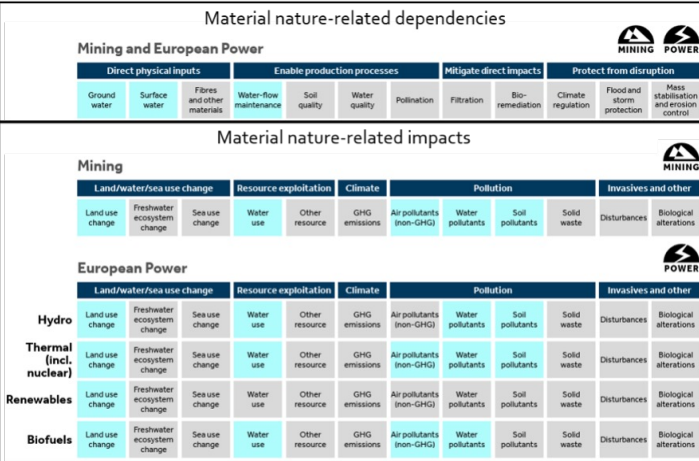
Case study: A large UK commercial bank used heatmapping to evaluate the dependencies and impacts of its mining and European power portfolios.

Barclays conducted a nature-related assessment of its mining and European power portfolios, to help focus its analysis on the most material impacts and dependencies. The bank developed a granular sector-specific heatmap to identify the potentially material nature-related dependencies and impacts of these sectors.

For this, Barclays used ratings from ENCORE and adjusted certain ratings by incorporating analysis from sector-specific guidance from the TNFD and WBCSD, and input from sector specialists. For example, the bank is predominantly exposed to solar photovoltaic assets (low water risk) rather than concentrated solar power (higher water risk). It therefore excluded water risk from its assessment of solar power (renewables), despite the 'very high' ENCORE rating for water use for solar power.

Through the assessment, the bank identified three nature-related dependencies and five impacts to be potentially significant. The dependencies are all water-related, while the impacts include land use change, water use, and pollution of air, land and water. These insights helped the bank to select asset-level dependency and impact assessment metrics, which were later used to prioritise and engage with the assessed companies.

Figure 1: Material nature-related dependencies and impacts selected by Barclays



Source: Barclays (2025) [Navigating Nature Risk: Applying the TNFD’s LEAP Framework](#).

7. SPOTT (2025) [Palm oil assessment summary](#)

QUESTION 02

How do our dependencies and impacts on nature give rise to potentially significant physical risks, transition risks and/or systemic risks for the bank? How might those change over time?

Why ask?



Dependencies and impacts on nature can give rise to risks and opportunities for clients and, in turn, for the bank. The severity of nature-related risks depends on the characteristics of nature in the location of the dependency or impact on nature, the client's own activities, and the activities of other actors in the location (for example, across a watershed), as well as other factors.

Scientists continue to research the non-linear character of nature loss. Feedback loops and 'tipping points' in the resilience of an ecosystem can potentially increase or decrease the impact on nature, and in turn alter the risks to your clients' businesses and, by extension, to the bank. These feedback loops may be hard to anticipate without clear understanding of dependencies and impacts.

Because nature loss is location specific and non-linear, it presents contextually different risk identification, assessment and management challenges for banks, particularly in relation to assessments of risk magnitude and likelihood. Concentrations of client dependencies and impacts around certain geographies, sectors, impact drivers and ecosystem services can further increase the degree of risk for the bank.

Nature-related risks include physical, transition and systemic risks:⁸

- **Physical risks:** Risks resulting from the degradation of nature (such as changes in ecosystem equilibria, including soil quality and species composition) and consequential loss of ecosystem services that economic activity depends upon.
- **Transition risks:** Risks to an organisation that stem from a misalignment of economic actors with actions aimed at protecting, restoring and/or reducing negative impacts on nature.
- **Systemic risks:** Risks arising from the breakdown of the entire system, rather than the failure of individual parts. Nature-related systemic risks are characterised by modest tipping points combining indirectly to produce large failures and cascading interactions of physical and transition risks.

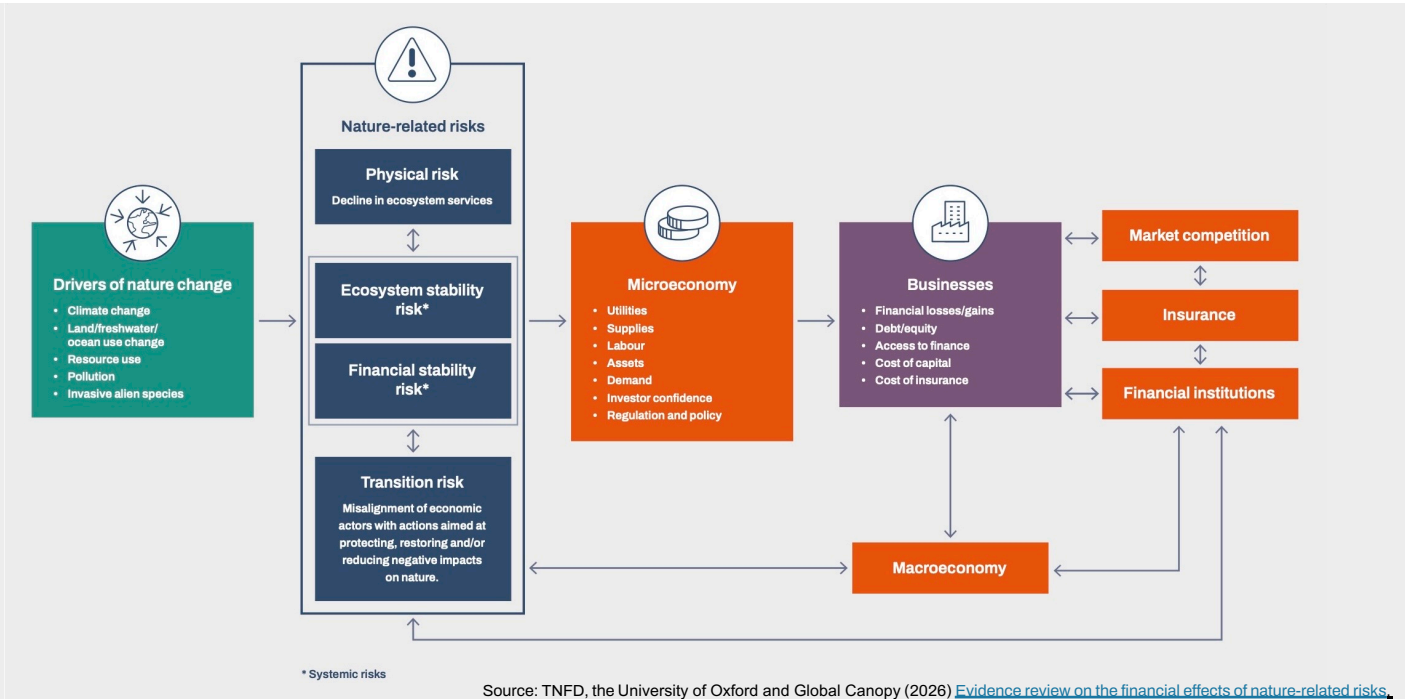
For a bank, these risks can manifest in many ways. For example, if the bank makes an investment that has a negative impact on nature, the profitability of that investment may be affected, creating liquidity risk. A bank may face reputational risk if stakeholders raise concerns, for example via civil society campaigns, about its financing of companies or sectors linked to significant impacts on nature. Finally, compliance risks are growing as a result of changing regulations both within the sector and affecting clients (e.g., the EU Deforestation Regulation (EUDR)).

Given the complexity and variety of nature-related topics, transmission channels – the pathways through which nature-related risks translate into prudential risk – can be useful in categorisation and prioritisation. For example, physical water dependency may be relevant for agriculture via its impact on productivity and revenues, while transition-related risks linked to water may affect operating expenses and capital expenditure for mining companies.

8. The TNFD (2026) [Glossary of Terms](#)

QUESTION 02 (Cont'd).

Figure 2: Sources and transmission channels framework of nature-related risks to businesses



What to look for

Look for analysis that demonstrates a translation of identified dependencies and impacts on nature into risk for the bank across its portfolios, including identification of sectors and clients with highest exposure to nature-related dependencies and impacts. Are nature-related risks clustered in particular asset classes, portfolios, businesses units or geographies, or around particular impact drivers or ecosystem services?

The TNFD provides guidance for financial institutions on how to undertake this analysis – for example, using heatmapping, asset tagging and scenario-based methods.⁹ Academics and industry associations are also working to develop more quantitative approaches, such as nature value at risk (nVAR).

As your bank begins to incorporate nature into existing risk management frameworks, ensure that your risk prioritisation criteria reflect the following key dimensions: magnitude; likelihood; vulnerability; speed of onset; severity of client dependencies and impacts on nature (including scale and scope for positive impacts); and implications for society associated with those nature-related dependencies and impacts.

Assess whether there is due consideration to short-, medium- and long-term timeframes in assessments of the ways nature-related risk may manifest in your clients'

business models and operations, and across the bank's capital portfolios. Are your risk monitoring systems, including your data platform and regular dialogue with your clients, configured to provide early detection of significant changes in ecosystem condition in key locations and the interplay of those conditions with climate change factors? This might include, for example, monitoring for sharp increases in water stress in areas of exposure to the agriculture and food sectors, or to data centres. Do your planning horizons accommodate the consideration of risk exposure resulting from nature loss and ecosystem integrity decline that might be slow, largely invisible but profound over the long term? Do the bank's systems need to change to capture timelines that exceed traditional business planning horizons? Is there an opportunity to support clients to make similar adjustments, to their benefit and that of the bank?

Look for insights about how current risk management policies, practices and procedures can and should be upgraded as internal knowledge and capabilities around nature-related issues improve. Future planning should include regular reviews of policies to ensure full compliance with the latest regulatory requirements. Banks should also be working towards institutionalised access to, and continued development of, nature-related data and analytics capabilities, to ensure that better risk identification translates into better risk management response.

9. The TNFD (2026) [Guidance on the identification and assessment of nature-related issues: the LEAP approach](#)

QUESTION 03

How do our nature-related dependencies and impacts present opportunities for the bank's loan, investment, trading and funding portfolios, and for the bank's strategy?

Why ask?

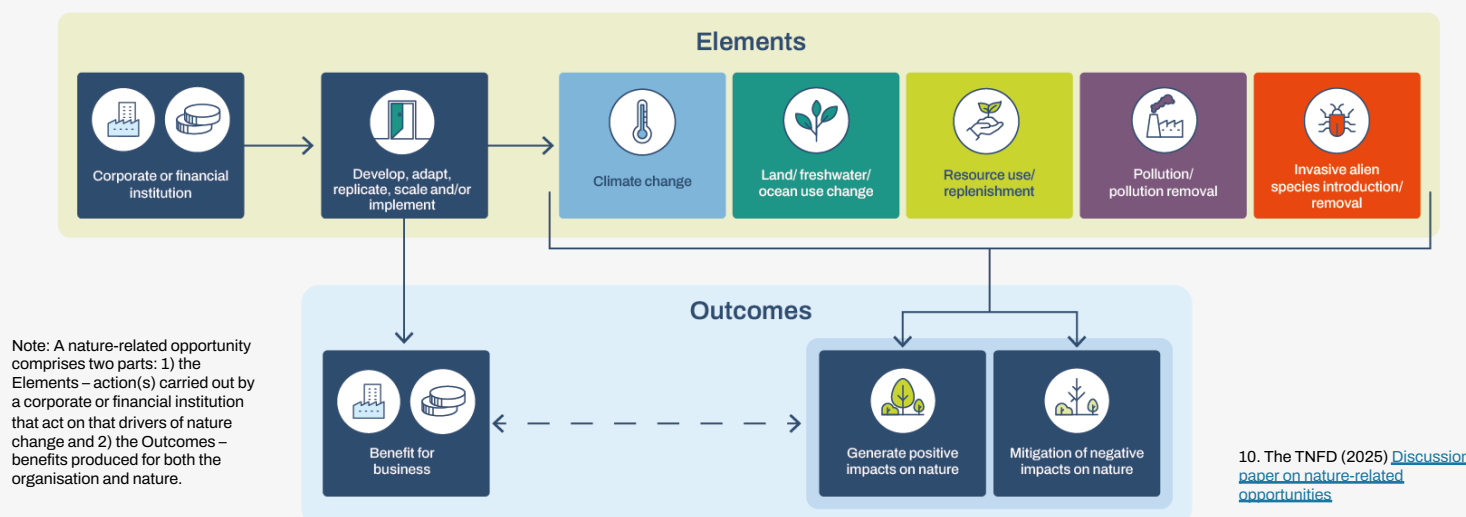


Nature-related opportunities are defined by the TNFD as activities that create positive outcomes for both the organisation and for nature through positive impacts on nature or the mitigation of negative impacts on nature.¹⁰ Through nature-positive transition financing, banks can support mitigation, adaptation and the resilience of nature. They can finance both the avoidance and reduction of their clients' negative impacts on nature and the creation of positive impacts on nature through activities such as conservation and regeneration. Banks can finance activities that help clients, and therefore the bank itself, to mitigate their risks (e.g., nature-based solutions to address flood risk), reduce their dependency (e.g., water efficiency measures) and decrease their impacts on nature (e.g., switches from synthetic to organic fertiliser to reduce soil impact). Banks can also finance activities that reduce clients' exposure to international supply chain disruptions by supporting more resilient and sustainable sourcing practices and reducing reliance on nature-dependent inputs.

Understanding where the bank operates and what nature-related opportunities exist in those locations – for example, investing in nature tech, nature-based solutions and emerging products such as nature bonds and biodiversity credits – can open up new lines of business.

As banks help clients address issues such as deforestation, water scarcity and biodiversity loss – not least as regulated requirements and nature markets begin to take shape – they can provide targeted financing, sustainability-linked products and advisory services, while improving the resilience of their own loan portfolios. This not only reduces credit risk and potential losses but also opens up access to new markets and growing investor demand for nature-positive investments, strengthening long-term profitability and client relationships.

Figure 3: The anatomy of a nature-related opportunity

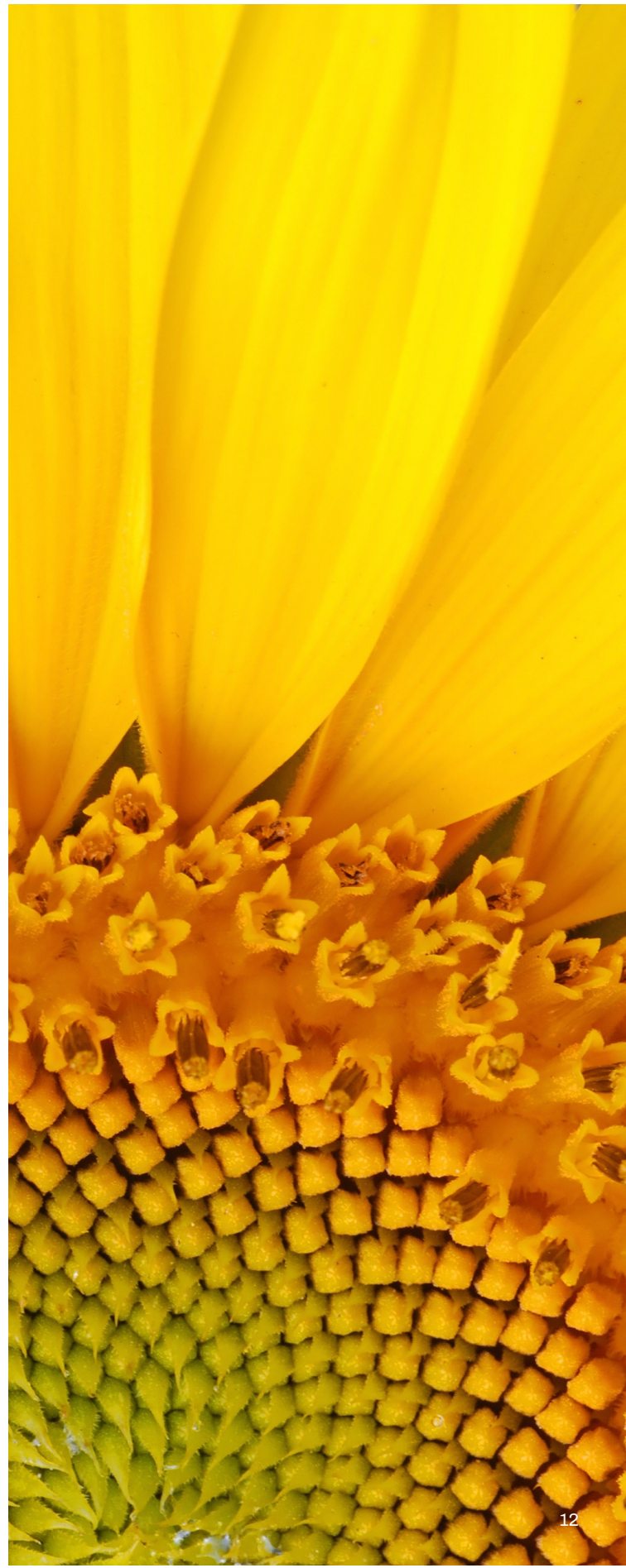


QUESTION 03 (Cont'd).

What to look for

Creating commercial opportunities from engagement on nature-related issues across bank portfolios is still an emerging area of potential business for most banks. From a risk perspective, confirm that the bank has followed relevant guidance, such as the [ICMA's Practitioner Guide](#) or the [MDB Common Nature Finance Taxonomy](#), on what are considered credible nature-related opportunities. For example, look for evidence that your team has identified and assessed:

- Finance to reduce negative impacts on nature and therefore reduce risks to the business and the bank; and
- Finance to scale solutions creating positive impacts on nature through, for example, business models delivering conservation and restoration outcomes, or new business models and services in the nature tech space.



QUESTION 04

What is the interplay between the nature- and climate-related dependencies, impacts, risks and opportunities for the bank's loan, investment, trading and funding portfolios?

Why ask?



Climate change and nature loss are deeply interconnected and mutually reinforcing. Most economic activities depend on both climate stability and healthy ecosystems, and can contribute to both climate change and nature loss. Climate change is one of the five direct drivers of biodiversity loss identified by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) (Figure 4), while nature degradation contributes to greenhouse gas emissions and reduces the capacity of ecosystems to regulate climate and absorb carbon. Conversely, protecting and restoring nature can help mitigate climate-related risks by enhancing carbon storage, reducing physical risks and strengthening ecosystem resilience.

Across a bank's loan, investment, trading and funding portfolios, climate- and nature-related dependencies and impacts are often linked. For example, a bank with exposure to agricultural lending may find that water scarcity reduces crop yields while simultaneously increasing exposure to climate-related drought risk. Similarly, activities that contribute to greenhouse gas emissions may also contribute to biodiversity loss or water stress, creating overlapping transition, liability or reputational risks. As a result, climate- and nature-related risks and opportunities frequently arise from the same clients, sectors, value chains and geographies, and should therefore be assessed together.

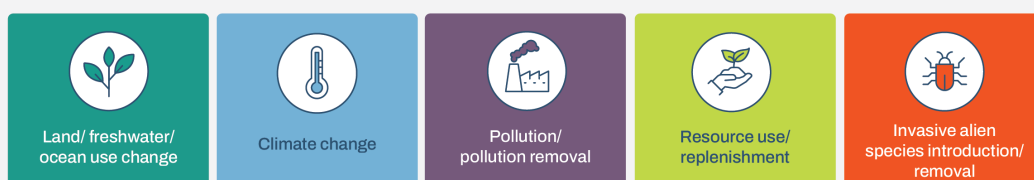
Actions to respond to nature-related issues can also have synergies and trade-offs with actions to respond to climate change and contribute to decarbonisation.

At the level of a financial institution, synergies and trade-offs can cut across different portfolios and clients. For example:

- **Synergies:** Financing a company that is selling carbon credits for peatland restoration could also benefit another client by reducing its exposure to flood risks.
- **Trade-offs:** Financing a company to use AI to optimise its energy use could lead to water shortages for another client that shares a basin with the data centre supporting that optimisation.

Understanding the interconnections between nature and climate risks and opportunities can help the bank identify areas of concentration, assess potential trade-offs and co-benefits, and support more integrated portfolio management, client engagement, target setting and transition planning.

Figure 4: The five drivers of nature change



QUESTION 04 (Cont'd).

What to look for

Look for analysis that demonstrates understanding of how climate change and nature loss interact to create both reinforcing benefits and compounding risks across the bank's portfolios.

This includes identifying sectors, geographies, clients and value chains where climate- and nature-related issues overlap. Management should be able to explain how nature degradation may amplify climate-related physical risks, and how climate change may further accelerate biodiversity loss, ecosystem degradation, water stress and other nature-related risks, and should have assessed potential synergies and trade-offs.

Determine whether the bank's policies and documentation explicitly consider the interplay between climate and nature, and whether its climate risk modelling incorporates nature. Many leading organisations are now adapting their climate governance arrangements and transition plans to include nature-related issues beyond climate change. The TNFD provides [guidance](#) on how to incorporate nature into transition plans, building on current best practices for climate transition plan analysis and preparation. Determine whether such nature-inclusive transition plans are of value to the bank, or to be recommended to high-risk clients or sectors.

Internal coordination

Consider whether your team and systems for managing climate-related risks adequately incorporate nature-related considerations. If nature is included in climate-related risk management review, ensure your team is evaluating both how your clients' nature impacts could be contributing to climate change and how climate change is contributing to your clients' nature-related dependencies and impacts (and therefore risk exposure to the bank).

Ask management to identify where nature-related risks may be amplifying existing climate-related risks within the bank's portfolios. These could include examples of water stress increasing transition risks for industrial clients or biodiversity loss reducing agricultural productivity. Management should also identify where nature-positive activities may reduce climate-related risks and improve portfolio resilience.

Better integration of nature-related considerations in your existing climate risk capabilities may be achievable in the short term by, for example, modifying the construction of your existing climate scenarios. Incremental investment in expanded data gathering and analysis capabilities can allow banks to assess impact drivers beyond climate change, including factors such as water stress, plastic and hazardous waste pollution, and deforestation.

In the longer term, these capability and process upgrades can be the basis for expanding your net zero transition plan analysis to include nature-related considerations.

Using nature-based solutions

One notable area of risk and opportunity is how the bank, or its clients, uses nature-based or natural climate solutions as part of its transition plan commitments or sustainability strategy. Such solutions can be a significant source of commercial opportunity for banks, as well as helping clients to meet both their net zero commitments and emerging new expectations to go beyond net zero and contribute to 'net zero and nature positive' outcomes for people and planet. Consider whether your team's assessment is appropriately capturing not just risk issues but also commercial advisory, lending and/or investment opportunities for the bank in support of its clients' transitions to net zero and nature-positive societal goals.

QUESTION 05

Are we appropriately using scenario analysis to inform our nature risk assessment, including transmission channels of most relevance to the bank?

Why ask?



As the consequences of climate change and nature loss escalate and the financial implications for financial institutions and their clients become more evident and more significant, the market context is changing. Regulatory requirements (both corporate reporting and macro-prudential), consumer expectations and investor risk management requirements are all shifting. The science related to how ecosystems operate continues to evolve, while uncertainty persists on some critical issues, such as 'tipping points' in ecosystem health and resilience.

It is therefore essential that management teams and boards build their capacity for 'nature intelligence' as part of their broader business intelligence. Scenarios that integrate climate and nature considerations can be a valuable resource to inform bank risk management decision-making. In particular, analysis is needed around critical uncertainties such as regulatory and social licence-to-operate pathways, and the impact of tipping points on physical risk. Approaches for quantifying nature-related value at risk will also be increasingly valuable, but are still at an early stage of development and testing.

What to look for

Using nature risk scenario analysis

More so than climate, nature risk scenario analyses are open to bespoke preparation for individual circumstances (see box overleaf, 'Approaches to nature scenario analysis'). Nature risk transmission channels can have multiple routes and feedback loops. If your team has begun development of nature risks scenarios, perhaps on top of or integrated with existing climate scenarios, it is important to clarify which channels are being used, and why potential future issues are appropriate and valid. If your team has not started considering nature-related aspects in its scenario analysis, consider whether any climate scenario analysis could also include links to impacts of climate change on nature, and of nature degradation on climate. Such links can form a robust starting point for developing scenario analyses on nature-related issues.¹¹

consider to get started. Recently created tools, such as the Ecosystem Degradation Sensitivity Indicator (EDSI) Framework and nature value at risk (NVaR), may also be useful. Organisations such as the Network for Greening the Financial System (NGFS) continue to develop more quantitative, 'top-down' approaches from a macro-prudential perspective. Finally, you could consider external peer review of the scenarios and future modelling to provide verification that the assumptions are reasonable.

The TNFD provides some default scenarios around physical and transition risks that your team may wish to

11. The TNFD (2026) [Guidance on scenario analysis](#)

QUESTION 05 (Cont'd).

Approaches to nature scenario analysis

The main difference between climate scenario analysis and nature scenario analysis is that the range of different potential future scenarios for nature is far greater. In climate scenario analysis, the challenge is in determining how things might respond to different levels of warming. For nature, there are many different potential changes in the future – ecosystem breakdown, species loss, spread of invasive alien species, zoonotic diseases, regulatory change, stakeholder action and many more – before one even considers the implications of those changes. There is currently no set of globally agreed future nature-related scenarios, although IPBES has established an expert group on scenarios, which is working to develop approaches for nature scenario analysis.

An 'exploratory' approach is often used, including by the TNFD in its [scenario analysis guidance](#). This type of approach assesses the potential implications of a set of plausible futures, and can be more informative than a 'normative' approach, which determines the desired future and models its implications (e.g., in climate change, a normative approach would be to state that we want a 1.5C future and work out the implications of that future).

Quantitative modelling of nature-related risks

Quantitative modelling of nature-related risks is of significant interest to banks and other financial institutions globally, but is complex and contextually different from climate risk modelling. It is an area of ongoing research for the TNFD and many other organisations.

Ensure the assumptions and limitations of any risk model are clearly communicated and the implications presented openly. Interrogate the assumptions behind the employed scenarios and the justification for their relevance to the bank and its business risks. Your team may have a strong bias towards developing or adapting global scenario models from their climate experience, but it is important to remember that most nature-related risks are highly localised and significantly more context-specific than equivalent global warming analysis.



QUESTION 06

Are our assessed nature-related risks and opportunities appropriately reflected in our risk management processes?

Why ask?



To adequately manage nature-related risk throughout the bank, nature needs to be incorporated in the bank's standard risk management processes. Depending on the bank, these processes will likely include: the three lines of defence (client-facing business units, risk management and oversight, and internal audit/assurance), and the determination of risk appetite and Internal Capital Adequacy Assessment Process (ICAAP). Early assessment of the adequacy of nature risk management through these processes will also help identify areas for improvement and capacity building.

As understanding of nature-related financial risks evolves, banks should consider whether these risks could influence credit losses, portfolio concentrations, provisioning, capital adequacy and capital allocation decisions. For example, degradation of ecosystem services may affect the financial performance of borrowers, potentially influencing credit quality, provisioning needs and the distribution of risk across portfolios. Early consideration of nature risk can also help ensure the bank is prepared for evolving supervisory expectations and emerging risk management practices.

What to look for

Integrating nature-related risk

Ask your team for a specific assessment on the current state of internal processes, team skill levels and data systems to assess whether nature is being incorporated into all relevant parts of the bank's risk management processes. In particular, prior to stress testing and ICAAP, the bank should identify the risks to be integrated. Depending on how you configure your risk management processes, it is important to consider when nature-related issues might be best considered on a standalone basis and when it might be better to integrate them in a broader environmental and social risk management system (ESRM) or in existing climate risk processes.¹²

Stress testing nature

Ask your team to consider current stress testing requirements and any emerging expectations from central banks and other market regulators with respect to nature-related risks, to determine whether current stress testing practices are adequate or should be enhanced. Given some of the current limitations of nature scenarios,

stress testing might not be suitable for all nature risk areas, but there is value in understanding both whether the practice has been considered and the broader reliability of emerging nature stress test approaches. In anticipation of improving approaches to nature risk modelling, it is recommended that the use and effectiveness of stress tests be reviewed periodically in the coming years.

Nature in ICAAP

Assess whether significant nature-related risks could affect expected credit losses, portfolio concentrations or capital adequacy over time. Because the financial modelling of nature risk is in its infancy, the limitations of its current use, and of any associated provisos, should be taken into account when considering nature risk in ICAAP. Ensure your team is tracking changing regulatory expectations and thinking ahead about how nature-related risks might be better incorporated in different parts of the ICAAP, capital planning and capital allocation decisions, particularly in sectors and geographies with significant nature dependencies.

12. ECB (2020) [Guide on climate-related and environmental risks](#); The TNFD (2026) [Guidance on the identification and assessment of nature-related issues: the LEAP approach](#)

QUESTION 07

Are we appropriately informed about, and responding to, shifting regulatory-supervisory developments, both voluntary and mandatory, industry standards and investor expectations across the jurisdictions in which we operate?

Why ask?



The policy and regulatory landscape regarding nature-related issues has advanced quickly in recent years. The UK government's *Dasgupta Review on the Economics of Biodiversity* and the TNFD were both launched in 2021. In 2022, they were followed by international agreement of the 10-year Kunming-Montreal GBF at the UN Convention on Biological Diversity (CBD) meeting in Montreal (COP15). In 2023, the NGFS published a conceptual framework to guide action by central banks and supervisors for nature-related risks. In 2025, the International Sustainability Standard Board (ISSB) commenced work on nature-related standard setting as part of its mandate to provide a global baseline for corporate reporting on sustainability issues.

Together, these and other initiatives have catalysed significant momentum around corporate assessment, reporting, target setting and transition planning on nature-related issues. Target 15 of the GBF calls on governments to introduce mandatory reporting requirements for nature-related impacts, dependencies and risks by 2030. Jurisdictions including China, India and the EU have already introduced additional requirements, such as the Business Responsibility and Sustainability Report (BRSR) requirements for India's largest 1,000 companies and the EUDR. Central banks, as macro-prudential regulators, have increased their attention on nature-related issues, conducting collaborative research and pilot testing through the NGFS platform.

In response to these developments at a policy and regulatory level, investor expectations are also shifting quickly. Nature expectations are now appearing in the stewardship guidance of some of the world's largest asset owners and in mandate instructions to their asset managers. New initiatives such as the Principles for Responsible Investment (PRI) Spring initiative and Nature Action 100 are helping to educate asset managers in nature-related issue assessment and facilitating coordinated engagement with portfolio companies. International frameworks such as the PRB, the TNFD and the Global Biodiversity Framework increasingly expect banks not just to assess exposures, but to prioritise sectors, manage portfolio alignment and steer financing towards nature-positive outcomes. Defined commitments, targets and action plans can enable banks to manage high-risk exposures, maintain accountability in client engagement, and manage regulatory and peer expectations.

QUESTION 07 (Cont'd).

What to look for

Look for active monitoring of the global standards and regulatory landscape, as well as of jurisdictional requirements as they continue to emerge. Policy and regulatory uncertainty may be a significant challenge for banks and their clients. Advising and supporting clients through these changes and on to a broader transition pathway to both net zero and nature positive-aligned policy goals may also be a source of commercial opportunity. Seek evidence that your team is looking ahead, including anticipating the changing expectations of regulators, shareholders, investors and stakeholders on nature-related issues beyond climate change.

Bank risk committees, executive committees and boards should expect to receive regular updates on policy, standards and macro-prudential regulatory developments. Your teams should be participating in industry associations and nature-business engagement platforms, such as the TNFD Forum and the Nature Positive Initiative, as an efficient way to stay up to date with developments.

Beyond monitoring current developments, risk committees can also play a lead role in developing a comprehensive plan to ensure that nature risk is fully integrated into credit risk assessment, aligned with regulatory requirements. Participating in pre-competitive working groups and pilot-testing initiatives led by industry associations and nature-business engagement platforms may help the bank prepare early for required changes to risk management processes and support understanding of how clients can better manage nature-related risks.

Look for evidence that the outputs of nature-related assessments are being translated into portfolio-level actions and measurable objectives, not just in a risk management context but across the organisation. Ensure there is clear governance over how prioritised sectors are managed, how client engagement is escalated and how financing is shifted towards activities that reduce nature-related risk or contribute to nature-positive outcomes.



QUESTION 08

How are we engaging with clients (especially those within high-dependency and impact sectors) to understand emerging nature-related risks, expectations and best practice? How are we engaging with clients to mitigate assessed nature-related risks?

Why ask?



Banks have dependencies and impacts on nature through the finance they extend to their clients and portfolio companies. It is the bank's clients that most directly impact and depend on nature. Engaging with clients, particularly those in high-impact sectors, is therefore critical to ensuring that the bank's exposure to nature-related risks is appropriately managed. It is in the bank's interest to encourage clients to understand how nature-related risks are emerging and evolving, and how such risks can potentially give rise to significant current and future financial effects. Bringing nature-related issues into client relationship management is key to managing the bank's credit risk exposure and can also potentially create new financing opportunities.

What to look for

Look for evidence that senior colleagues and teams responsible for client relationship management are aware of the significance of emerging nature-related issues for the bank and its clients. Look for evidence that there are client engagement strategies in place to bring nature-related issues into the dialogue with relevant clients, and that staff have the necessary information and confidence to engage bank clients on these issues.

Prioritisation

To properly engage clients on nature-related issues, staff training and capacity building across the bank will likely be required. Banks globally have found it challenging to scale up internal climate-related awareness and client engagement training, and have typically prioritised capacity-building investments around teams managing high-risk clients, sectors, geographies or parts of the bank. The same approach could be used for nature – where overlapping climate and nature-related issues mean client engagement efforts can be combined.

A robust client engagement strategy and plan should outline the prioritisation rationale for the bank, including both how engagement decisions were made and how engagement will help manage risks to the bank.

Structured client engagement

Assess the client engagement plans for the management of nature-related risks. Effective engagement is structured, rather than ad hoc. Plans should include detail on the goals for engagement, including the anticipated outcomes for the client and for the bank.

Direct engagement with the client will help to provide the access needed for internal risk and opportunity analysis. It will also support understanding of how the client can decrease its impacts on nature and mitigate the risk in its business (including to physical assets, key business inputs and distribution channels through supply chains, and ultimately to forecast cashflows). Finally, engagement will support the bank's understanding of how it can help the client finance a pathway to a more resilient and profitable business in the face of growing nature-related risks.

QUESTION 09

Do the risk committee, internal risk teams, front office teams and other relevant teams have adequate understanding of nature-related issues for their roles? How should such capabilities be further developed and institutionalised?

Why ask?

Clear roles and responsibilities and sufficient capability across the risk committee, risk functions and front office are essential to ensure that nature-related issues are effectively identified, assessed and managed. For your bank to remain resilient and competitive in the long term, it is critical that efforts to assess and manage nature-related issues are institutionalised and not overly reliant on individual champions.

Some critical aspects of the workflow for identifying, assessing and managing nature-related issues – such as nature data and analytics to support risk identification and assessment – can be outsourced to specialist service providers. However, internal capabilities for core risk assessment, scenario building and client engagement are essential given the complex, interconnected character of nature-related issues and the nuanced credit risk judgement required to manage those issues in the best long-term interest of the bank and its shareholders.¹³

What to look for

Many banks have begun building their nature risk capabilities – including teams, processes and data and analytics – on top of their existing climate risk capabilities. Different configurations for your capabilities may be suitable depending on your organisational structure and strategy. For example, a centralised global team, regional teams or sector-focused teams could be considered. Given the conceptual and contextual differences between climate and nature issues, clear roles, responsibilities and technical specifications for nature-related issues should be detailed to avoid simply extrapolating your current approach to climate risk identification and assessment. Assess whether your current teams and systems are suitably skilled and resourced to expand to handle the severity and range of nature-related risks that the bank needs to assess on an ongoing basis.

Given the location-specific context for understanding nature-related issues, consider how best to obtain geographic, sector or realm-specific expertise (e.g., water risk or oceans experts) given the overall profile of nature-related risks in your capital portfolio. Several major banks have established advisory councils of experts and/or partnerships with scientific institutions for this reason.

13. CISL (2025) [Building capacity to identify and assess nature-related financial risks](#)

QUESTION 10

Are we confident, and can we evidence, that we are fulfilling our legal responsibilities in relation to nature across the jurisdictions in which we operate?

Why ask?

While banks appropriately focus most of their risk management attention on credit risk, they are exposed to a broader array of risks associated with the environment. Exposure to the trafficking of wildlife and other forms of environmental crime, as well as growing policy and societal focus on PFAS chemicals, plastic pollution, illegal deforestation and deep-sea mining, are examples of issues that can create policy, reputational and litigation risk exposure for banks. These issues are becoming more prominent in claims made for violation of due diligence or responsible business conduct standards, shareholder resolutions, consumer boycott campaigns and citizen-funded litigation actions, underscoring that a bank's interaction with nature is now a core fiduciary responsibility for the board of directors.

What to look for

Ensure that all the bank's legal responsibilities with respect to nature are captured as a core part of the risk assessment framework, so that no blind spots emerge. Ensure that risk teams supporting the decision-making of the risk committee and senior management are seeking regular legal input and advice from internal and/or external counsel so that the bank's risk management framework and processes remain up to date with evolving legal requirements and considerations. Requirements may vary significantly by jurisdiction, requiring the ability to present risk analysis and decision-making assessments that are highly context specific. For reference, banks can draw on the [OECD Guidelines on Multinational Enterprises](#).



Asking Better Questions on Nature

For Bank Chief Risk Officers and Risk Committees

If you have any questions about this document, please feel free to get in touch with the TNFD.

enquiries@tnfd.global

In partnership with:



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