

TNFD and EFRAG publish correspondence mapping

The Taskforce on Nature-related Financial Disclosures (TNFD) and EFRAG have jointly published a mapping of the correspondence between the European Sustainability Reporting Standards (ESRS) and the TNFD's recommended disclosures and metrics, illustrating the high level of commonality achieved. This assessment highlights that all 14 TNFD recommended disclosures are reflected in the ESRS.

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As companies around the world are increasingly expected to disclose nature and biodiversity-related information, the correspondence table has been created to help companies understand the commonalities between ESRS and TNFD, through a detailed mapping of the disclosures and core metrics recommended by the TNFD and required under ESRS. This will also help European undertakings in scope of the Corporate Sustainability Reporting Directive (CSRD) that consider alignment with TNFD.

EFRAG and TNFD have collaborated closely for over two years to maximise the consistency of the ESRS environmental standards and the TNFD recommendations as they were being developed in parallel. The ESRS were issued as Delegated Act in July 2023 and the TNFD recommendations in September 2023. In December 2023, EFRAG and TNFD signed a Memorandum of Understanding (MoU), to continue this collaboration as both organisations look to respond to the assessment and reporting guidance needs of market participants subject to the CSRD reporting requirements.

The high level of correspondence between the ESRS environmental standards beyond climate change (E2-E5) and the TNFD recommendations and core metrics is reflected, among others, through the following:

Concepts and definitions: Both the TNFD and ESRS recommend the need to disclose nature-related impacts, risks and opportunities, including dependencies on nature to the extent that they generate material risks.

Approach to materiality: The ESRS require disclosures to be based on a double materiality principle. The TNFD approach enables different approaches to materiality, including the double materiality approach required by the ESRS.

The LEAP approach: The TNFD developed the LEAP approach for market participants to identify and assess their nature-related issues. The ESRS state that companies may conduct their materiality assessment on the sustainability matters of pollution, water, biodiversity and ecosystems, and circular economy (all ESRS environmental standards beyond climate change) using the LEAP approach. The LEAP approach has been designed to help reporting organisations identify both impact materiality (at the end of the 'Evaluate'

phase of LEAP) and financial materiality (at the end of the 'Assess' phase of LEAP) providing a comprehensive approach for CSRD report preparers.

Reporting pillars: Both the TNFD recommended disclosures and the ESRS reporting areas are organised around the four disclosure pillars of the Task Force on Climate-related Financial Disclosures (TCFD): Governance, Strategy, Risk Management, and Metrics and Targets.

Recommended disclosures and metrics: All 14 disclosures recommended by the TNFD are reflected in the ESRS. The disclosures recommended by the TNFD and the ESRS requirements are both designed to provide relevant and faithful information on nature-related sustainability matters. There is also strong consistency between the TNFD core global disclosure metrics and the related metrics in the ESRS.

EFRAG and the TNFD are committed to continue promoting nature-related transparency, providing much needed robust data for all stakeholders to foster sustainable development. EFRAG and TNFD will work closely together on the development of upcoming guidance and tools to support disclosure of nature-related information.

About the TNFD disclosure recommendations

The Recommendations for nature-related disclosure issued by the Taskforce on Nature-related Financial Disclosures (TNFD) were released in September 2023 to enable companies to assess, disclose and manage nature-related dependencies, impacts risks and opportunities.

About the ESRS

On 31 July 2023, the European Commission adopted the Delegated Act on the first set of European Sustainability Reporting Standards (ESRS), drafted by EFRAG in its role as Technical Advisor to the European Commission. Adoption of ESRS by Delegated Act is mandated by the co-legislators in the Corporate Sustainability Reporting Directive (CSRD - Directive (EU) 2022/2464) adopted in December 2022. The Delegated Act and annexes were published in the Official Journal on 22 December 2023.

Tony Goldner, Executive Director of TNFD, said:

“As market participants from over 45 countries have started to assess and report on their nature-related issues aligned with our recommendations, many have asked us for further guidance to ensure their reporting complies with their mandatory CSRD requirements. The assessment released today provides that additional clarity to market participants.

We have benefited from input from the EFRAG Secretariat in the development of the TNFD recommendations, and we are equally delighted that the ESRS recommend the use of the LEAP assessment process developed by the TNFD.

We look forward to continuing to collaborate with the European Union in the development and sharing of practical guidance to ensure high-quality, consistent sustainability reporting disclosures.”

Patrick de Cambourg, EFRAG SRB Chair, stated:

“Today's release of the correspondence mapping between the ESRS and the TNFD recommendations marks a significant milestone in advancing nature-related transparency in corporate reporting. The high level of commonality achieved between the ESRS and TNFD's disclosures underscores our shared commitment to fostering sustainable development and providing robust data for stakeholders.

As Chair of the EFRAG SRB, I am pleased to see the culmination of our collaborative efforts with TNFD in maximising consistency and providing clarity for market participants. This mapping will practically support preparers and other stakeholders to understand how to leverage on TNFD when reporting on ESRS and vice versa. Moving forward, EFRAG remains dedicated to supporting the implementation of nature-related disclosures and collaborating with TNFD to develop further guidance and tools for market participants.”

ABOUT THE TNFD

The Taskforce on Nature-related Financial Disclosures (TNFD) is a market-led, science-based and government-backed initiative providing organisations with the tools to act on evolving nature-related issues. It was launched in June 2021 with the support of the G20 Sustainable Finance Working Group and with financial support from a number of governments and philanthropic foundations.

In September 2023, after a two-year design and consultation phase with market participants, the TNFD published its disclosure recommendations and supporting implementation guidance to encourage and enable business and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities aligned to Target 15 of the Global Biodiversity Framework (GBF).

With its corporate reporting recommendations published, the Taskforce is now focused on encouraging and enabling voluntary market adoption and supporting efforts to address the knowledge, capacity building and data needs of market participants.

The Taskforce is comprised of 40 senior executives drawn from leading financial institutions, corporates and market service providers, with combined assets of over US\$20 trillion. Twenty core knowledge partners from leading science, standards, and data bodies support the work of the Taskforce. A group of over 1,500 organisations support the work of the Taskforce as institutional members of the TNFD Forum. Over 370 organisations globally have now committed to start reporting on their nature-related issues aligned to the recommendations of the TNFD and disclosure reports are now being published by a number of Early Adopters.

ABOUT EFRAG

EFRAG's mission is to serve the European public interest in both financial and sustainability reporting by developing and promoting European views in the field of corporate reporting.

EFRAG builds on and contributes to the progress in corporate reporting.

In its sustainability reporting activities, EFRAG provides technical advice to the European Commission in the form of draft European Sustainability Reporting Standards (ESRS) elaborated under a robust due process and supports the effective implementation of ESRS.

EFRAG seeks input from all stakeholders and obtains evidence about specific European circumstances throughout the standard-setting process. Its legitimacy is built on excellence, transparency, governance, due process, public accountability and thought leadership. This enables

EFRAG to speak convincingly, clearly, and consistently, and be recognised as the European voice in corporate reporting and a contributor to global progress in corporate reporting.

Media Contacts:

Renu Sabherwal, TNFD
Renu.sabherwal@tnfd.global | + 44 (0) 793 2232538

Caroline Martins, EFRAG
Caroline.martins@efrag.org | +32 (0) 2 207 93 00