

**Correspondence between the European Sustainability Reporting
Standards (ESRS) and the disclosure recommendations of the Taskforce
on Nature-related Financial Disclosures (TNFD)**

Part 1 – Accompanying document to the correspondence table

[DRAFT] May 2024

1. About the ESRS and the TNFD

The TNFD and EFRAG were informing each others' efforts during the parallel development of the TNFD Recommendations and the ESRS during the period of 2021-2023.

Since 2022, EFRAG and the TNFD have worked closely together to ensure continuous exchange in the development of the ESRS environmental standards and the TNFD Recommendations and guidance. This collaboration has ensured a strong level of consistency in the language, approach and definitions in the European Sustainability Reporting Standards (ESRS) environmental standards and the TNFD Recommendations and additional guidance.

In December 2023, the two organisations signed a Memorandum of Understanding (MoU), highlighting the importance of advancing corporate sustainability assessment and reporting to address nature-related issues. The MoU reflects their shared commitment to enhancing corporate transparency related to nature, including biodiversity and ecosystems. As part of this MoU, EFRAG also officially became the twentieth knowledge partner of the TNFD.

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 progress in corporate reporting. In its sustainability reporting activities, EFRAG provides technical advice to the European Commission in the form of draft 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.

The TNFD was established to design and develop a global risk management and disclosure framework for organisations to report and act on evolving nature-related issues, to inform better decision making by companies and capital providers, and ultimately contribute to a shift in global financial flows away from nature-negative toward nature-positive outcomes. After two years of design and development in partnership with knowledge partners and the benefit of extensive consultation with market participants and other stakeholders, the TNFD launched its final Recommendations in September 2023. Adoption of the TNFD framework by both real economy companies and financial institutions is voluntary.

2. Objectives of the mapping and target audience

This document (Part 1 and 2) provides a granular mapping between the ESRS and the TNFD disclosure recommendations and metrics and highlights key findings.

All 14 TNFD-recommended disclosures are addressed by the ESRS. The mapping focuses on those ESRS disclosure requirements that map to the disclosures recommended by the TNFD:

- ESRS 1 General requirements;
- ESRS 2 General Disclosures;

- ESRS E1 Climate change (covered in a way to reflect the links between climate- and nature-related dependencies, impacts, risks and opportunities);
- ESRS E2 Pollution;
- ESRS E3 Water and marine resources;
- ESRS E4 Biodiversity and ecosystems; and
- ESRS E5 Resource use and circular economy.

It should be noted that some of the social standards in the ESRS are also relevant when considering the correspondence of ESRS with the TNFD's recommended disclosures, including the disclosure on human rights policies and engagement activities (see the TNFD's disclosure recommendation Governance C).

This work was undertaken in response to feedback received by both EFRAG and the TNFD from market participants about the need to support comparability of the TNFD's recommended disclosures and the ESRS and facilitate the work of preparers, the main target audience of this document, who are planning to disclose on both.

The correspondence table (Part 2) aims to enhance understanding of the commonalities between the ESRS and the TNFD disclosure recommendations and metrics. It can help stakeholders identify which ESRS disclosure requirements contribute to meeting the TNFD Recommendations and metrics and enable ESRS preparers who intend to make disclosures aligned with the TNFD Recommendations to leverage their ESRS reporting and add a limited number of datapoints identified through the table. The mapping only highlights differences and/or incrementality in what is recommended by the TNFD with respect to the ESRS. This directionality of the mapping means that any requirement that is incremental in the ESRS with respect to the TNFD recommendations is not captured. The mapping can also help those organisations interested in using the TNFD recommendations and additional guidance to inform their ESRS-compliant disclosures.

EFRAG and the TNFD recognise the importance of ongoing collaboration among sustainability reporting initiatives to achieve broader consistency. This mapping exercise sheds light on the consistency of the TNFD Recommendations and ESRS as a result of those collaborative efforts.

3. Key findings

In the following, key findings of the mapping exercise are outlined:

- Concepts and definitions:** Both the TNFD and ESRS recommend the need to disclose on nature-related impacts, risks and opportunities as well as dependencies on nature to the extent that they generate material risks (DIROs).
- Approach to materiality:** The ESRS require disclosures to be based on a double materiality principle, and the TNFD enables a double materiality approach to be used. As stated in its final Recommendations, the TNFD approach enables report preparers to use both a financial and impact materiality lens to inform their materiality assessment.
- The LEAP approach:** The TNFD developed the LEAP approach, which is a suggested guidance for market participants to identify and assess their nature-related issues. The ESRS state that companies may conduct their materiality assessment on the sustainability constituents of pollution, water, biodiversity and ecosystems, and circular economy (all ESRS environmental standards beyond climate change) using the LEAP approach.

- d. **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), which have now been incorporated in the ISSB's IFRS Standards. These pillars are Governance, Strategy, Risk Management, and Metrics and Targets.
- e. **Recommended disclosures and metrics:** All 14 disclosures recommended by the TNFD are addressed in the ESRS. There is also strong consistency between the TNFD's core global disclosure metrics and the related metrics in the ESRS.

This section analyses the abovementioned key findings in more detail. Finding (e) is also illustrated in detail in the 'correspondence table' (Part 2 of the document).

a. *Concepts and definitions*¹

The approaches taken by EFRAG and the TNFD are both grounded in the common understanding that the deterioration of nature, ecosystems and biodiversity poses risks to a wide range of stakeholders, including businesses and capital providers.

The TNFD proposes foundational concepts for a market-accessible language system for understanding nature, which are consistent with the concepts used in the environmental ESRS. Some of these concepts are highlighted in the following.

'Nature' and 'biodiversity'

TNFD defines **nature** as the natural world, emphasising the diversity of living organisms, including people, and their interactions with each other and their environment.² Both the TNFD and ESRS cover the four nature **realms**: land, ocean, freshwater and atmosphere,³ although the ESRS do not make explicit reference to this categorisation. ESRS add that, in the context of double materiality, 'nature may be considered as a silent stakeholder' (ESRS 1 paragraph AR7) and mention the 'interface with nature' in connection with the materiality assessment process of its environmental standards other than ESRS E1 Climate change.

Both the TNFD and the ESRS use the terms '**biodiversity**' and '**ecosystems**' based on the UN Convention on Biological Diversity definitions.⁴ The TNFD makes a clear distinction between the concepts of 'nature' and 'biodiversity', with the latter referring to the variability among living organisms across the four nature realms. The ESRS include biodiversity and ecosystems as one of the sustainability matters covered in the topical standards, along with climate change, pollution, water and marine resources, and resource use and circular economy.

This mapping of the ESRS to the TNFD framework takes into consideration all environmental ESRS.⁵

¹ All of the concepts and definitions covered in this guidance are reported by the ESRS in the [Annex 2 to the Commission Delegated Regulation supplementing Directive 2013/34/EU as regards sustainability reporting standards](#) and by the TNFD in the [TNFD Glossary](#).

² Based on the definition of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES).

³ Science Based Target Network (2022) [SBTN Glossary](#).

⁴ Biodiversity: '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'. Ecosystem: 'A dynamic complex of plant, animal and microorganism communities and the non-living environment, interacting as a functional unit'. Convention on Biological Diversity (1992) [Article 2](#).

⁵ In particular ESRS E2 to E5, as E1 is covered by the recommendations of the TCFD, now embedded into ISSB IFRS S2.

In addition to the key terms defined above, in its glossary, recommendations and additional guidance, the TNFD defines a range of concepts and provides an overall architecture for understanding nature-related issues. This includes realms, biomes, environmental assets and ecosystem services which are used as a foundation for understanding nature that can also be employed when reporting in alignment with the ESRS.

Impacts and dependencies

Both the ESRS and the TNFD cover the disclosure of material **dependencies** and **impacts on nature and risks to, and opportunities for, the business organisation**.

Both initiatives also state that, in general, understanding dependencies and impacts on nature is a prerequisite for understanding risks and opportunities to the business. The TNFD recommends that all organisations start their materiality assessment by thoroughly considering their potential nature-related dependencies and impacts. The ESRS state that the starting point of the materiality assessment is the assessment of impacts, and organisations shall consider how they are affected by their dependencies on the availability of natural resources irrespective of their potential impacts on those resources (ESRS 1 paragraph 40).

The TNFD recommends that dependencies and impacts are identified and measured using dependency and impact pathways. Within the impact pathway, the TNFD uses the concept of **impact drivers** to identify how business activities contribute to the drivers of nature change. This is consistent with ESRS E4, which requires the identification of the main drivers of biodiversity loss including, inter alia, climate change, pollution, different types of land use change, invasive alien species and exploitation of resources.⁶

Both the TNFD and ESRS recognise that impacts can be positive or negative as well as potential or actual. In the Evaluate phase of the LEAP approach (see below), the TNFD aligns with the approach taken by the ESRS (and GRI) when indicating the need to estimate the severity of **actual negative impacts** in order to assess impact materiality. Under both initiatives, **severity** is composed of the scale, the scope and the irremediable character of the impact. For **potential negative impacts**, materiality is based on the severity and the likelihood of the impact. For both the TNFD and ESRS, impacts and dependencies on nature are sources of risks and opportunities for the organisation.

Risks and opportunities

The TNFD defines **risks** as potential threats (effects of uncertainty) posed to an organisation that arise from its and wider society's dependencies and impacts on nature. The ESRS definition of (sustainability-related financial) risks is aligned with the TNFD concept in terms of its effects *on* the business and their origination *from* environmental (and social or governance) matters.⁷ The ESRS and the TNFD both distinguish between **physical risks** (with a further split between acute and chronic), **transition risks** (including policy, market, technology and reputational risks⁸) and **systemic risks**.

Nature-related **opportunities**, along with risks, are also considered by both the ESRS and the TNFD as key issues that organisations should identify as part of the materiality assessment. Opportunities are defined as potential positive effects on an organisation related to sustainability matters. The TNFD

⁶ Based on the main drivers of nature change identified by the IPBES.

⁷ According to the [ESRS Glossary](#), risks are defined as 'Sustainability-related risks with negative financial effects arising from environmental, social or governance matters that may negatively affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital in the short-, medium- or long-term.'

⁸ The TNFD also includes the category of liability risk, which the ESRS consider as potential consequences of transition risks (e.g., for what relates to climate change, see ESRS E1 AR paragraph 74).

further specifies nature-related opportunities as activities that create positive outcomes for both organisations and nature by creating positive impacts on nature or mitigating negative impacts on nature.

For both the ESRS and the TNFD, the materiality of risks and opportunities is assessed based on a combination of the likelihood of occurrence and the magnitude of the anticipated financial effects on the organisation.

Shared approach to the dependencies, impacts, risks and opportunities (DIROs) assessment

- ✓ Need to assess dependencies, impacts, risks and opportunities.
- ✓ Impacts on nature by an organisation can be negative or positive, potential or actual.
- ✓ Impacts on nature can be related or unrelated to dependencies.
- ✓ Today's impacts on nature can accentuate tomorrow's dependencies.
- ✓ Dependencies on nature are the basis of many risks to the organisation.
- ✓ Therefore, dependencies and impacts need to be assessed as the basis for understanding risks and opportunities.
- ✓ Organisations face physical, transition and systemic risks.
- ✓ The potential to have positive impacts on nature is a source of opportunity for organisations.
- ✓ Positive impact on nature is different from a reduction in negative impact on nature.

b. Approach to materiality

Through the ESRS, organisations are required to report both on the impacts of the activities of the organisation on people and the environment and on how sustainability matters affect the organisation (this is referred to as the double materiality perspective).

ESRS 1 General requirements defines the concept of double materiality as the basis for sustainability disclosures, according to which organisations identify the material issues to be reported according to two dimensions: financial materiality and impact materiality.

The TNFD accommodates use of a double materiality approach, such as that outlined in the ESRS, and recommends organisations to disclose information on a sustainability matter if it was assessed to be material by the report preparer. Rather than prescribing a particular approach to materiality, the TNFD enables the use of different materiality approaches recognising different preferences among reporting organisations and different jurisdictional requirements.

c. Use of the LEAP approach in ESRS

The TNFD recommends the LEAP approach in response to demand from market participants for clear and accessible guidance outlining how to identify, assess, manage and disclose nature-related issues. The LEAP assessment approach has been specifically designed to be consistent with the impact materiality lens used in the ESRS and the financial materiality lens used by both the ISSB and the ESRS.

The LEAP approach is mentioned in the ESRS as a tool that organisations may consider using when conducting a materiality assessment on environmental subtopics (other than climate change) in their own operations and their upstream and downstream value chains. The LEAP approach consists of four phases (see Figure 1), with the fourth phase addressing the outcome of the process. The LEAP approach can be used by report preparers as a tool to help identify

The TNFD's LEAP approach has been specifically designed to be consistent with the impact materiality lens used in the ESRS and the financial materiality lens used by both the ISSB and the ESRS.

material information to disclose under the ESRS. Figure 1 provides a visual representation of the relevant information in the Application Requirements of ESRS E2-E5.

Figure 1: The Application Requirements of four environmental ESRS state that the organisation may conduct its materiality assessment using the LEAP approach

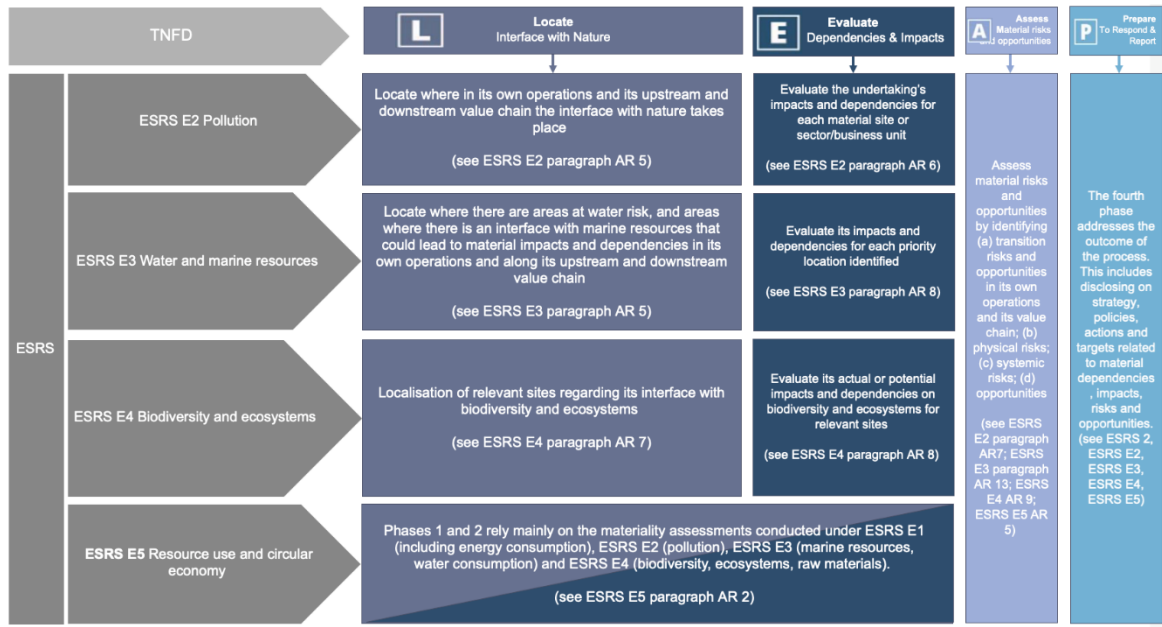
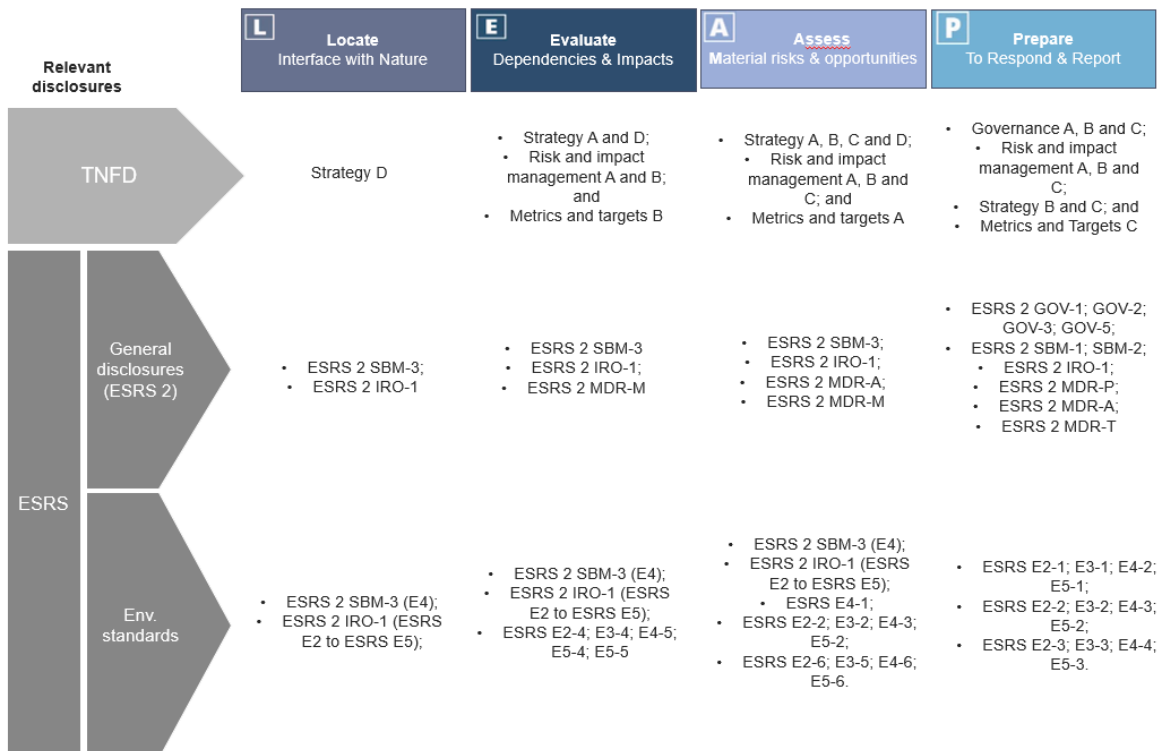


Figure 2 provides an overview of the ESRS and the TNFD disclosure recommendations that can be informed by the LEAP approach.

Figure 2: The TNFD LEAP approach can inform both TNFD and ESRS recommendations



d. Reporting pillars

The TNFD and ESRS both cover the same four pillars of disclosures or reporting areas:

1. Strategy;
2. Governance;
3. Risk and Impact Management (TNFD) / Impact, risk and opportunity management (ESRS); and
4. Metrics and Targets.

These four pillars or reporting areas were originally identified by the TCFD (which calls the third pillar ‘Risk management’) and are also embedded into other standards such as the IFRS sustainability standards S1 and S2.

Figure 3: Both the TNFD and CSRD have followed the TCFD’s four pillars with adaptation to enable double materiality



e. Correspondence of the TNFD’s Recommended Disclosures and the ESRS

Part 2 of the document, the ‘correspondence table’, provides preparers with a granular comparison of TNFD-recommended disclosures with corresponding ESRS. More specifically, for each TNFD disclosure recommendation and for each core metric, it lists those ESRS disclosure requirements that cover aspects addressed by the TNFD, and, where relevant, it includes comments to highlight differences among the disclosures (for instance, differences in the terminology used or the scope covered by the disclosures).

The table below provides an overview of the 14 disclosure recommendations of the TNFD and the corresponding ESRS (the correspondence table in Part 2 shows this table in more detail and includes the correspondence of TNFD's core metrics and the ESRS).

Table 1: High-level mapping of TNFD’s disclosure recommendations against the ESRS

TNFD’s disclosure recommendations	Corresponding ESRS (high-level overview)
Governance	
<p>A. Describe the board’s oversight of nature-related dependencies, impacts, risks and opportunities.</p>	<ul style="list-style-type: none"> • ESRS 2 GOV-1 (The role of the administrative, management and supervisory bodies) • ESRS 2 GOV-2 (Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies) • ESRS 2 GOV-3 (Integration of sustainability-related performance in incentive schemes) • ESRS 2 GOV-5 (Risk management and internal controls over sustainability reporting)
<p>B. Describe management’s role in assessing and managing nature-related dependencies, impacts, risks and opportunities.</p>	<ul style="list-style-type: none"> • ESRS 2 GOV-1 (The role of the administrative, management and supervisory bodies) • ESRS 2 GOV-2 (Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies) • ESRS 2 IRO-1 (Description of the processes to identify and assess material impacts, risks and opportunities) • ESRS 2 MDR-P on Policies
<p>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.</p>	<ul style="list-style-type: none"> • ESRS 2 SBM-2 (Interests and views of stakeholders) • ESRS 2 SBM-3 (Material impacts, risks and opportunities and their interaction with strategy and business model) • ESRS 2 IRO-1 and corresponding datapoints in the environmental standards • ESRS 2 MDR-P on Policies • ESRS 2 GOV-2 (Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies) • ESRS 2 GOV-4 (Statement on due diligence) • ESRS E4-2 (Policies related to biodiversity and ecosystems) • ESRS E4-3 (Actions and resources related to biodiversity and ecosystems) • ESRS S3 (Affected Communities) • ESRS G1-5 (Political influence and lobbying activities)
Strategy	
<p>A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.</p>	<ul style="list-style-type: none"> • ESRS 2 SBM-3 (Material impacts, risks and opportunities and their interaction with strategy and business model). And corresponding datapoints in the environmental standards

	<ul style="list-style-type: none"> • ESRS 2 IRO-1 (Description of the processes to identify and assess material impacts, risks and opportunities). And corresponding datapoints in the environmental standards
<p>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.</p>	<ul style="list-style-type: none"> • ESRS 2 SBM-3 (Material impacts, risks and opportunities and their interaction with strategy and business model). And corresponding datapoints in the environmental standards • ESRS 2 Policies MDR-P (Policies adopted to manage material sustainability matters). And corresponding datapoints in the environmental standards • ESRS 2 Actions MDR-A (Actions and resources in relation to material sustainability matters). And corresponding datapoints in the environmental standards • ESRS 2 Targets MDR-T (Tracking effectiveness of policies and actions through targets). And corresponding datapoints in the environmental standards • Environmental topical standards (ESRS E1-1, E1-2, E1-3, E1-4, E2-1, E2-2, E2-3, E2-6, E3-1, E3-2, E3-3, E3-5, E4-1, E4-2, E4-3, E4-4, E4-6, E5-1, E5-2, E5-3, E5-6) • ESRS S3-4 (Taking action on material impacts on affected communities and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions) • ESRS G1-2 (Management of relationships with suppliers)
<p>C. Describe the resilience of the organisation’s strategy to nature-related risks and opportunities, taking into consideration different scenarios.</p>	<ul style="list-style-type: none"> • ESRS 2 SBM-3 (Material impacts, risks and opportunities and their interaction with strategy and business model). And corresponding datapoints in the environmental standards • ESRS 2 MDR-A (Actions and resources in relation to material sustainability matters). And corresponding datapoints in the environmental standards • ESRS E4-1 (Transition plan and consideration of biodiversity and ecosystems in strategy and business model) • Environmental topical standards (ESRS E1-3, E2-2, E3-2, E4-3, E5-2) on ‘Actions and resources in relation to material sustainability matters’ • Environmental topical standards (ESRS E2-6, E3-5, E4-6, E5-6) on ‘Anticipated financial

	effects from material environment-related risks and opportunities’
D. Disclose the locations of assets and/or activities in the organisation’s direct operations and, where possible, upstream and downstream value chains that meet the criteria for priority locations.	<ul style="list-style-type: none"> • ESRS 2 SBM-3 (ESRS E4) • ESRS 2 IRO-1 (ESRS E2, E3, E4)
Risk and impact management	
A(i) Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	<ul style="list-style-type: none"> • ESRS 1 Chapter 3.7 (Level of disaggregation) • ESRS 1 Chapter 6 (Time Horizons) • ESRS 2 IRO-1 (Description of the processes to identify and assess material impacts, risks and opportunities). And corresponding datapoints in the environmental standards • ESRS section on ‘Metrics and Targets’. And corresponding datapoints in the environmental standards
A(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).	<ul style="list-style-type: none"> • ESRS 1 Chapter 5 (Value chain) • ESRS 2 SBM-1 (Strategy, business model and value chain) • ESRS 2 SBM-3 (Material impacts, risks and opportunities and their interaction with strategy and business model) • ESRS 2 IRO-1 (Description of the processes to identify and assess material impacts, risks and opportunities). And corresponding datapoints in the environmental standards
B. Describe the organisation’s processes for managing nature-related dependencies, impacts, risks and opportunities	<ul style="list-style-type: none"> • ESRS 2 IRO-1 (Description of the processes to identify and assess material climate-related impacts, risks and opportunities). And corresponding datapoints in the environmental standards • Environmental topical standards (ESRS E1-2, E2-1, E3-1, E4-2, E5-1) on ‘Policies related to material environmental topics’
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.	<ul style="list-style-type: none"> • ESRS 2 IRO-1 (Description of the processes to identify and assess material climate-related impacts, risks and opportunities)
Metrics and targets	
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.	<ul style="list-style-type: none"> • ESRS 1 Chapter 3.2 (Material matters and materiality of information) • ESRS 2 MDR-M on Metrics • Environmental topical standards (ESRS E2-6, E3-5, E4-6, E5-6) on ‘Anticipated financial

	effects from material environment-related risks and opportunities’.
B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	<ul style="list-style-type: none"> • ESRS 1 Chapter 3.2 (Material matters and materiality of information) • ESRS 2 SBM-3 (Material impacts, risks and opportunities and their interaction with strategy and business model) • ESRS 2 MDR-P (Policies adopted to manage material sustainability matters). And corresponding disclosure requirements in the environmental standards • ESRS 2 MDR-A (Actions and resources in relation to material sustainability matters). And corresponding disclosure requirements in the environmental standards • ESRS 2 MDR-M on Metrics • Environmental topical standards (ESRS E2-4, E2-5, E3-4, E4-5, E5-4, E5-5) on disclosure 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.	<ul style="list-style-type: none"> • ESRS 2 MDR-T on Targets. And corresponding datapoints in the environmental standards. • ESRS E1-1 (Transition plan for climate change mitigation) • Environmental topical standards (E2-3, E3-3, E4-4, E5-3) on disclosure targets

The ‘correspondence table’ in Part 2 also includes a granular comparison between TNFD and ESRS disclosure metrics as mentioned above. While this focuses solely on TNFD’s core disclosure metrics (i.e., those cross-sector metrics that should be reported under the TNFD framework on a comply-or-explain basis), the TNFD also presents a larger set of disclosure metrics (sector metrics and additional metrics) to best represent an organisation’s material nature-related issues based on their specific circumstances. The TNFD specifies that organisations are not limited by the additional set of metrics and are encouraged to report any other metrics that are material and relevant to them, including ESRS metrics not captured by the present mapping.

Similarly, under the ESRS, when an organisation concludes that an impact, risk or opportunity is either not covered or not covered with sufficient granularity by an ESRS but is material due to its specific facts and circumstances, it shall provide additional entity-specific disclosures. This can include the TNFD’s core or additional metrics if considered relevant by the organisation.