

Experience and reflections from piloting TNFD's LEAP approach on an agriculture corporate loans portfolio





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Name of participating organisations: IndusInd Bank piloted the v0.4 beta TNFD guidance in partnership with The Biodiversity Consultancy (TBC) - as lead consultant for the analysis, and Global Canopy (GC) who were responsible for commissioning, project management support and output review.

Overview

Scope

IndusInd Bank offers a wide range of products and services for individuals and corporates, among which corporate lending (loans) is one of the main activities. Specifically, extending loans to agribusinesses is one of the important aspects of IndusInd Bank's portfolio, which provides the opportunity of applying the LEAP approach to assets with available geolocations and which have relatively high nature-related dependencies and impacts.

The analysis was undertaken in line with the TNFD LEAP approach guidance, covering the determination of sensitive locations, understanding of impacts and dependencies and suggestions on how to translate them into risks and opportunities. Due to limited availability of data and resources, the following was out of scope: quantification of dependencies and impacts, a quantitative risk assessment, opportunity assessment, and the LEAP Prepare phase.

The objective of this pilot was to:

1. Explore preparedness of IndusInd Bank to disclose as per TNFD disclosure recommendations.
2. Explore the plausible aspects of alignment with IndusInd Bank's risk management framework in relation to the TNFD guidance.

- **Geography:** India, across 12 states, including Andhra Pradesh, Delhi, Gujarat, Haryana, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Telangana and Uttar Pradesh.
- **Sector:** Financials, Agricultural Products¹
- **Biome:** Tropical and sub-tropical forests (T1) and Intensive Land Use Systems (T7)

- **Impacts and dependencies:** Qualitative assessment of impacts across all drivers of nature change and dependencies across all IPBES classes of ecosystem services

Pilot timeframe

March – September 2023

Business summary

IndusInd Bank Limited commenced its operations in 1994 catering to the needs of consumer and corporate customers. Since its inception, the Bank has redefined the banking experience for its customers including various government entities, PSUs, retail and large corporations. As on December 31, 2023, IndusInd Bank has a customer base of approx. 38 million, with 2728 Branches/Banking Outlets and 2939 ATMs spread across geographical locations of the country and covering 1,53,000 villages. The Bank has representative offices in London, Dubai and Abu Dhabi. The Bank believes in driving its business through technology that supports multi-channel delivery capabilities. It enjoys clearing bank status for both major stock exchanges BSE and NSE and settlement bank status for NCDEX. It is also an empanelled banker for MCX.

Key finding(s)

- This pilot aims to enhance the Bank's understanding of emerging international good practice in nature-related risk management and its capabilities. Currently, the Bank requires strict adherence to relevant laws and legislation as well as specific conditions on nature-related risks stipulated by the Bank at the time of sanction of loan as part of the Bank's loan processes. Such specific conditions are set based on an assessment of potential nature-related dependencies and impacts completed by the Bank prior to loan approval.

¹ Besides Agricultural Products, the portfolio also includes related sub-industries such as Meat, Poultry & Dairy, Food Retailers & Distributors, Apparel, Accessories & Footwear, Multiline and Specialty Retailers & Distributors, Chemicals.

- Having an understanding of nature-related risks arising from dependencies and impacts would potentially enable the Bank to offer more targeted products and informed advice to the clients helping them address their own nature-related risks in transitioning to adopt more sustainable practices. This would lead to stronger client relationships, increased level of engagement and better risk management for both the Bank and the clients.
- TNFD offers useful guidance to better understand risks and opportunities exposure and on 'setting the bar' for international good practice on risk management. Knowledge and capacity development remains key to ensure effective adoption of the recommendations over time.
- To resolve the data challenges experienced in this piloting and shared by many across the market when applying the LEAP approach, financiers could help 'move the needle' by requiring more comprehensive data from their clients. For example by creating a standardised client data template for all client bases to include location of direct operations, upstream supply chain data for at least clients where material nature-related dependencies and impacts are concentrated in the upstream supply chain.
- Enhancing data sharing from client to the Bank, and enhancement of internal Bank processes should be subject to laws and customers' preferences around data privacy.
- The pilot shows that disclosures in areas like governance, risk management, and impact metrics are feasible, with a focus on material portfolios. However, some areas, such as nature-related risk and opportunities influencing product offerings and the translation of nature-related risks into financial risks, require more development. The findings also suggest that data privacy concerns need to be addressed for aggregate level disclosures.
- The results can inform a bank's nature-related risk management framework by standardising dependencies and impact related data from clients, using sectoral 'heat mapping' for identifying high dependencies or impacts, enhancing checklists for evaluating E&S risks, and raising awareness among bank staff. They also

recommend the inclusion of "nature specialists" within the bank's sustainability team to ensure a focus on nature issues.

- In terms of client engagement, the findings suggest raising awareness about TNFD requirements in the short term. In the medium term, for high-impact clients with international exposure, engagement could involve helping clients establish and operationalize a nature strategy with appropriate reporting metrics and targets.

About this case study: This case study forms part of a series of six case studies, run as part of Global Canopy's TNFD piloting program. The pilots tested the v0.4 beta TNFD recommendations and its accompanying 'LEAP' (Locate, Evaluate, Assess, Prepare) approach.

Business case

IndusInd Bank acknowledges that sustainable development is undeniably beneficial for the enduring success of businesses and the global economy as a whole. Moreover, it is fully aware that genuine progress in sustainability necessitates collaborative efforts between the public and private sectors.

IndusInd Bank maintains a robust presence in key agriculture-focused markets, including a significant investment in Corporate Loan Portfolio. Agriculture is of paramount importance for India due to its significant impact on the country's economy, employment, food security and overall development, accounting for over 16% of India's GDP¹.

Piloting the TNFD recommendations and guidance provides important insights into where IndusInd Bank's Corporate Agriculture portfolio has the largest impact and dependencies on nature at a granular level for the biome under consideration. IndusInd is exploring preparedness to respond to international market best practice level of nature-related risks and opportunities assessments and reporting. This pilot also allows exploring how IndusInd Bank can add on to its own risk management framework to align with emerging international good practices.

¹ The World Bank (n.d) [Agriculture, forestry, and fishing, value added \(% of GDP\) - India data](#).



Analysis

Key findings and reflections, as well as a summary of methods and tools/ data used to determine sensitive locations and understand dependencies and impacts are described in this section.

Part 1: Determining sensitive locations

Assets' location based on the clients' domiciles² at district³ levels were used to determine the organisation's interface with nature. Supply chain information (e.g., main material/production equipment suppliers/ location) was not considered during this phase as such information was not available at the time of assessment. The different economic sectors analysed were standardised to the Global Industry Classification Standard (GICS)⁴, at sub-industry level. The in-scope portfolio for the pilot covered 13 sub-industry types located in 58 districts across India.

Summary of methods applied to determine sensitive locations

Sensitive locations were identified and characterised in line with the TNFD Locate phase⁵. The best available global environmental datasets were used to estimate biodiversity importance, ecosystem integrity, and water stress at assets' locations across sites (Figure 1). Global environmental datasets are readily available and increasingly being used to support a rapid understanding of where an organisation's sites or activities are interacting with nature, enabling the determination of sensitive locations using a desktop analysis.

Since only domiciles data was available for this pilot, rather than clients' actual operations' location (e.g., farms or manufacturing facilities site location), spatial data was extracted for all 58 districts in scope. The resulting database of estimated nature interface will enable IndusInd Bank

2 Domicile refers to the location of the clients' headquarters.

3 States and districts correspond respectively to [GADM](#) levels 1 and 2.

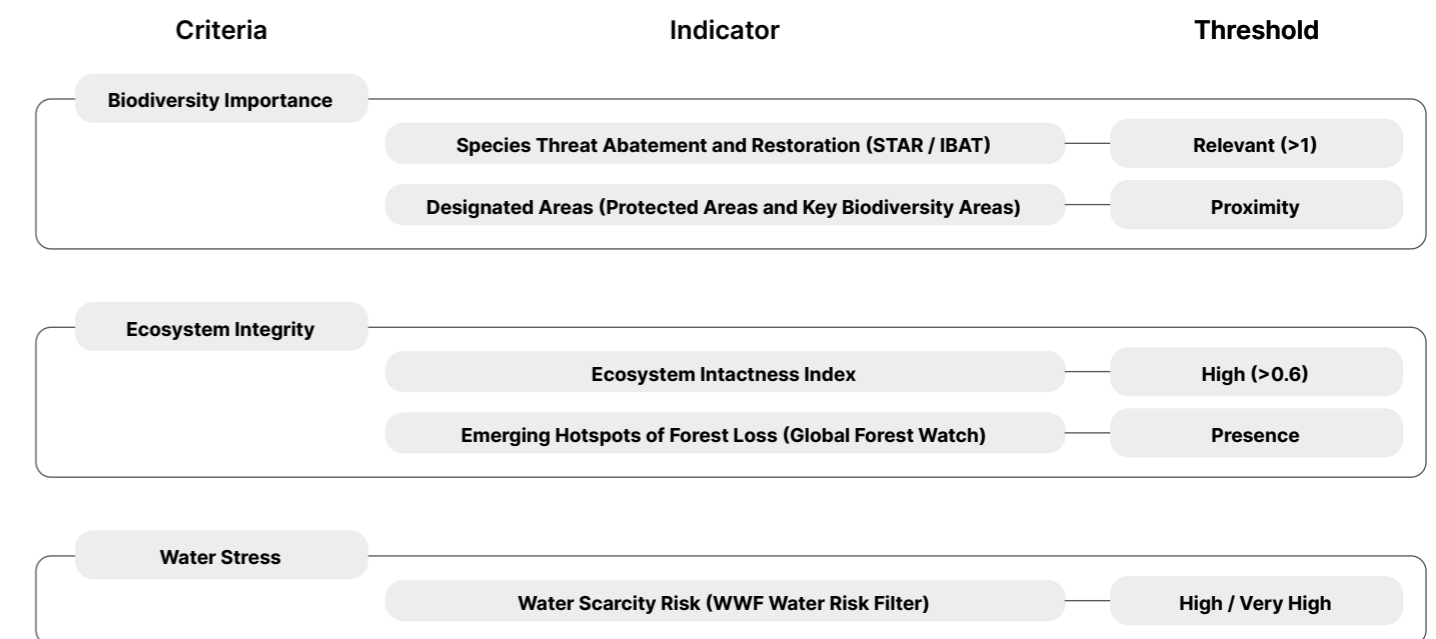
4 A four-tiered, hierarchical industry classification system.

5 See Guidance on the identification and assessment of nature-related issues: [the LEAP approach](#).

to apply the steps of the Locate phase internally, when data on locations of clients' operations becomes available.

When resources are limited, it is often necessary to focus on a subset of most sensitive interactions with nature within a portfolio. Therefore, thresholds were applied for each criteria, to qualify sites in sensitive locations. Based on the global distribution of values for each dataset, appropriate thresholds were selected which would lead to enough variation without being overly restrictive. Sites triggered by at least one indicator in any criteria were considered to be a priority.

Figure 1: Criteria to identify sensitive locations, indicators and threshold applied in this pilot.



Key findings and reflections

Overall, the method designed in this pilot to determine sensitive locations when extrapolated and applied across IndusInd Bank's agribusiness portfolio would facilitate the Bank to report in alignment with TNFD disclosure recommendations. More specifically, exposure to companies operating in or near key biodiversity areas/critical habitats (e.g. using IBAT), exposure to companies operating in or near areas with endangered species (e.g. using STAR; Figure 2), and exposure to companies operating in areas of high water stress (e.g. using WWF Water Risk Filter; Figure 3).

Figure 2: Distribution of STAR_T and STAR_R values across Indian Districts in States relevant to the portfolio

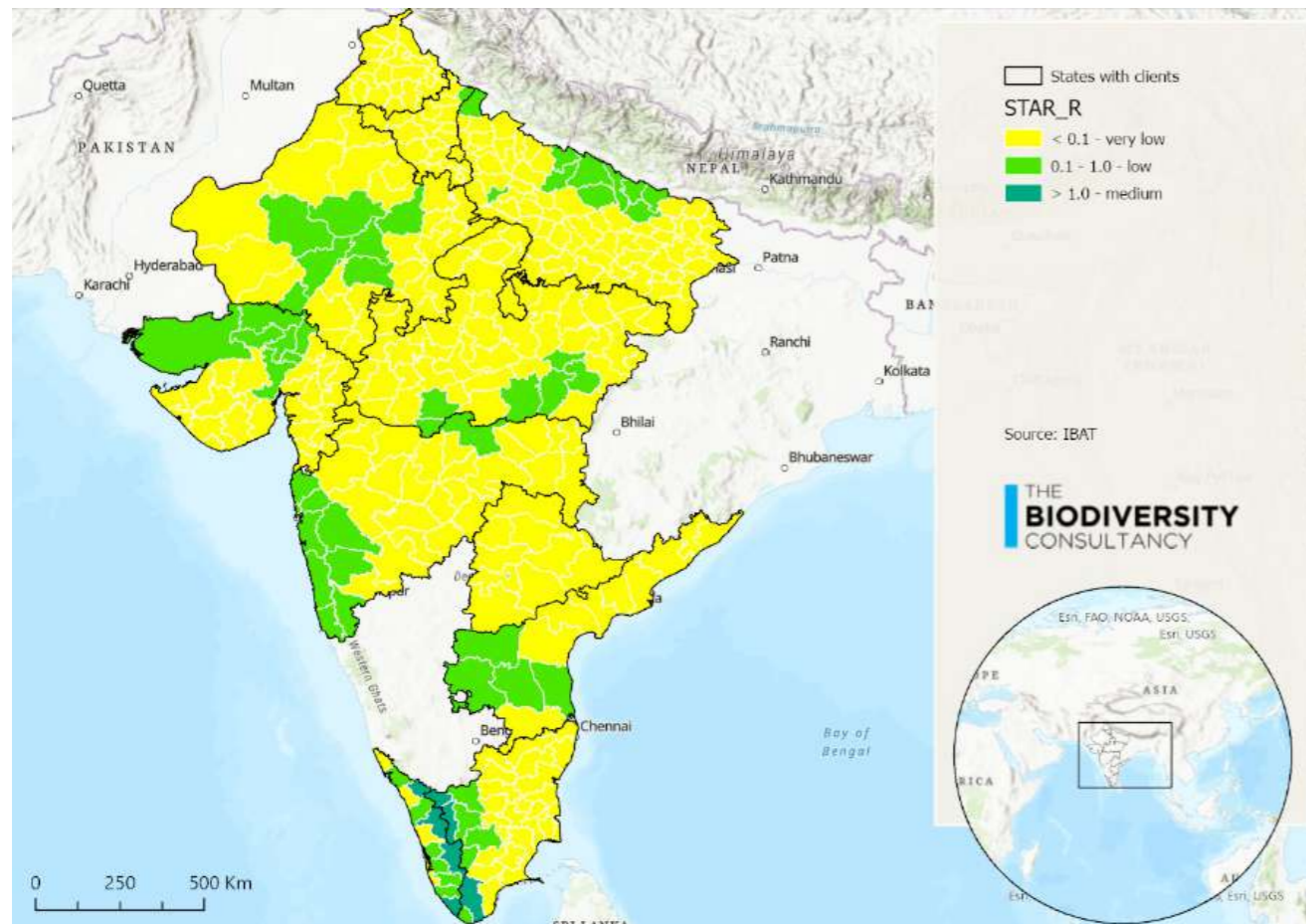
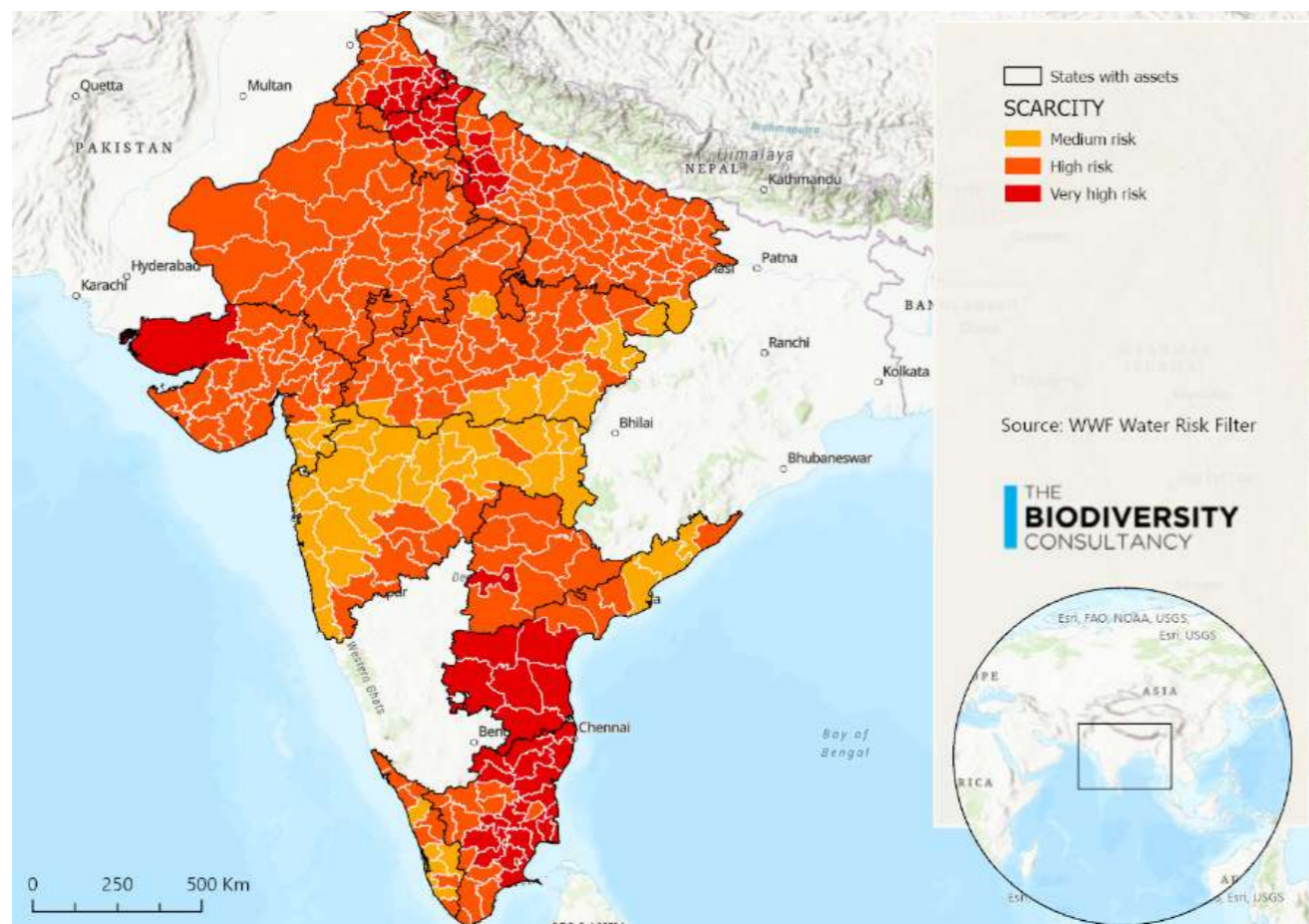


Figure 3: Scarcity Index from WWF Water Risk Filter reclassified by District in States relevant to the portfolio



Tools/Datasets used:

Multiple datasets were used to determine sensitive locations:

Table 1: Datasets and tools used to determine sensitive locations

Dataset / Tool	Use in this pilot	Rights of use
Ecoregion Intactness Index ⁶	Estimate ecosystem integrity	Free
WWF Water Risk Filter ⁷	Estimate water stress ⁸	Free
IBAT – STAR (Species Threat Abatement and Restoration) ; WDPA (World Database of Protected Areas) ; KBA (Key Biodiversity Areas) ⁹	Estimate biodiversity importance	Subscription required, accessed through Global Canopy partnership with IBAT
Global Forest Watch Emerging Hotspots of Forest Loss ¹⁰	Estimate ecosystem loss	Free
Ecoregions of the World ¹¹	Identify biomes	Free

Reflections on methods:

- Client-specific direct operations' data are not readily available for enabling assessment of real exposure to location sensitivity. Therefore, proxies were used (domicile location to GADM level 2 or Districts level), to provide a starting point for further assessments.
- More important than prioritising a subset of the portfolio is to evaluate each criteria in a disaggregated manner, which provides nuanced insights on key issue areas that are more useful to inform the Bank's actions. For example, identifying hotspots for deforestation as a key issue area in the agriculture sector by using relevant global datasets such as the Global Forest Watch [Emerging Hotspots of Forest Loss](#), or identifying relative intact ecosystems using the [Ecosystem Intactness Index](#), which would enable a Bank to set specific policies for clients operating in such sensitive locations.

6 Beyer, H. L. et al. (2020) [Substantial losses in ecoregion intactness highlight urgency of globally coordinated action](#).

7 Opperman, J. J. et al. (2022) Using the WWF Water Risk Filter to Screen Existing and Projected Hydropower Projects for Climate and Biodiversity Risks.

8 Since geographic coordinates of assets were not available for this piloting, scarcity index was extracted for all hydrosheds (basins) within the area of interest and later reclassified by District using weighted average across hydrosheds.

9 Mair, L. et al. (2021) A metric for spatially explicit contributions to science-based species targets.

10 Harris, N. L. et al. (2017) Using spatial statistics to identify emerging hot spots of forest loss.

11 Dinerstein, E. et al. (2017) An ecoregion-based approach to protecting half the terrestrial realm.

- Global data layers used in this methodology were useful to enable district-level prioritisation based on TNFD sensitive location criteria. There may be other datasets that could be useful to determine sensitive locations which provide more granular or 'ground-truthed' information. For example, water stress or water availability for certain basins based on government authorities' specific studies. More guidance or examples of TNFD assessments utilising local or national authoritative datasets would be helpful for market participants to understand how to work with different degrees of confidence associated with different datasets (e.g., global vs local).
- It is important to consider the supply chain when evaluating exposure to sensitive locations. For example, direct operations in the packaged food and meat or textiles sector are associated with agricultural products (upstream). A client's overall exposure to location sensitivity therefore arises from the location of direct operations of their packaged food and meat' or textiles factories but also where they source the raw material from. More guidance is needed on how to approach an assessment to identify overall exposure in the supply chain given the data challenges.

Reflections on the pilot's objectives

- Standardising requested client data to include location of direct operations at least at District level could help resolve data challenges going forward. Gradually, requested data should also be standardised to include upstream supply chain data, particularly for clients where material nature-related dependencies and impacts are concentrated in the upstream supply chain.
- The Bank should continue applying its Environmental and Social Management System (ESMS) screening, evaluation, and scoring processes, giving the highest scrutiny level to clients operating in sensitive locations and exploring how internal processes could be enhanced, for example:

Exclusion list: As part of international good practice in risk management, the Bank's existing exclusion list can consider aligning with the TNFD

sensitive location criteria in addition to the Bank's own risk appetite and sustainability vision/mission. In addition to sector/activities-based exclusions, impacts-oriented exclusion criteria triggering sensitivities per the TNFD guidance could be considered.

Project finance due-diligence: Key sensitive location 'triggers' should be further evaluated as part of this process. Impacts from the relevant activities should be evaluated relative to or within the context of such sensitivities.

Part 2: Understanding impacts and dependencies

In this pilot, due to poor availability of data related to asset-level dependencies and impacts, only sector-level identification of potential nature-related dependencies and impacts and their relative magnitude were conducted, using global environmental datasets, which provide materiality ratings by different sectors and sub-industries, ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure). The assessment focused on direct operations, where findings and reflections from applying the method were used to answer the following questions:

- How do the results and findings from this pilot enable early adoption of disclosures as per the TNFD recommendations?
- How could the results and findings from this pilot inform a Bank's risk management framework for nature-related risks?
- How could the results and findings from this pilot inform client engagement on nature issues?

Summary of methods

Dependencies: Quantitative data on ecosystem services were not available at asset level. Due to this limitation, analysis of dependencies' size and scale was achieved using universal dependencies ranking from ENCORE (Very Low to Very High), aggregating production processes scores at sub-industry level of GICS standardised industry classification system. Aggregated scores were combined with financial exposure

to understand the potential relative significance of nature-related dependencies for IndusInd Bank.

Impacts: Comprehensive quantitative impact drivers data (e.g., land use footprint, volume of wastewater, pollutant load, etc.) of the assets were not available. Using a similar approach to the above, to identify nature-related impacts from PIDG portfolios, impact materiality information across sectors and sub-industries from ENCORE were used. ENCORE provides sector-based universal ratings for impacts on nature covering direct operations. To identify key impacts, this materiality rating data (Very Low to Very High) was used and combined with financial exposure to understand potential relative significance from nature-related impacts for IndusInd Bank.

Limitations of methods

Quantified estimates of global impacts (by IPBES drivers of nature loss) by sub-industry are largely unknown. Efforts to obtain qualitative estimates are based on non-standardised empirical research that cover processes in few specific regions. They are useful to provide rough preliminary significance assessment (based on relative comparison), but should be used with considerations of the underpinning methodological limitations.

Tools/Datasets used: ENCORE was used to estimate dependencies and impacts at a sector level.
See illustrative examples on Table 2 and Table 3 below.

Table 2: Qualitative assessment of dependencies at sector level using ENCORE

GICS Subindustry	Agricultural & Farm Machinery	Agricultural Products	Diversified Support Services	Fertilisers & Agricultural Chemicals	Food Retail	Hypermarkets & Super Centres	Packaged Foods & Meats	Specialty Stores	Textiles	Trading Companies & Distributors
Animal-based energy		●								
Bio-remediation		●	●	●	●	●	●	●	●	
Buffering & attenuation of mass flows		●								
Climate regulation	●	●		●						○
Dilution by atmosphere & ecosystems	●			●			●		●	
Disease control		●								
Fibres & other materials		●							●	
Filtration	●	●		●			●		●	
Flood & storm protection	●	●		●			●		●	●
Genetic materials		●		●						
Ground water	●	●		●			●		●	
Maintain nursery habitats		●								
Mass stabilisation & erosion control	●	●	●	●	●	●	●	●	●	●
Mediation of sensory impacts	●	●		●						
Pest control		●								
Pollination		●								
Soil quality		●					●			
Surface water	●	●					●		●	
Ventilation	●	●		●						
Water flow maintenance	●	●					●		●	
Water quality	●	●					●		●	
Aggregated	●	●	●	●	●	●	●	●	●	○

Colours represent **VH** ● **H** ○ **M** ● **L** ● and **VL** ●.

Key findings and reflections

Reflections on methods:

- Quantifying the magnitude of nature-related dependencies and impacts per the TNFD guidance was not feasible since asset-level impact drivers and dependencies data were not available at the time of this pilot. For the Bank to seek additional data from the clients, there are legal processes that must be followed which were not feasible to complete within the pilots time frame. Encouraging standardisation of asset-level impact drivers and dependencies data reporting to financiers could be an area of focus explored to resolve this challenge going forward. For starters, this could include typical data collected for other sustainability programs or as part of regulatory compliance, such as data on land occupied (used) by the client's operations or on water consumption. Further, standardising requested information across the upstream supply chain should be explored to enable assessment of overall nature-related dependencies and impacts across client's supply chain aligning with the TNFD guidance.
- Portfolio-level assessment to characterise relative impacts rating is feasible using tools like [ENCORE](#) or SBTN's [Sectoral Materiality Tool](#). However, results are only useful for identifying 'hotspots' in terms of drivers of nature loss and are not capable of providing detailed insights that could inform impact mitigation.
- Despite challenges around data, there are methods supported by available tools that can be used to understand relative exposure to nature-related risks from dependencies and impacts. When asset-level dependencies and impact drivers data are not available, analyses could potentially be streamlined as sector-level relative magnitude of dependencies and impacts could serve as one risk factor to physical or transition risk assessments (see below Section 5).

Reflections on the pilot objectives:

How do the results and findings from this piloting enable early adoption of disclosures as per the TNFD recommendations?

This pilot confirms disclosures per the TNFD recommendations across governance, strategy, risk and impact management, and metrics and targets are feasible at least partially, focusing in the first instance on material portfolios and working gradually towards increasingly complete disclosures. Existing systems would allow disclosures on

- (i) governance by the board on sustainability as a general theme (under which 'nature' is nested);
- (ii) how a bank's risk management framework deals with identification, assessment, and management of portfolios' nature-related dependencies and impacts (client selection, due diligence, client advice, etc.) and;
- (iii) how these affect decision-making.

Disclosure 'areas' where more work would be required before comprehensive disclosures could be achieved include how nature-related risks and opportunities are influencing product and service offerings and revenue from the portfolios, as well as the bank's own operations' nature-related issues. Well-tested physical and transition risk methodologies (including the use of scenarios) that also capture how to translate nature-related risks to financial risk are required to enable these disclosures in the future. It is also worth noting that the Bank may be able to disclose nature-related risks at an aggregate level in the future, but more granular disclosure will be subject to data privacy limitations.

Disclosures using metrics that represent the scale of exposure in portfolios, such as absolute amount or percentage of lending to companies with assets or activities in sensitive locations per the TNFDs definition is feasible using currently available global datasets and tools. Disclosures on dependencies and impacts are also feasible, in the form of potential dependencies/impacts presented as exposure to sectors or companies with material dependencies/impacts on nature as a heat map.

In this piloting, disclosures on nature-related risk and opportunities were not explored (the Assess and Prepare step of the LEAP approach was out of scope).

How could the results and findings from this pilot inform a bank's nature-related risk management framework?

There is a need for more guidance on how TNFD-aligned assessments can influence a bank's risk management actions. Case studies demonstrating how nature-related issues influence decision-making including sanctions and reward would be beneficial. For example, how to tie in specific sanctions for clients or projects that are associated with conversion or deforestation past a certain cut-off date, or those who violated water withdrawal limits set by authorities.

Conversely, how specific outputs or outcome indicators align with the TNFD recommendations could be used for monitoring a client's performance on nature and be tied into relevant incentive mechanisms.

This pilot suggests that the following aspects of risk management could be considered for better preparedness in aligning with TNFD disclosure recommendations:

- Standardising requested impact drivers and dependencies data from clients aligning with the TNFD's global core disclosure metrics. Overtime, when this data becomes available from clients across sectors, banks would be able to perform assessments of portfolios' nature-related issues in line with the TNFDs LEAP guidance. Note that this is subject to relevant data privacy laws and legislation requirements being addressed.
- The sectoral 'heat mapping' approach using global universal materiality rating databases such as ENCORE result in identification of relatively high dependency or impact sectors and 'hotspots' of dependencies or impacts across the different IPBES pressures on nature. This information could be used to further inform exclusion screening criteria, e.g., excluding high-impact sectors or clients when/if aligned with the Bank's vision/mission on sustainability. Similarly, this information could also be used to 'recalibrate' the internal industry E&S risk classification.

For example, industries with relatively high overall dependencies and impacts on nature like metals and chemicals processing/manufacturing to be considered as 'high risk' in the Bank's internal system.

- After exclusion and sector level E&S risk screening, the Bank required detailed E&S risk evaluation guided by the use of specific checklists for micro, project, and corporate finance across different sector E&S risk categories. These checklists could be further enhanced by alignment with the TNFD recommendations to cover industry-specific key impact drivers and dependencies. For example, by checking how environmental impact assessments (EIAs) have appropriately addressed those key impact drivers and dependencies resulting in robust management programs. This would also have an added longer term benefit by improving the practice of EIAs.
- Awareness raising and capacity building for banks' staff on finance and nature including the TNFD should be made a priority as this is a prerequisite for taking scaled up actions on improving risk management and client engagements. The Bank should also consider adding 'nature specialists' as part of the central sustainability team for example, to act as the 'centre of excellence' for the nature topic across the Bank's business processes. This function can help drive internal quality assurance processes for how the Bank implements its system, e.g., perform due diligence on project finance.

How could the results and findings from this pilot inform client engagement on nature issues?

- In the short term, client engagement could potentially focus on awareness raising on emerging nature-related disclosures requirements from the TNFD as a foundation to further engage clients on reporting nature-related impacts and dependencies data as per the TNFD recommendations.
- In the medium term, for select clients (e.g., high impact clients with considerable international market exposure), engagements could be directed towards exploring how to support clients on establishing and operationalising a nature strategy, with appropriate reporting metrics and targets.

Recommendations for assessing nature-related risks and opportunities

Following the TNFD LEAP risk assessment methods guidance, Annex 4, lays out three example risk methods for assessing nature-related risks; heat mapping, asset tagging and scenario-based risk method. In this section, we are focusing on heat mapping and asset tagging. The methods for such qualitative asset tagging assessment could be highly tailored to an organisation's context and objectives. As a starting point, the TNFD guidance highlights the following as a potential approach:

In the TNFD's LEAP approach, heat mapping is understood as a qualitative summary of potential or actual exposure to nature-related risks and opportunities, revealing if and how activities and/or assets potentially materially depend upon or impact nature. Heatmaps help organisations identify sectors with multiple dependencies and impacts rated high or moderate. The approach reflected in this pilot aligns with this definition.

Asset tagging is a deepening of the heatmap approach, where using data specific to financial or corporate assets to determine the magnitude of nature-related risks. It is usually applied to a subsection of a financial institution's portfolio or assets, focusing on areas where nature exposure is expected to be material thus enabling a more granular and specific understanding of risk. However, without good client data availability, only asset tagging aimed at understanding potential (not actual) physical and transition risk may be feasible.

- **Physical risk assessment for water-related services:** selecting qualitative indicators that would represent relevant physical risk factors then using these to estimate overall potential physical risks. Some

risk factors which may be relevant could include sector exposure to nature-related dependencies and estimating overall potential physical risk exposure: client-specific exposure to nature-related dependencies (e.g., based on client's average annual water withdrawal volumes compared to sector average); predicted change in ecosystem services provision (e.g. modelled future water stress/scarcity); and company management programs (e.g., publicly disclosed management policy on water or science-based targets for water) combined with financial exposure.

- **Transition risk assessment:** selecting qualitative indicators that would represent relevant transition risk factors then using these to estimate overall potential transition risks. Some risk factors which may be relevant could include sector exposure to nature-related impacts; likelihood of regulations change in the jurisdiction where the company operates; risk factors that differentiate leaders vs laggards (e.g., company's nature impact commitments to No Net Loss or Net Positive or commitment on traceability of the supply chain) and reputational risk factors (e.g., past environmental controversies and membership of a sector-wide sustainability initiative) combined with financial exposure.

Selecting risk factors that represent key issue areas pertaining to dependencies and impacts from specific production processes or certain topics such as nature or supply chain management allows the identification of focused topics of engagement with clients. Capturing industry-specific key performance indicators could also be helpful to 'push the bar' on the most material issue areas. Resources are available in the market as a starting point on this.

More widely, an organisation-wide (horizontal and vertical) capacity development program is recommended. It could be rolled out regularly on nature-related dependencies, impacts, risks, and opportunities identification, assessment, and management. This could draw from the TNFD approaches or a more relevant disclosure framework for the Bank's operational context (e.g., ISSB or GRI).



Conclusions

Pilot testing the TNFD recommendations and guidance has proven helpful in building the capacity and knowledge of IndusInd Bank's staff involved on tools and methods for assessing portfolio-level nature-related dependencies, impacts and risks as well as emerging disclosure requirements in international markets. This pilot will guide them to work towards systematically assessing and disclosing nature-related dependencies, impacts, risks and opportunities. The LEAP approach offers flexible guidance, empowers organisations to tailor their approach, whether by concentrating on specific business sectors, geographic regions, or impact drivers, with room for expansion over time.

The pilot has been useful as a starting point towards the alignment of the Bank's internal risk management framework with emerging international good practices in future. It has revealed challenges around data availability and identified how internal processes could be further strengthened to enable comprehensive disclosures of nature-related dependencies, impacts, risks and opportunities subject to laws and customers' preferences around data privacy.

The findings of the pilot suggest that disclosures according to the TNFD recommendations are feasible, primarily in areas such as governance, risk management, and impact metrics, with a focus on material portfolios. However, certain areas, such as translating nature-related risks into financial risks, require further development. The study also highlights the importance of data privacy concerns in disclosures.

The results of the pilot can inform a Bank's nature-related risk management framework by standardising dependencies and impact-related data from clients, using sectoral 'heat mapping' to identify high dependencies or impacts, developing checklists for evaluating environmental and social risks, and raising awareness among bank staff. It is recommended that banks consider adding "nature specialists" to their sustainability teams.

In terms of client engagement, the pilot suggests a phased approach, starting with raising awareness about the TNFD requirements and progressing to support high-impact clients with establishing nature strategies and reporting metrics and targets.

Next steps could involve carrying on with the risks and opportunities assessment, updating the methodology to align with the [TNFD recommendations v1.0](#) and further explore how IndusInd Bank's internal risk management processes could be better aligned with international good practices going forward.



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