



Responding to the Taskforce on Nature-related Financial Disclosures (TNFD)

Guide to the new nature framework

Why is there a need for a new nature framework?

Half the world's economic output – around US\$44 trillion – is highly or moderately dependent on nature. Our economies are embedded within nature, not external to it. Yet most corporates, investors and lenders inadequately account for nature-related risks and opportunities. Corporates are failing to consider how their supply chains, operations and enterprise values depend on, and impact, nature. In turn, lenders and investors are not assessing nature-related risks and opportunities across their loan books and investment portfolios.

The Taskforce on Nature-related Financial Disclosures (TNFD) aims to address this. It provides a risk management and disclosure framework for organisations to report and act on nature-related risks and opportunities. It seeks to ensure that nature-related risks and opportunities are effectively understood and communicated by corporates to the financial community.

The TNFD framework is a global, market-led initiative. It is intended for use by corporates and financial institutions of all sizes and follows on from the work of the Task Force on Climate-related Financial Disclosures (TCFD). The TNFD describes 14 specific recommended disclosures organisations should include in their financial filings to provide “decision-useful” information. These are aligned with the TCFD's 11 recommendations, plus an additional three for nature.

The TNFD and the TCFD differ from each other in that:

- The **TNFD** lays more emphasis on the location of assets and activities to accommodate specific considerations arising from regional/country differences.
- The **TNFD** requires an understanding of nature-related impacts and dependencies, as well as the risks and opportunities required by the **TCFD**.
- The **TNFD** includes holistic nature-related metrics, which are more complex than those included in the **TCFD**.
- The **TNFD** requires organisations to disclose how affected stakeholders are engaged in the assessment of, and response to, nature-related dependencies, impacts, risks and opportunities, while the **TCFD** does not.



How does reporting against the TNFD add value to my business?

- **Business resilience:** recent estimates suggest that over half of global GDP is highly or moderately dependent on nature. Recognising the ecosystem services that your business depends on is critical to ensuring continuity of your supply chain, workforce, and access to capital.
- **Improved governance and risk management:** the TNFD, like the TCFD, focuses on strengthening internal processes to better respond to business risks and opportunities. Evaluating your processes in line with the TNFD recommendations can strengthen efficiency and internal transparency.
- **Reputation:** there are catastrophic implications of failing to protect nature, and the public is beginning to take note. Businesses seen as lagging behind the market may suffer reduced access to customers and talent.
- **Opportunities:** understanding your interactions with nature will enable you to use ecosystem services more efficiently, as well as unlocking potential nature-based solutions that could lower operating costs and facilitate access to new markets.

Building blocks to understand the TNFD:

The TNFD framework includes a series of definitions to understand how to apply its requirements. In this guide, we have highlighted the main concepts to better understand the framework. The TNFD defines ‘nature’ as the natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment. Nature can be understood through four realms:

- **Land**
- **Ocean**
- **Freshwater**
- **Atmosphere**

Atmosphere is included in the framework to reflect the close association between climate and nature-related risks and opportunities, while also acknowledging that links with climate mitigation and adaptation occur across all realms.

The TNFD also introduces the concept of ‘natural capital’ as the stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people; and ‘environmental assets’ as the naturally occurring living and non-living components of the Earth, for example, forests, wetlands, coral reefs and agricultural areas.

How does reporting against the TNFD add value to my business?

Other definitions to consider

Biodiversity: The TNFD’s working definition of ‘biodiversity’ comes from the Convention on Biological Diversity (CBD): “the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.”

Dependencies: The TNFD defines ‘dependencies’ as aspects of ecosystem services that an organisation or other actors rely on to function. Dependencies include ecosystems’ ability to regulate water flow, water quality, and hazards like fires and floods; provide a suitable habitat for pollinators (who in turn provide a service directly to economies), and sequester carbon (in terrestrial, freshwater and marine realms). A dependency of a business on nature for operations and business continuity may be direct or through its supply chain.

Impacts: The TNFD considers an organisation’s effect on natural capital through its ‘impact drivers’. These include measurable quantities of a natural resource that are used as an input to production, and measurable non-product outputs of a business activity that affect nature. Examples include the volume of groundwater consumed, the volume of waste matter discharged and retained in the soil, the volume of greenhouse gas emissions, or the level of noise or light pollution.

‘Impact pathways’ describe how, as a result of a specific business activity, a particular impact driver can lead to changes in natural capital, and in turn, how these changes affect different stakeholders. An impact driver differs from an impact.

Impacts refer to a 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 or another party’s actions.

Impacts may be:

- **Direct** – a change in the state of nature caused by a business activity with a direct causal link;
- **Indirect** – a change in the state of nature caused by a business activity with an indirect causal link (e.g. indirectly caused by climate change generated by greenhouse gas emissions); and/or
- **Cumulative** – a change in the state of nature (direct or indirect) that occurs due to the interaction of activities of different actors operating in a landscape or freshwater/marine area.



How does reporting against the TNFD add value to my business?

Examples of possible impact drivers

Business input or output	Impact driver category	Examples of specific, measurable impact drivers
Inputs	Water use	Volume of groundwater consumed, volume of surface water consumed, etc.
	Terrestrial ecosystem use	Area of agriculture by type, area of forest plantation by type, area of open cast mine by type, etc.
	Fresh water ecosystem use	Area of wetland, ponds, lakes, streams, rivers or peatland necessary to provide ecosystem services such as water purification, fish spawning, etc., areas of infrastructure necessary to use rivers and lakes such as bridges, dams, and flood barriers, etc.
	Marine ecosystem use	Area of aquaculture by type, area of seabed mining by type, etc.
	Other resource use	Volume of mineral extracted, volume of wild-caught fish by species, number of wild-caught mammals by species, etc.
Outputs	GHG emissions	Volume of carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons etc.
	Non-GHG air pollutants	Volume of fine particulate matter and coarse particulate matter, volatile organic compounds, mono-nitrogen oxides, sulphur dioxide and carbon monoxide etc.
	Water pollutants	Volume discharged to receiving water body of nutrients (e.g., nitrates and phosphates) or other substances (e.g., heavy metals and chemicals).
	Soil pollutants	Volume of waste matter discharged and retained in soil over a given period.
	Solid waste	Volume of waste by classification (i.e., non-hazardous, hazardous, and radioactive), by specific material constituents (e.g., lead, plastic), or by disposal method (e.g., landfill, incineration, recycling, specialist processing).
	Disturbances	Decibels and duration of noise, lumens and duration of light, etc. at site of impact.

How does reporting against the TNFD add value to my business?

Examples of possible dependencies

Business inputs	Dependency category	Specific dependencies
Consumptive	Energy	Solar, wind, hydro, geothermal, biofuel, fossil fuel
	Water	Fresh water (ground, surface, or rain) or sea water
	Nutrition	Human or animal food
	Materials	Wood fiber, genetic resources, metals, minerals, plant and animal materials
Non-consumptive	Regulation of physical environment	Volume of carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), Sulphur hexafluoride (SF ₆), Hydrofluorocarbons, (HFCs) and perfluorocarbons (PFCs), etc.
	Regulation of biological environment	Volume of fine particulate matter (PM _{2.5}) and coarse particulate matter (PM ₁₀), Volatile Organic Compounds (VOCs), mono-nitrogen oxides (NO and NO ₂ , commonly referred to as NO _x), Sulphur dioxide (SO ₂), Carbon monoxide (CO), etc.
	Regulation of waste and emissions	Volume discharged to receiving water body of nutrients (e.g., nitrates and phosphates) or other substances (e.g., heavy metals and chemicals).
	Experience	Volume of waste matter discharged and retained in soil over a given period.
	Knowledge	Volume of waste by classification (i.e., non-hazardous, hazardous, and radioactive), by specific material constituents (e.g., lead, plastic), or by disposal method (e.g., landfill, incineration, recycling, specialist processing).
	Well-being and spiritual/ethical values	Employee satisfaction and stress release, sacred sites and indigenous traditions that support company staff or operations

What does the TNFD require organisations to do?

1. Identify nature-related dependencies and impacts

In the initial stages of identifying nature-related dependencies and impacts, you should consider the following elements:

- **Location:** understanding where your organisation, operations and supply chains are located, and the specific nature context of that location (i.e. the biome and location-specific ecosystem), is essential to understanding actual, rather than potential, nature-related risks and opportunities.
- **Sector:** The nature of your organisation's business processes, products and services will similarly define its relationship with nature.
- **Drivers of change:** The pressures on nature in different locations around the world will influence the level of risk exposure.
- **Timeframes and scenarios:** It's also important to consider the timeframe, particularly when identifying nature-related risks and opportunities. The use of scenarios can be helpful to support longer-term thinking around trends and uncertainties.

2. Identify nature-related risks and opportunities

An essential element of the TNFD is the identification of nature-related risk and opportunities.

Both dependencies and impacts can cause nature-related risks through:

- changes to the state of nature itself, caused by business impact drivers or external impacts/ trends;
- changes to the flow of ecosystem services associated with changes to the state of nature;
- impacts to society resulting from business impacts on nature that may affect the organisation. For example, through lack of access to land due to damaged stakeholder relations, or damage to reputation following the release of pollutants that affect the health of local communities.



What does the TNFD require organisations to do?

Nature-related **opportunities** can occur:

- when organisations **avoid, reduce, mitigate or manage** nature-related risks. For example, avoiding or mitigating the loss of nature and its associated ecosystem services the organisation and society depend on; or
- through the strategic transformation of business models, products, services, markets and investments that halt or reverse the loss of nature, such as implementing conservation, restoration and nature-based solutions (or providing support for them through financing or insurance).

While business opportunities can arise from restoring and mitigating existing damage through reconstructive or compensatory measures, it is a good practice to prioritise business actions that avoid or minimise negative impacts on nature in the first place. Nevertheless, reducing negative impacts

on nature does not equate to contributing to nature positive outcomes. Actions should ideally go beyond risk reduction and contribute to a nature-positive future by influencing the threats and pressures that drive nature loss and degradation globally.

To ensure a dynamic view of nature-related risks and opportunities, organisations should consider short, medium and long term risks and opportunities. This should ideally involve the use of scenarios to explore how risks and opportunities (and the drivers of risks and opportunities) may change in the future beyond the standard risk timeframes typically used by organisations.

The TNFD’s categories of negative and positive impacts stemming from drivers of change illustrate these differences.

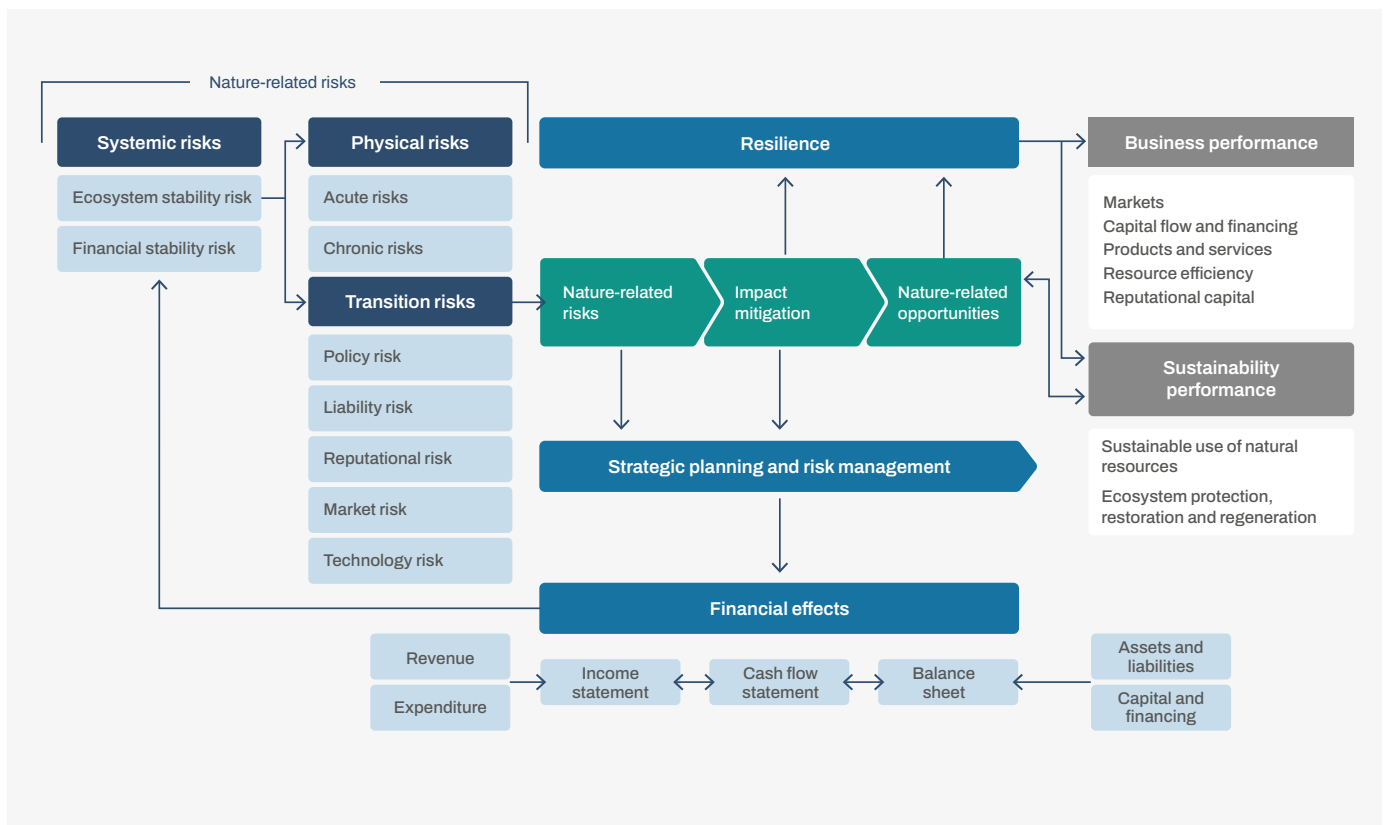


Figure: Links between nature-related risks and opportunities, business performance and financial implications for the organisation

What does the TNFD require organisations to do?

3. Consider the impacts on financial risks

When assessing nature-related risks and opportunities, you should consider the financial implications through changes to your revenue streams, cost base and potentially cost of capital through, for example, changes to credit risk rating or insurance premiums, or changes to

asset valuations or financing conditions. These transmission channels can have a positive or negative effect on credit, operational, market, liquidity, liability, reputational and strategic risk and opportunity, as illustrated below.

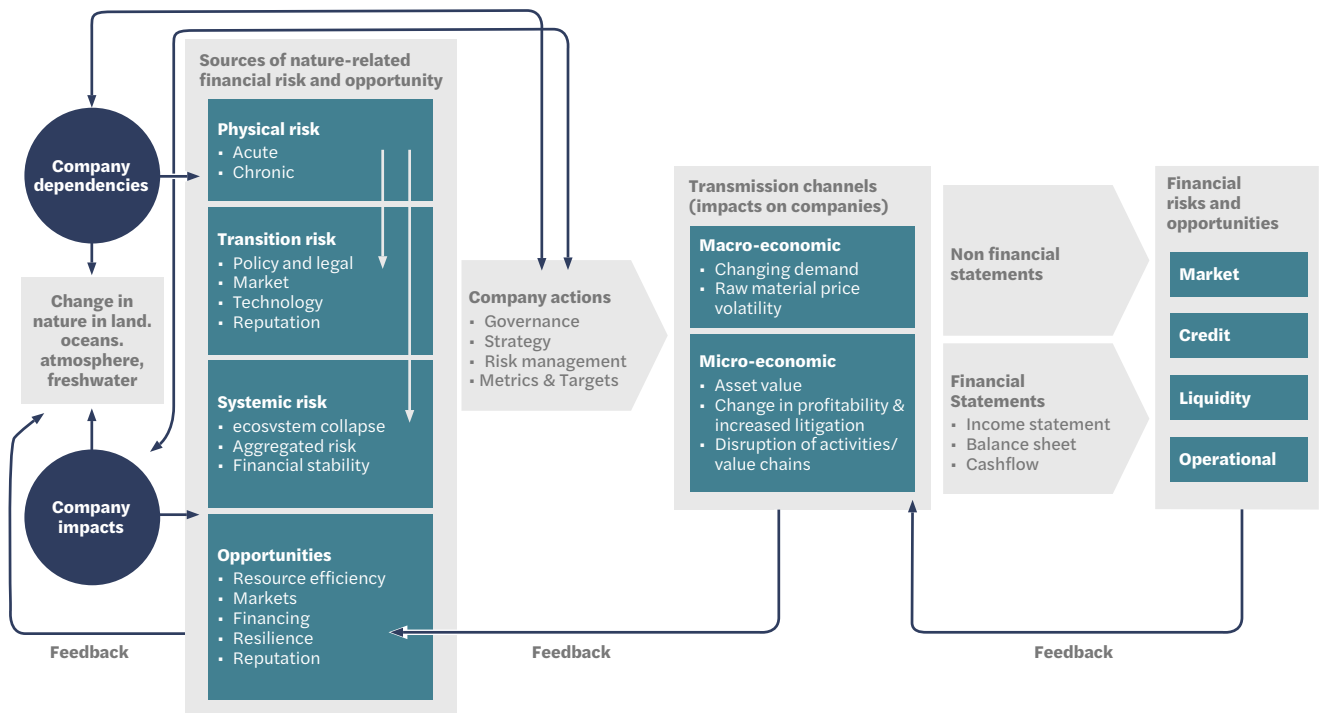


Figure: Financial risks and opportunities emerging from nature

4. Prepare your report based on disclosure recommendations

The TNFD's 14 disclosure recommendations are aligned with, and supplementary to, the TCFD's disclosure recommendations. They are therefore structured using the TCFD's four pillars of:

- Governance
- Strategy
- Risk management
- Metrics and targets

1. Governance: the ways in which the organisation's oversight and decision-making functions take nature-related risk and opportunities into account.

- A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.
- B. Describe management's role in the assessment and management of nature-related dependencies, impacts, risks and opportunities.
- C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.

What does the TNFD require organisations to do?

2. **Strategy:** the integration of actual and potential effects of nature-related risks and opportunities on the organisation's business model, strategy and financial planning.
 - A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.
 - B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.
 - C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.
 - D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.
3. **Risk and impact management:** how the organisation integrates nature-related risks into its overall risk management approach.
 - A. (i) Describe the organisation's processes for identifying and assessing nature-related dependencies, impacts, risks and opportunities in its direct operations.
(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).
 - B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.
 - C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.



What does the TNFD require organisations to do?

4. Metrics and targets: quantitative and qualitative performance indicators and aims related to nature-related risk and opportunities, based on nature dependencies and impacts.

- A.** Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.
- B.** Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature (see figure: Examples of metrics).
- C.** Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these

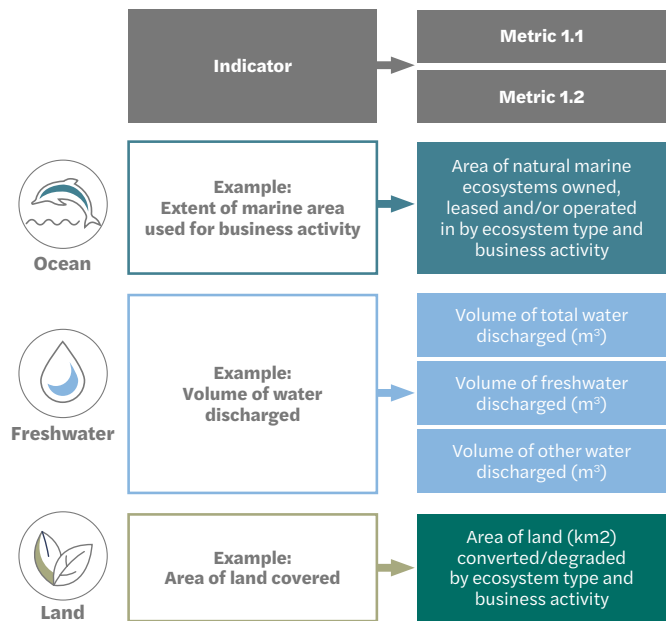
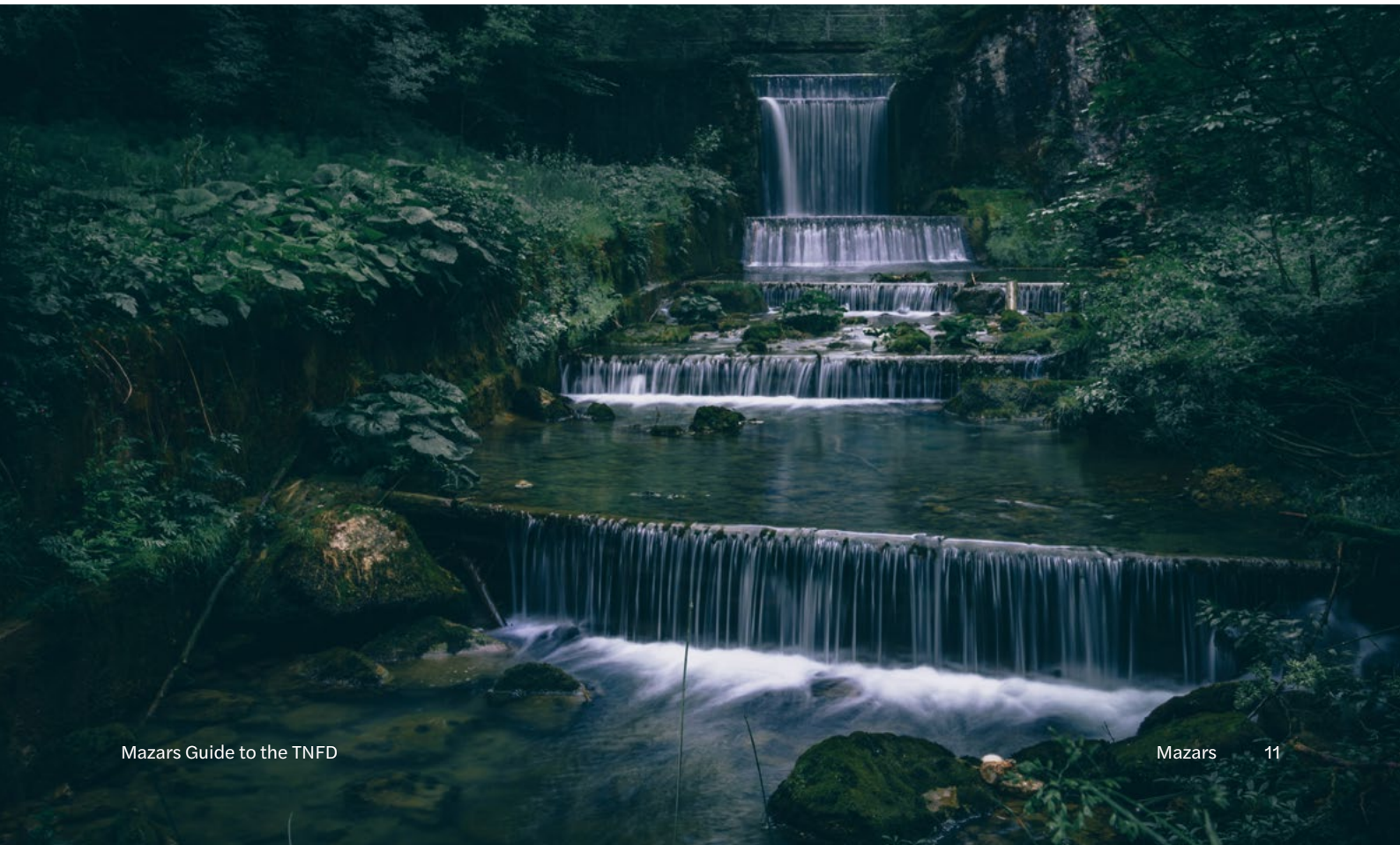


Figure: Examples of metrics



What does the TNFD require organisations to do?

4.1. Other requirements

In adopting the TNFD recommendations, you need to meet six general requirements for disclosure statements across the four pillars.

The six general requirements relate to:

1. The approach to materiality:

You should describe the materiality processes used, with reference to external standards where appropriate.

- how you have defined the threshold to determine which topics are material for reporting; whether you have tested the selection of material topics with investors and other stakeholders; the sources, evidence and methods used to justify the nature-related material information to be disclosed; as well as any assumptions and subjective judgements made;
- the stakeholders and experts who have informed the materiality determination process;
- any limitations or exclusions. These could include the time periods considered to assess the effects of decisions and actions or the exclusion of some categories of business relationships from certain parts of the value chain when identifying material topics; and
- how you have prioritised the effects of your decisions and actions for reporting.

2. The scope of disclosures made including:

- coverage of activities and assets in the organisation's direct operations, its value chain(s) upstream and downstream, and where appropriate, financed activities;
- the elements of the TNFD framework disclosed against; and
- whether any extensions to this scope are planned for future reports, and what these extensions are.

The TNFD disclosures should then be broken down, where relevant, by:

- Direct operations
- Upstream
- Downstream
- Financed (specifically for financial institutions)

3. Links between the TNFD's four nature-related issues (nature-related dependencies, impacts, risks and opportunities):

Identification of nature-related risks and opportunities should be based on an assessment of dependencies and impacts on nature, with clear delineation between the four types of nature-related issues.



What does the TNFD require organisations to do?

4. The location specificity of nature-related issues: Consideration of the specific location of an organisation's interface with nature should be integral to the assessment, recognising that dependencies and impacts on nature and any related impacts on stakeholders may occur in one ecosystem but also affect another. For example, water pollution occurring in one location can affect other connected ecosystems.

5. Integration with other sustainability-related disclosures: Nature-related disclosures should be integrated with other business and sustainability-related disclosures whenever possible to provide an integrated and holistic picture of an organisation's financial and non-financial circumstances. Importantly, this includes integration of climate and nature disclosures.

You should ensure that any alignment, contributions and possible trade-offs between actions and targets for climate and nature are clearly identified. In particular, organisations are expected to disclose any material information on existing climate disclosures where they also relate to nature-related dependencies, impacts, risks and opportunities, and describe whether and how they have integrated disclosures across climate and nature considerations.

6. Stakeholder engagement: The issues discussed with, and concerns raised by, stakeholders should be taken into consideration when preparing the TNFD recommended disclosures.



Considering a LEAP assessment approach

The LEAP approach is voluntary guidance to support internal, nature-related risk and opportunity assessments within corporates and financial institutions. It is intended to inform strategy, governance and risk management decisions, including disclosure decisions consistent with the TNFD's disclosure recommendations.

LEAP is not, in itself, a disclosure recommendation or a mandated process for complying with TNFD disclosure recommendations. As such, not everything that is identified, assessed and evaluated using the LEAP approach needs to be disclosed.

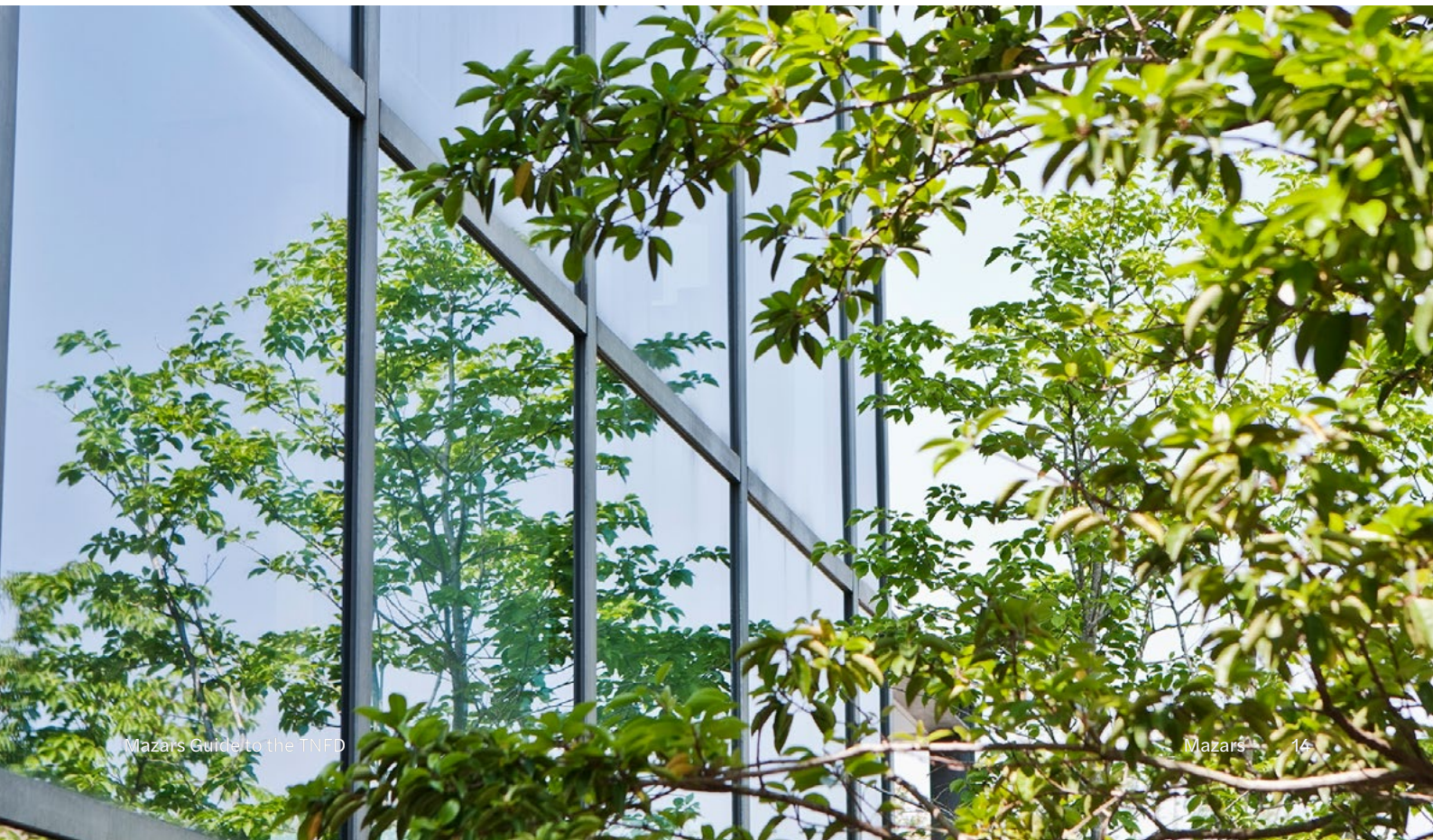
LEAP is intended to help organisations with their internal analysis and discussions around corporate and investment decision-making and apply TNFD disclosure recommendations.

LEAP is based on four pillars:

- **Locating** the organisation's interface with nature
- **Evaluating** relevant dependencies and impacts
- **Assessing** risks and opportunities
- **Preparing** to respond to nature-related risks and opportunities and reporting the same

In applying a LEAP approach, there are three overarching considerations:

- The LEAP approach encourages users to carefully consider the scope of their assessment before starting.
- Analysts and report writers are encouraged to consult with relevant stakeholders throughout the LEAP approach.
- LEAP is designed as an iterative process – across business locations, business lines, and for financial institutions, across investment portfolios and asset classes – in line with enterprise risk management processes and reporting and disclosure cycles.



Considering a LEAP assessment approach

LEAP approach for corporates and financial institutions

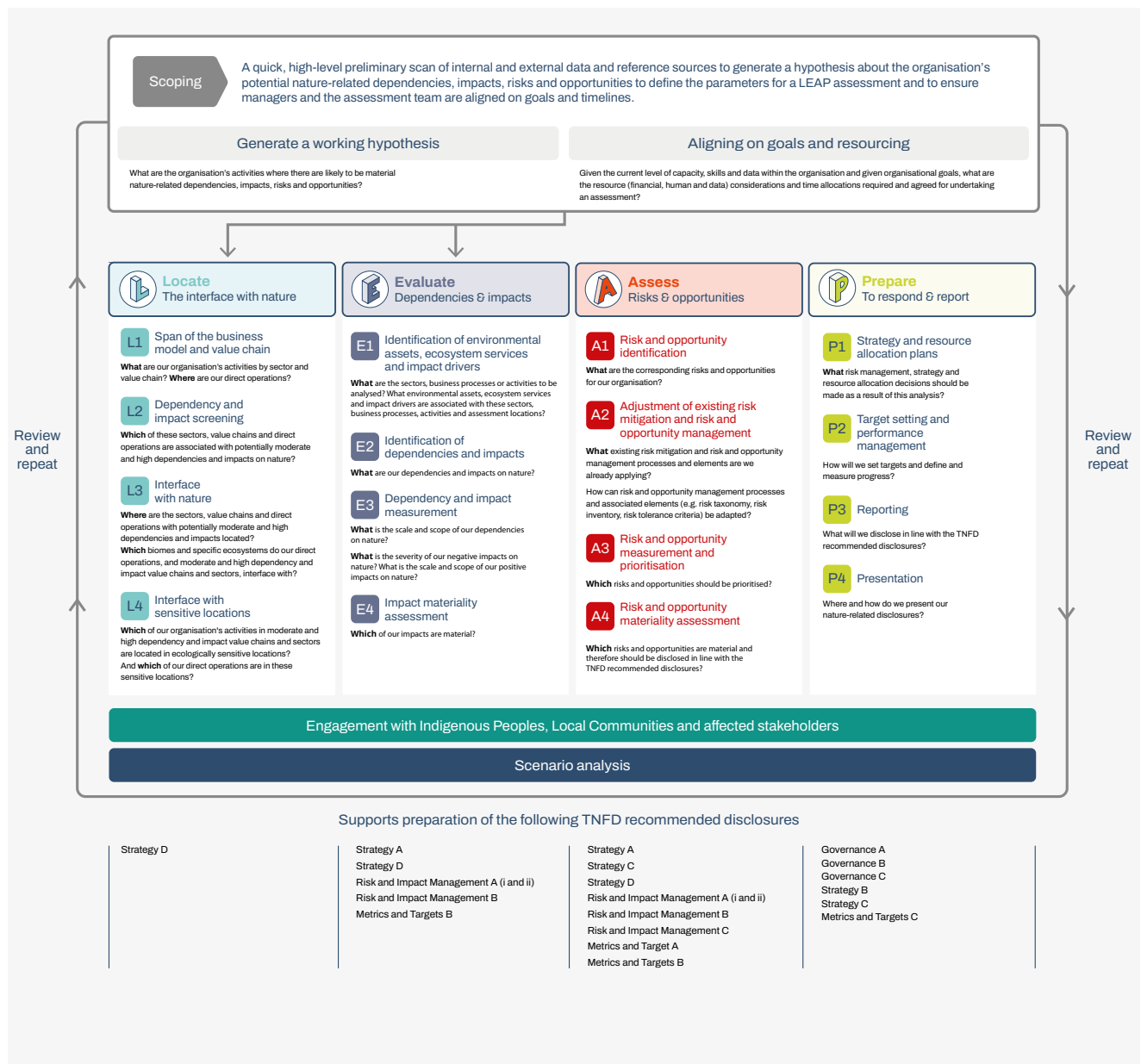


Figure: The TNFD approach for identification and assessment of nature-related issues – LEAP.

Where to start?

Implementing the TNFD framework to disclose nature-related risks and opportunities is wholly voluntary - at least for now. It's worth bearing in mind, however, that the TCFD also began as a voluntary framework, but is now mandatory in the UK and has become an integral part of the disclosure regime.

By aligning with the TNFD principles now, organisations have the opportunity to build sustainable value and resilience in their operations and supply chains, enhance stakeholder confidence and manage growing regulatory risk.

At Mazars, we have extensive experience of working with clients to achieve not only compliance with reporting frameworks, but also additional business value through the streamlining of processes and governance mechanisms.

To help you to comply with the TNFD while also delivering benefits to your stakeholders, we can support you with:

- understanding the interfaces your organisation has with nature, to identify your key nature-related impacts, dependencies, risks and opportunities;
- conducting a gap analysis on your current governance, strategy and risk management systems for responding to nature-related issues;

- benchmarking your organisation against your peers and best practice, providing you with a clear direction of travel;
- creating an implementation plan that will put you in a strong position for reporting against the TNFD, and improve your resilience in the face of nature-related risks;
- working with stakeholders at your organisation to draft a report that is robust, transparent, and aligned with the 14 recommendations.



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