

Taskforce on Nature Related Financial Disclosures (TNFD)

30 October 2023

The Taskforce on Nature related Financial Disclosures (TNFD) published the final version of its recommended [disclosures](#) in September 2023. These are in a similar format to the recommended disclosures published by the Taskforce on Climate related Financial Disclosures (TCFD) and, like the TCFD, available for voluntary adherence by organisations world-wide. Alongside the recommended disclosures, there is a [“Getting started” guide](#), a [Glossary](#) and various pieces of [additional guidance](#).

Separately, we have recently published [Biodiversity 101: A Guide to the Next Frontier in the “E” of ESG](#).

The TNFD is a global organisation established to provide companies with a framework to quantify and disclose their financial risks, and financial opportunities, that relate to nature. The recommended disclosures are a framework for companies to report on how their operations and value chains (broadly, their suppliers, distributors and customers), both impact and depend on nature and bio-diversity. Nature consists of the realms of land, ocean, freshwater and atmosphere.

The disclosure framework encompasses “dependencies” (how the company depends on nature for its operations, such as water quality, water flow and insect pollination); “impacts” (the impact of the company’s operations on nature), and related risks (short term, such as oil spills, or long term, such as pollution or climate change, and systemic risks, such as collapse of an ecosystem) and opportunities (such as lower costs through reduced water use, or access to capital (“green finance”) which is linked to benefits to nature).

Examples of topics that companies will report on are: addressing de-forestation; respecting indigenous peoples’ rights; reducing plastic use and waste; reducing pollution and tracking impact on threatened species. The sorts of financial risks for companies arise from, for instance, land degradation; loss of pollinators; and legal enforcement by governments for damage to nature.

The structure of the disclosures follows that of TCFD, comprising:

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- governance – the company’s management’s oversight of nature related dependencies, impacts, risks and opportunities, and its policies and engagement activities;
 - strategy – the effect of nature related dependencies, impacts, risks and opportunities on the company’s business model, strategy and financial position, and a description of the company’s most sensitive locations in terms of risks to bio-diversity, eco-systems and water;
 - risk and impact management – the processes used by the company to identify, assess, prioritise and monitor nature related dependencies, impacts, risks and opportunities (such as locations, timescales and magnitude) in its operations and value chains; and
 - metrics and targets – the core global disclosure metrics and targets used to assess and manage nature related dependencies, impacts, risks and opportunities.

Companies will select information to report based on the double materiality standard, covering the perspective of financial risks and broader impact risks, and will disclose their approach to selecting information based on materiality.

The TNFD framework includes three tiers of disclosure metrics:

- A set of “core global” metrics that apply to all sectors, for nature related dependencies and impacts, and for nature related risks and opportunities, that adherents are expected to report on a “comply or explain” basis (Annex 1).
- A set of additional metrics that may be relevant to companies’ business models and nature-related issues and that are recommended for disclosure, where relevant (Annex 2).
- A set of “core sector” metrics for each sector, to be disclosed on a comply or explain basis. In principle, the core sector metrics will enable capital providers to assess businesses within a sector on a like-for-like basis. The TNFD has published sector metrics for financial institutions, covered below.

The “core” global disclosure indicators and metrics are:

- **Nature-related dependencies and impacts**
 - Land/freshwater/ocean-use change.
 - Pollutants released to soil.

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- Wastewater discharged.
 - Waste generation and disposal.
 - Plastic pollution.
 - Non-GHG air pollutants.
 - Water withdrawal and consumption from areas of water scarcity.
 - High risk natural commodities (e.g. fish) sourced from land/ocean/freshwater.
 - Measures against introduction of invasive alien species.
 - Species extinction risk.
 - **Risks and opportunities**
 - **Risks**
 - Value of assets, liabilities, revenue and expenses assessed as vulnerable to nature-related transition and physical risks.
 - Significant fines/penalties received/litigation action in the year due to negative nature-related impacts.
 - **Opportunities**
 - Amount of capital expenditure, financing or investment for nature-related opportunities.
 - Increase and proportion of revenue from products and services producing demonstrable positive impacts on nature.

As for TCFD, there is separate sector [guidance](#) for financial institutions, comprising banks, insurers, asset managers and other investors, and development finance institutions. This provides recommendations for additional disclosure by financial institutions, covering for instance how asset managers include nature-related considerations in their investment strategy, and their engagement activities with investee companies. As for TCFD, financial institutions are expected, over time, to report on metrics at the level of the assets they manage, as well as at the level of their own operations. These disclosures are expected to be at an appropriate aggregate level

(for instance, by geography or asset class) and not at the level of individual portfolio holdings, transactions or exposures, given confidentiality concerns. If possible, disclosures will include a breakdown by sector or geography, with reference to the priority sectors and most sensitive locations in terms of environmental risk. The sector standards also include a table showing how the principal adverse impact indicators under the Sustainable Finance Disclosure Regulation (SFDR) map to the TNFD core global metrics, although TNFD metrics include data points (such as plastic pollution) that are not covered by SFDR.

The Corporate Sustainability Reporting Directive's (CSRD) reporting standards for climate change incorporate the TCFD's climate related recommended disclosures. Similarly, there appears to be significant overlap between the TNFD's recommendations for disclosure and the information on environmental risks, impacts and opportunities that are specified in the various environmental reporting standards under the CSRD. At this stage, the TNFD has not supplied a comparison table, although it is helpful that the TNFD has adopted many definitions contained in the CSRD reporting standards.

To date, the UK government has made TCFD reporting mandatory for UK issuers and large private companies. The UK government has indicated its support for the TNFD framework, and has committed as a matter of policy to explore how the TNFD framework should be incorporated into UK policy and legislation.

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Please do not hesitate to contact us with any questions.



Samantha J. Rowe
Partner, London, Paris
+44 20 7786 3033
sjrowe@debevoise.com



Patricia Volhard
Partner, London, Frankfurt,
Paris
+44 20 7786 5505
pvolhard@debevoise.com



Jin-Hyuk Jang
International Counsel,
Frankfurt
+49 69 2097 5115
jhjang@debevoise.com



John Young
International Counsel, London
+44 20 7786 5459
jyoung@debevoise.com



Ulysses Smith
ESG Senior Advisor, New York
+1 212 909 6038
usmith@debevoise.com