

Foundations for Understanding Nature and Business

Nature refers to the natural world, emphasising biodiversity, their people and the interactions between the people and other organisms (TNFD, 2023). It covers four realms: Land, freshwater, ocean, and atmosphere (Figure 2). The idea that society is in the center of these realms suggests that all members of society have an impact on their surroundings and are a part of nature.

Interactions with Indigenous Peoples are significant due to their knowledge and community-led practices in the protection of ecosystems. While they only make up 5% of the world's population, they have succeeded in protecting 80% of the global biodiversity (TCFD, 2023) and continue to be stewards of the world's remaining biodiversity, in addition to a source of traditional knowledge about the planet's ecosystem.

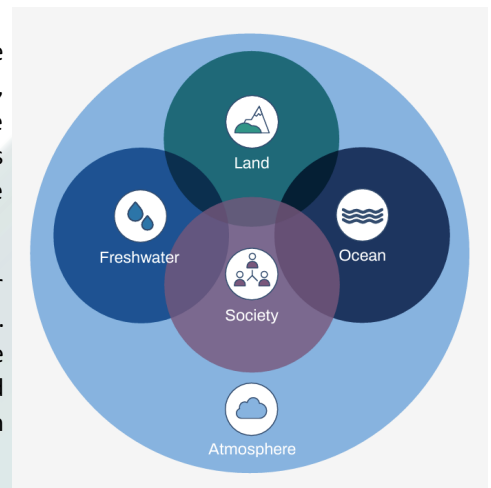


Figure 2. Framework of different realms with society in the centre. Source: (TNFD, 2023)

What is Nature-Related Financial Disclosures

Nature-Related Financial Disclosures apply to reporting financial information related to an organisation's impact on the natural environment and its dependencies (Grant Thornton, 2023). These disclosures are typically included in the companies' financial reports to show how their activities may affect the environment. These disclosures help investors and the public understand the companies' impact on climate change, biodiversity and natural resources. They provide information on the risks and opportunities related to nature and help stakeholders make informed decisions about who to invest in or support.

Some examples of disclosures that a company can include within their report are:

- Biodiversity Impact Assessments – Reporting on impacts to biodiversity due to the business activities,
- Water use and management – Detailing water consumption, conservation efforts and risks related to water scarcity,
- Renewable Energy Investments – Disclosing investments in renewable energy sources and their impact on the business,
- Natural Resource Management – Reporting on the sustainable use and management of natural resources. (TNFD, 2023)

Nature-Related Risks and Dependencies

Nature-related risks become real for a business when the business relies on nature for operations, supply chain and performance (PWC, 2023). The risk of relying on nature for operations, directly and indirectly, impacts the business as nature loss can trigger adverse outcomes. Consequences such as loss of raw materials, loss of customers, changes in market values and regulatory changes can all affect the financial performance of a business. Drivers of nature change can come from climate change; resource replenishment or use; pollution and the introduction of pests or diseases (Figure 3) (TNFD, 2023).

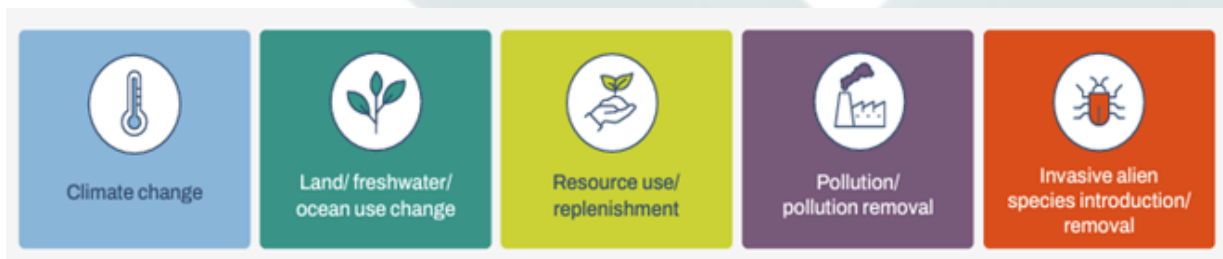


Figure 3. Drivers of nature change. Source: (TNFD, 2023)

How does the framework fit with other standards or reporting requirements?

The framework aims to complement and align with existing standards and reporting requirements; such as:

- The International Sustainability Standards Board (ISSB) is designed to be compatible with ISSB sustainability disclosure standards (IFRS, 2023).



- Global Reporting Initiative (GRI) (GRI, 2023)– it complements GRI standards by providing specific guidance on nature-related disclosures, helping companies enhance their reporting outputs.
- Investor expectations (LexisNexis, 2023)– With the increasing interest in sustainable investing consideration from investors, the framework could become a part of investor expectations. Adoption of the framework can increase investor attractiveness to the business.

How the Taskforce for Nature-related Financial Disclosure framework works.

The Taskforce for Nature-related Financial Disclosure is built on four disclosure pillars: Governance, Strategy, Risk and Impact Management and Metrics and Targets (Table 1). These pillars are designed to enhance the quality and effectiveness of nature-related financial disclosures. It establishes standardised metrics and methodologies to assess and disclose nature-related information, allowing companies to integrate these into decision-making processes.

Table 1. Taskforce for Nature-related Financial Disclosure four recommended disclosure pillars. Source: (TNFD, 2022)

Governance	Strategy	Risk and Impact Management	Metric and Targets
It focuses on how a company’s leadership and governance structures address environmental risks and opportunities. It involves disclosing information about the board’s oversight of environmental matters, establishing policies, goals and strategies related to nature conservation and sustainability, and how they are integrated into the company’s overall decision-making process.	Disclose strategies for managing and mitigating environmental risks and leveraging natural resource and ecosystem opportunities. This pillar includes information on how the company identifies, assesses and responds to environmental risks and integrates sustainability considerations into its business strategy.	It discloses specific risks related to environmental factors that could impact the company’s operations, financial performance or reputation. It includes how the company identifies, evaluates and manages these risks and measures to build resilience against potential environmental impacts.	Disclosure of quantifiable data and targets related to their environmental impacts. Involvement in reporting on various environmental metrics such as greenhouse gas emissions, waste generation, biodiversity conservation efforts and other relevant indicators. By setting measurable targets, the company can help track progress towards environmental goals and assess its performance over time.

Within these pillars, there are 14 recommended disclosures, including:

- The application of materiality;
- The scope of disclosures;
- The location of nature-related issues;
- Integration with other sustainability disclosures;
- The time horizons considered and
- The engagement of Indigenous Peoples, Local Communities and affected stakeholders in identifying and assessing the organisation’s nature-related issues.

The LEAP Approach

The final release of the Taskforce of Nature-related Disclosures included LEAP (Locate, Evaluate, Assess and Prepare), a supporting guidance document designed to help companies undertake an internal due diligence assessment.

LEAP is a checklist that ensures that the process covers all the nature-related issues identified by the Taskforce’s recommended disclosures. LEAP stands for Locate, Evaluate, Assess and Prepare (TNFD, 2023). LEAP is intended to be flexible in its application, as an organisation can utilise the tool to meet its own needs.

The Taskforce for Nature-related Financial Disclosure recommends considering two questions to help ensure alignment with goals and the expected outcomes of a LEAP assessment, which provides a scope for the framework of the LEAP approach (TNFD, 2023):



1. Generate a working hypothesis, and
2. Align on goals and resourcing.

Generating a working hypothesis includes determining the organisation's processes and activities likely to be material nature-related dependencies, impacts, risks and opportunities. This includes activities or assets within the organisation's value chains, what sectors are involved, and revenue and expenditure of earnings associated with these activities.

Goals and Resource alignment include the organisation's goals and expected outcomes of the LEAP assessment, the organisation's approach to materiality, the key stakeholders, the baselines and periods for analysis, limitations and constraints and any boundaries around the analysis.

Once these questions are answered, the LEAP steps can be implemented (Figure 4).



Figure 4. Leap approach assessment steps. Source: (TNFD, 2023)

Engagement with Indigenous Peoples, local communities and affected stakeholders is essential once the LEAP steps are finished. After completing a scenario analysis, companies can review, change and repeat this LEAP approach for each recommended disclosure.

What can you do to get ready for the Nature-Related Financial Disclosure

There is no single way to get started; each organisation is different and must adopt its own path. Some general steps that can be taken include (Grant Thornton, 2023):

- Understanding the Taskforce of Nature-related Disclosures framework, including its principles, pillars, and recommendations.
- Assess current business practices – evaluate current practices related to environment reporting and identify where nature-related disclosures are lacking or could be enhanced.
- Assess the existing data collection processes, metrics and reporting mechanisms.
- Conduct materiality assessment – identify the nature-related issues that are most common to your company's operations, considering impacts on biodiversity, ecosystem services and dependencies on natural capital.
- Develop a stakeholder engagement strategy – including investors, clients, Suppliers, First Nations-led organisations and local communities.
- Develop a framework roadmap outlining how the company will integrate the framework into its reporting processes.
- Enhance data collection and measurement - improve data collection mechanisms to gather information.

For examples of reports, Forico, Tasmania's leader in Forestry Management, has published an illustrative disclosure report that has provided an example of a way to report a company's disclosures (Forico, 2023)

Integrate Sustainability Pty Ltd strives to stay updated on the new research in the Environmental, Social and



Governance Strategy area. If your company wants to explore options for integrating nature-related disclosures into environmental reports, call us at 08 9468 0338 or email us at enquiries@integratesustainability.com.au.

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