Need to know:

Nature-related financial disclosures

People, communities and businesses depend on nature for many things: food, water, medicine, fibre, fuel, raw materials, economic growth – and a stable climate. But nature is in crisis and biodiversity loss affects businesses and financial markets.

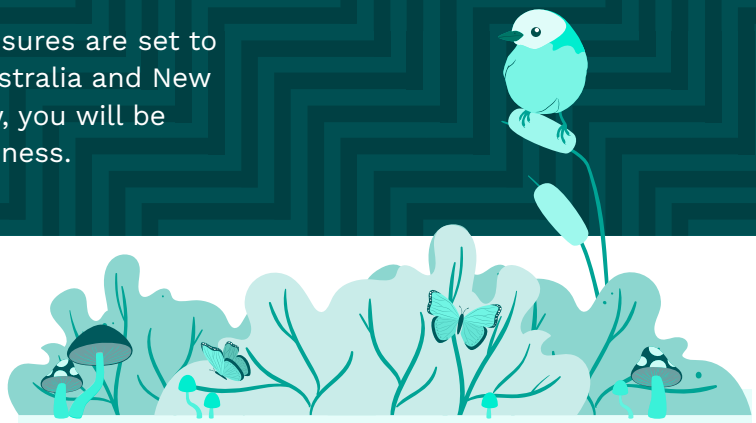
Businesses, investors and lenders need to understand their nature-related issues (dependencies, impacts, risks and opportunities) and how to account for nature in their strategies. The Taskforce for Nature-related Financial Disclosures (TNFD) provides a risk management and disclosure framework to identify, assess, manage and, where appropriate, disclose nature-related issues.

Like climate disclosures, nature-related disclosures are set to become mandatory for many businesses in Australia and New Zealand in the coming years. By preparing now, you will be ready to disclose how nature affects your business.

Need to Know series - Need to Know series -

Sustainability tools and concepts can seem daunting, we know.

We're here to help, with our suite of thinkstep-anz *Need to Know* guides. They are short, they sum up what you need to know (and leave out what you don't), and we've written them in plain English.



Why does nature matter to business?

The World Economic Forum's 2024 Global Risks Report ranks dwindling biodiversity and collapsing ecosystems along with extreme weather events, changes to earth systems and shortages of natural resources among the five most severe risks to business in the next ten years.

Over half of the world's economic output (US$44 trillion of economic value generated) depends moderately or highly on nature and its ecosystem services.

The link between nature and a stable climate

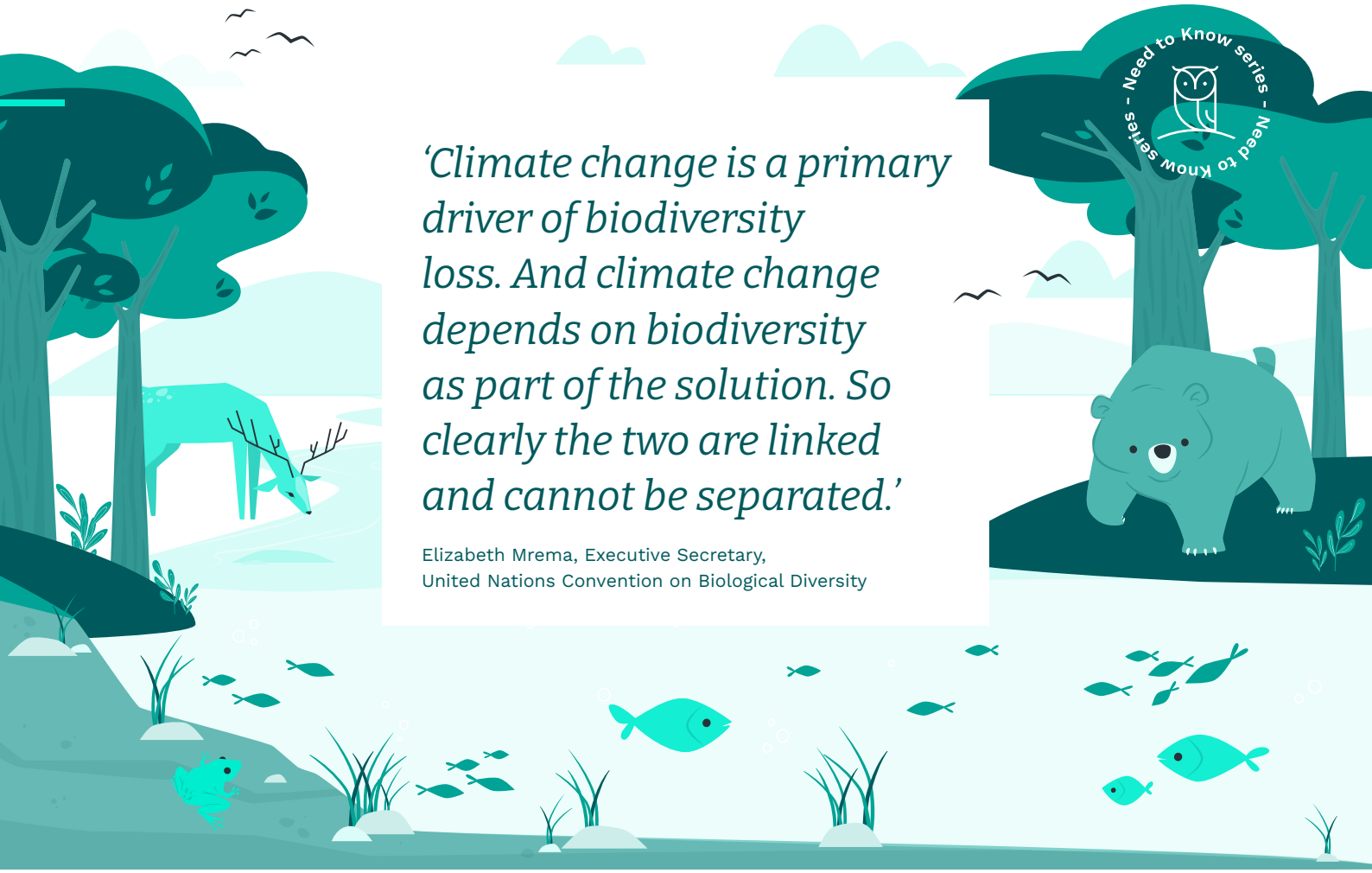
To keep temperatures below a 1.5°C increase on pre-industrial temperatures we need functioning ecosystems. Healthy oceans and forests can absorb up to a third of global emissions.

Business opportunities

- → Identify and prioritise your nature-related risks and opportunities
- → Build relationships with your team, suppliers, Indigenous people and community
- → Build your brand value and reputation
- → Stand out from competitors
- → Show your investors best practice

Business results

- = Lower risks and costs
- = A more resilient organisation
- = Market share
- = Stronger relationships
- = Increased revenue
- = Attractive to investors and talent
- = Engaged employees
- = Social licence

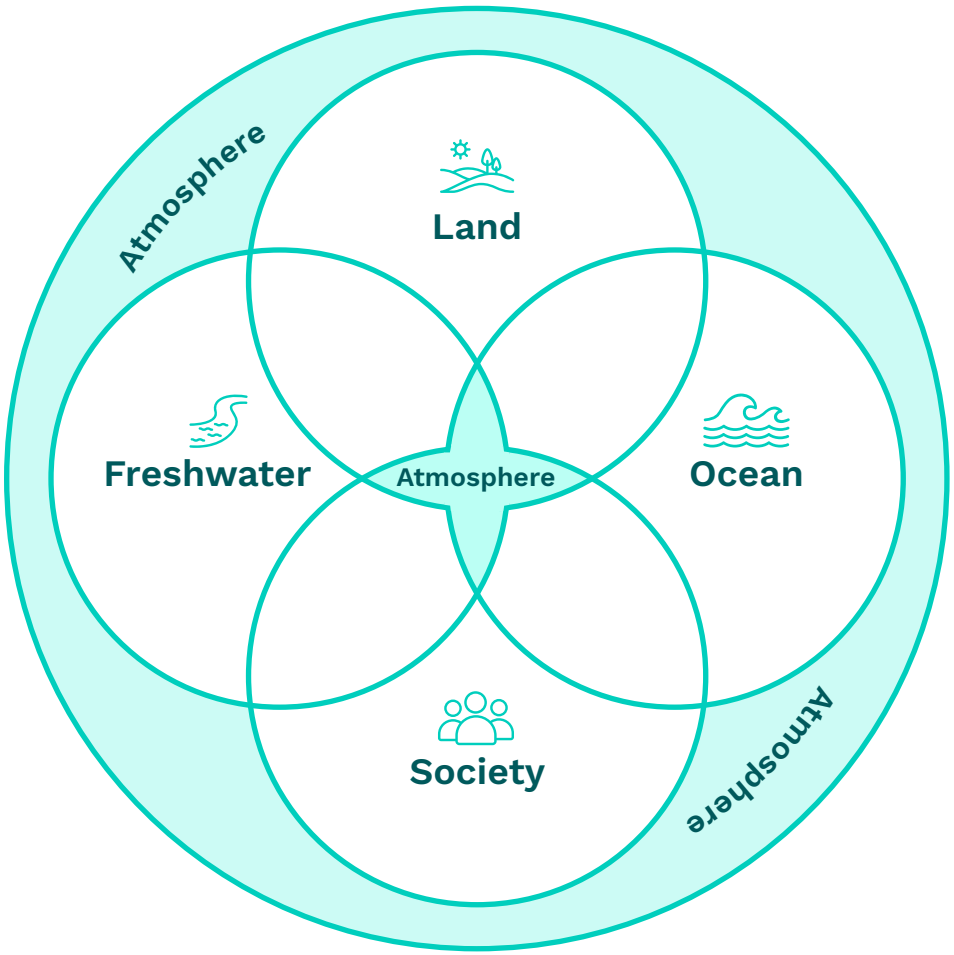


'Climate change is a primary driver of biodiversity loss. And climate change depends on biodiversity as part of the solution. So clearly the two are linked and cannot be separated.'

Elizabeth Mrema, Executive Secretary,
United Nations Convention on Biological Diversity

What do we mean by nature?

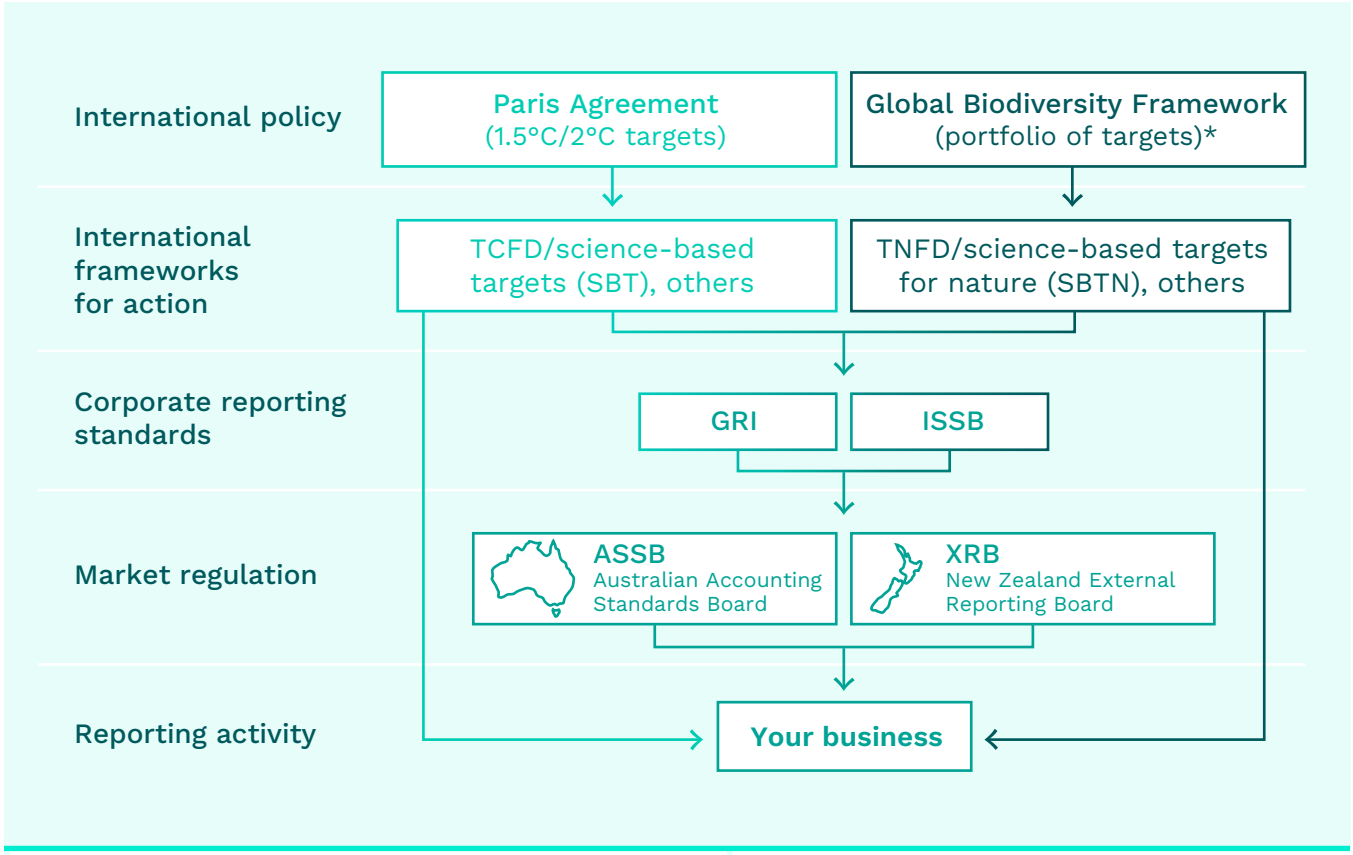
Nature refers to the natural world, made up of four areas: land, ocean, freshwater, and atmosphere. TNFD looks at how organisations and people depend on and impact natural capital, which the framework defines as 'natural resources that combine to yield a flow of benefits to people'.



Where nature fits into the global reporting landscape

A growing global movement recognises the intrinsic and economic value of nature and is pushing for a path of recovery.

The TNFD's recommendations are consistent with the global sustainability standards, policy goals and targets of the former Task Force for Climate-related Financial Disclosures (TCFD), International Sustainability Standards Board (ISSB) and Global Reporting Initiative (GRI).



***The Kunming-Montreal Global Biodiversity Framework (GBF)**

Adopted by 196 countries (including Australia and Aotearoa New Zealand) in 2022, the framework sets out a roadmap for halting biodiversity loss. It is often called the 'Paris Agreement' for nature. It contains four long-term goals for 2050 and 23 targets that set the agenda for global biodiversity action through to 2030.

What the TNFD recommends

The TNFD recommends that you show how your business affects nature and how nature affects your business. (This is known as double materiality.)



What are nature-related financial dependencies and risks?

What are nature-related dependencies?

Every business depends on nature – some more, some less. Analyse what your business 'needs' from nature.

What are nature-related impacts on nature?

Analyse how your business impacts nature. Your impacts can be positive or negative.

Impacts can be:

Physical

e.g. acute like oil spills, floods or fire or chronic like the demise of pollinators.

Transitional

e.g. through changing regulations, policy and societal demands.

Organisations may be out-of-step with the changing landscape in which they operate.

Systemic

e.g. from the breakdown of an entire system, rather than the failure of individual parts.

Physical impacts

Acute impacts	Chronic impacts
Natural systems affected by the impact of climatic events (e.g. extreme weather such as a drought), geologic events (e.g. seismic events such as an earthquake) or changes in the balance of an ecosystem (e.g. changes in soil quality or ocean chemistry).	Gradual changes in nature. They include dried-up wetlands, shrinking biodiversity as well as changes to the climate. These changes can make regions less liveable for humans, plants and animals.

Transitional impacts

Policy and legal	Market	Technology	Reputation
New regulation or policy changes such as increased land protection	Shifting supply, demand and financing, e.g. consumer and investor preferences	Replacing products or services with ones that have lower impact on nature	Changing expectations by societies, customers and communities

Systemic impacts

Ecosystem collapse	Financial contagion
A critical natural system no longer works, causing losses for a whole region or sector	Financial difficulties for financial institutions from not accounting for nature-related risks spill over into the global financial system

What are nature-related opportunities?

Activities that create positive outcomes for organisations and nature by avoiding or reducing your impact on nature or helping restore it. This can open new revenue streams or lead to reduced costs. Taking action for nature may also open up access to biodiversity-related and/or green bonds, funds and loans.

The resulting business and financial impacts

Potential business impacts

- Lower business growth
- Lower quality products
- Fewer products able to be produced
- Loss of/fewer suppliers
- Higher cost of materials
- Higher cost of products
- Reduced market share
- Business and reputational risk

Potential financial impacts

- Lower revenue
- Lower profits
- Increased risk profile
- Higher cost of borrowing
- Less access to funding
- Financial losses (e.g. shares)
- Credit losses (e.g. loans)



What information do you need to disclose?

The TNFD framework has the same four parts as climate-related disclosures: governance, strategy, risk management, metrics and targets. Each involves recommended disclosures.

Part of TNFD framework	What this includes	Examples of disclosures
Governance	The organisation's governance of nature-related risks and opportunities (e.g. policies and processes)	*We have a nature/biodiversity/environment policy. Our executive team and Board review our risks and opportunities monthly.*
Strategy	The actual and potential dependencies and impacts of nature-related risks and opportunities on the organisation's businesses, strategy and financial planning	*If we don't have access to enough water in the future, we need to invest in new technologies to continue to operate our plant.*
Risk management	The processes the organisation uses to identify, assess, and manage nature-related risks and opportunities – plus the risks and opportunities	*We have explored several scenarios and how they would affect our business. We understand that climate and nature are inextricable parts of our business. In response, we have built these issues into our processes for managing our risks and opportunities.*
Metrics and targets	The metrics and targets the organisation uses to assess and manage relevant nature-related risks and opportunities	*We have developed an inventory and designed regionally specific metrics to measure progress against targets. These targets cover freshwater, biodiversity, oceans and land.*

Where do you start with the TNFD?

1. What do you already know?

Analyse where you are in taking climate and nature into account in your decisions. Build on existing disclosure processes and frameworks. For example, most organisations' sustainability strategies already consider natural resources in some way.

2. What's important?

How is nature relevant to your activities, value chain and business? What concepts does the TNFD introduce that you haven't previously considered?

3. What can you measure?

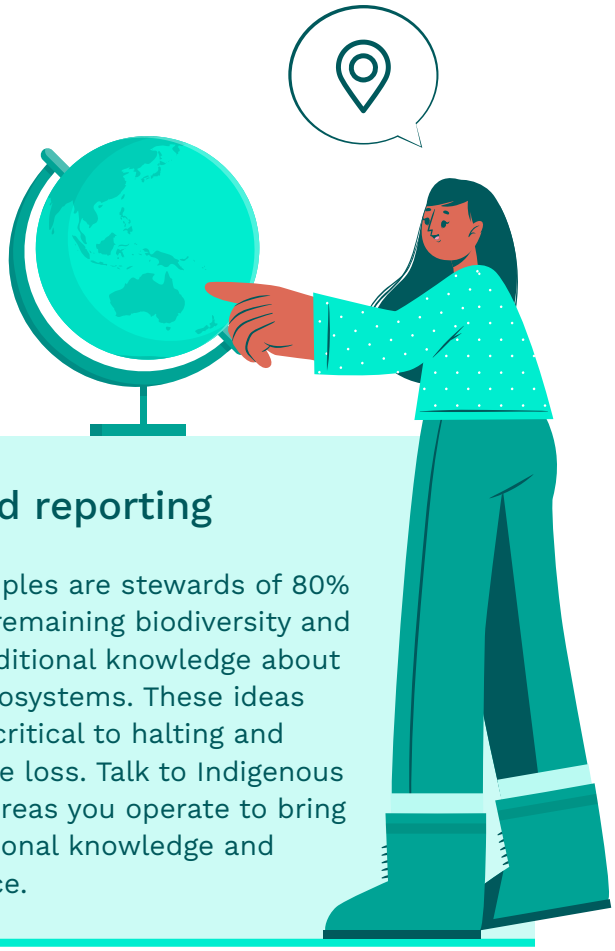
Metrics for TNFD will look different depending on your sector and location. Start thinking about what type of metrics you want to set that are feasible and practical. A good metric is one you can collect data for, track, and relate to an achievable target. Metrics should be SMART: specific, measurable, achievable, relevant and time-bound. Environmental targets should be science-based.

Related reports, tools and concepts to help you make progress

Your climate-related disclosure (previously known as TCFD) will help you understand how climate change will affect your business and prepare for what's ahead. It will also help you report on these impacts. The TNFD extends your view beyond carbon.

A Life Cycle Assessment measures many of the environmental impacts (e.g. water use, land use) you need to track to reduce your impact on nature.

A circular economy keeps resources in use for as long as possible. It benefits businesses, nature and people. Tools like the Material Circularity Indicator (MCI), and the Circular Transition Indicators (CTI) help you track the natural resources you use and the waste you create.



Why location matters for nature-related reporting

While CO_2 emissions have the same impact no matter where in the world they occur, nature impacts are specific to a region. For example, a period of water scarcity in New Zealand or Tasmania means quite a different thing to a period of water scarcity in Western Australia.

Indigenous peoples are stewards of 80% of the world's remaining biodiversity and a source of traditional knowledge about the planet's ecosystems. These ideas and views are critical to halting and reversing nature loss. Talk to Indigenous people in the areas you operate to bring together traditional knowledge and Western science.

About thinkstep-anz

We're an independent sustainability firm with offices in Australia and Aotearoa New Zealand.

Our team works with you to put sustainability at the heart of your business, to set you up to succeed and inspire you to keep achieving more.

We focus on what matters and use data to understand organisations and their impact. We provide practical resources and ideas that move you ahead.

It's what we've been doing for over 17 years – bringing our technical expertise and business know-how to create value for organisations like yours and help you tell your story.

Succeed sustainably

Let's work together to put sustainability at the heart of your business: your strategy, products and services, your processes, technology and relationships. We can also build your in-house skills and tell your sustainability story.

Product | **Carbon** | **Strategy** | **Reporting** | **Communication** | **Software**

We don't just talk about sustainability – we practise it too:

Certified B Corporation

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Keen to learn more?

Please contact us. Our specialists would love to talk with you.

meet@thinkstep-anz.com

Check out the other guides in our growing *Need to Know* series:

- → Climate-related disclosures
- → Life Cycle Assessment
- → Environmental Product Declarations (EPDs)

Found this useful? Please pass it on!

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