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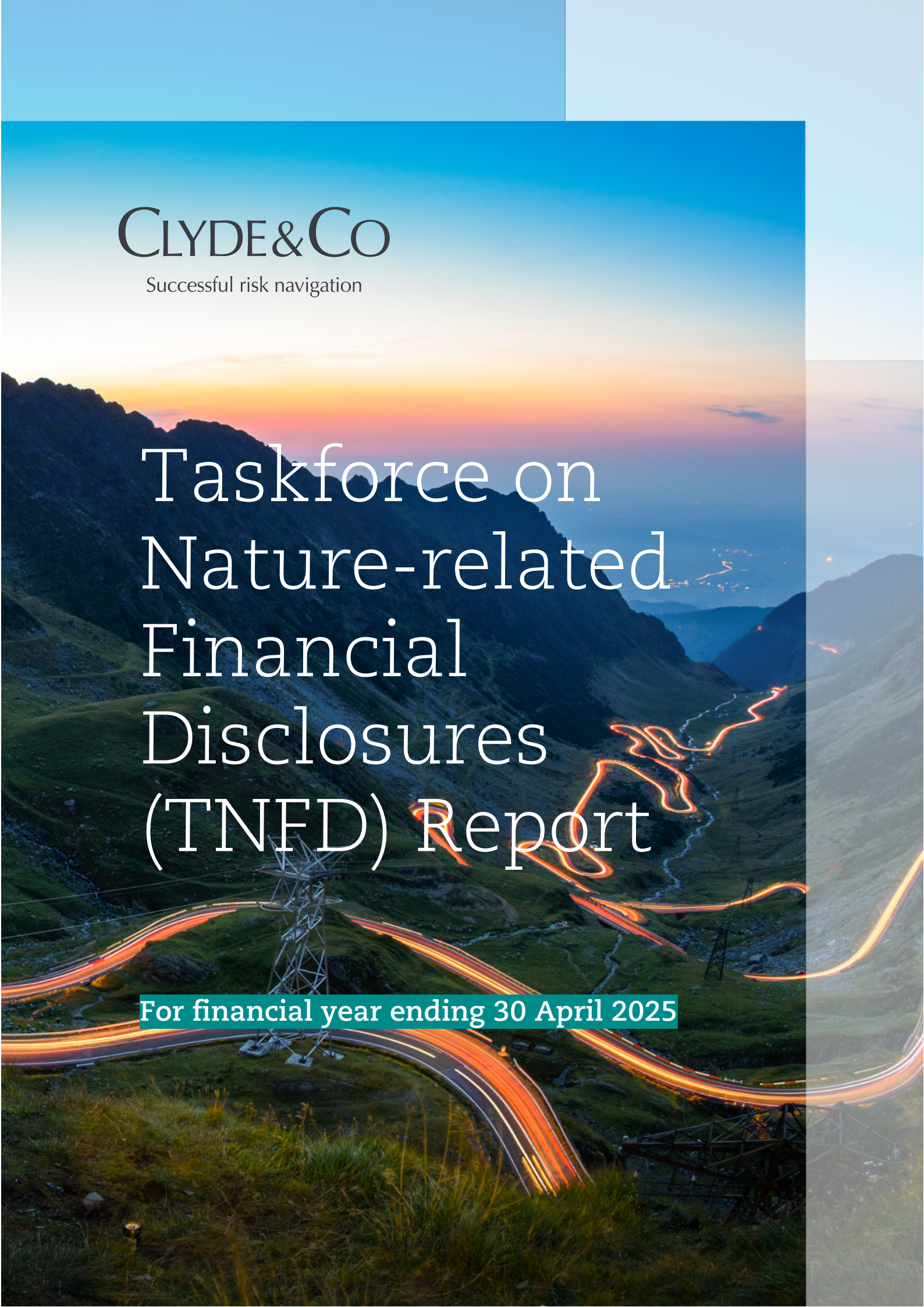
Taskforce on Nature-related Financial Disclosures (TNFD) Report



For financial year ending 30 April 2025

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FY2025 Taskforce on Nature-related Financial Disclosures (TNFD) Report

Climate change and nature loss continue to accelerate, posing increasingly complex risks to businesses, economies and societies. Scientific consensus now confirms that humanity is operating outside the safe thresholds for at least seven of the nine identified planetary boundaries[1]. These include critical thresholds for biodiversity integrity, land-system change, and freshwater use - each of which directly affects the resilience of ecosystems and the services they provide.

In response to this growing urgency, the Taskforce on Nature-related Financial Disclosures (TNFD) was launched in June 2021, with support from its founding partners and funders, and has received global endorsements from, among others, the G7 and G20. Its purpose is to develop a framework for organisations to identify, assess, and disclose nature-related risks and opportunities. As of July 2025, over 600 organisations across more than 50 countries have publicly committed to reporting in line with TNFD recommendations, signalling a global shift toward nature-positive finance and governance.

At Clyde & Co, we recognise the importance of understanding and managing both our climate and nature-related risks. In January 2024, we became an early Adopter of the TNFD, signifying our commitment to align with the TNFD framework and publish our first nature-related disclosure in 2025 (Report). This Report represents the fulfilment of that commitment and outlines our approach to identifying and managing nature-related risks, impacts, dependencies and opportunities across our operations and supply chain.

1 Governance of Nature-Related Risks and Opportunities

Our governance of nature-related risks is embedded within our broader Environmental, Social & Governance (ESG) and climate governance framework. The Management Board (the Board) holds ultimate oversight responsibility and receives quarterly updates on climate and nature-related risks. These risks are integrated into strategic planning, capital allocation and operational decision-making.

On a day-to-day basis, the Board delegates their responsibilities for both climate and nature-related risks to the following three bodies:

1.1 **Environmental Sustainability & Biodiversity Steering Committee (ES&B SteerCo):** Membership of the ES&B SteerCo includes our regional partners and the firm's Chief Sustainability Officer (CSO), Paddy Linighan. Lee Bacon is the Board's representative on the ES&B SteerCo. The committee oversees the execution of our Net Zero strategy, the management of climate and nature-related risks and opportunities, the engagement of suppliers and clients, and the building of firmwide resilience. The ES&B SteerCo, through the CSO, reports to the Board twice a year in person, with quarterly written updates and ad hoc sessions in between.

1.2 **Audit and Risk Committee (A&RC):** The A&RC provides strategic oversight of the firm's risk management framework, including sustainability and ESG risks. Reviews take place at least once a year with input from the CSO, who is

[1] Seven of nine planetary boundaries now breached – ocean acidification joins the danger zone — Potsdam Institute for Climate Impact Research

the Risk Owner for this area. A&RC also provides updates and reports to the Board.

1.3 **Executive Committee (ExCo):** The ExCo implements the firm's operational strategy together with Regional Boards and evaluates the materiality of ESG risks across regions and practice areas, reporting to the Board monthly.

Our Global Environmental, Sustainability & Biodiversity Policy underpins our governance approach and is reviewed annually. We also engage with external stakeholders - including clients, suppliers, and NGOs - to advance nature-positive practices and sector-wide collaboration.

We recognise that effective governance of nature-related risks and opportunities requires inclusive engagement with stakeholders. We continue to evolve our approach to reflect this, including through initiatives such as the Reconciliation Action Plan in Australia and the Count Me In campaign[2], which support broader inclusion and community engagement. Our outreach and talent development programmes aim to reflect the diversity of our people and the communities in which we operate. We understand that meaningful engagement with affected stakeholders - including Indigenous Peoples and Local Communities - is important for understanding nature-related dependencies and impacts and we are committed to strengthening our governance structures in support of this.

2 Strategy: Nature-Related Dependencies, Impacts, Risks, and Opportunities

Our strategic approach to nature-related risks and opportunities is grounded in our broader ESG and climate strategy, which is assessed annually.

This Report builds upon our FY2025 CFD-aligned climate disclosures, integrating findings from a detailed nature risk assessment conducted by Oxford Economics. It is structured in line with the TNFD's recommended disclosures and applies the LEAP framework (Locate, Evaluate, Assess, Prepare) to identify and evaluate nature-related dependencies and impacts across our supply chain and office locations.

Adopting the LEAP framework to systematically identify and manage nature-related risks and opportunities across our operations and supply chain complements the firm's existing climate risk management processes.

2.1 Supply Chain Dependencies and Impacts

The Oxford Economics' assessment revealed that our supply chain has a below-industry average impact intensity. This is attributed to our business model and lean procurement structure. In 2024, we spent over £209m across circa 2,800 suppliers, with the majority of procurement concentrated in the UK (58%), followed by the US (17%), France (7%), and Australia (4%).

The supply chain supports economic output across multiple tiers, with over half of the total output occurring in the UK. Despite this broad footprint, our supply chain activities were found to have less than half the nature impact intensity of a comparable professional services firm. For this comparison, Oxford Economics used a firm operating in the same sector, with a similar global revenue profile, and industry-average margins and supply chain characteristics based on known economic and

[2] As a UK headquartered law firm we have requirements as a matter of UK, European, and other relevant laws to provide information as to the impact of our business.

trade data. Key metrics assessed included energy use, water use, material use, non-GHG air pollution (PM2.5), and agricultural land use.

Two ecosystem services were identified as presenting **medium dependency risk**:

(a) **Water use**: Driven by procurement in sectors such as financial services, accommodation and IT.

(b) **Air condition**: A significant share of supply chain output is dependent on good air quality, particularly in urban centres.

No very high or high nature dependency risks were identified across the 13 ecosystem services assessed.

2.2 Office Location Risks and Opportunities

With over 70 offices and associated offices worldwide, Oxford Economics also assessed our global office network for nature-related risks and opportunities using city-level environmental indicators. Our most material offices - London, Manchester, Dubai, New York, Guildford, Sydney and Edinburgh - were evaluated based on their contribution to total revenues and colleague numbers.

Key findings include:

(a) **Dubai** faces elevated risks from **air pollution, heat stress and water stress**, making it a priority for resilience planning. These risks are also present across all the Middle Eastern offices, reinforcing the need for regional environmental risk management and actions to be considered to mitigate the risk to health and wellbeing of colleagues.

(b) **London** offers significant nature-related opportunities, including proximity to green spaces and a robust green finance sector.

(c) UK offices exhibit higher **land consumption rates**, indicating urban sprawl and potential biodiversity impacts.

No offices were located within protected areas, although some were within 5km of marine zones or urban parks. Oxford Economics advised that these areas were not necessarily deemed ecologically vulnerable despite their protected status.

2.3 Strategic Opportunities

We have identified six material opportunities related to nature and climate:

(a) **Legal advisory growth**: Rising demand for services linked to environmental laws and regulations.

(b) **Market positioning**: Enhanced brand value through sustainability leadership.

(c) **Client partnerships**: Co-creating future-proof offerings with clients and peers.

(d) **Resource efficiency**: Emissions reduction through smarter travel and office optimisation.

(e) **Talent attraction**: Sustainability credentials influencing recruitment and retention.

(f) **Office strategy**: Relocation and fit-out decisions informed by nature impact data.

These opportunities are being actively pursued through initiatives such as the **Zero as one** campaign, the **Equip, Engage, Act** climate literacy programme and supplier engagement efforts aligned with the Chancery Lane Project.

3 Risk and Impact Management: Applying the LEAP Framework

The TNFD discussed in their latest report that evidence of financial effects at the organisational level varies by driver of nature loss[3]. The strongest evidence of material financial effects covers:

(a) Water scarcity leading to greater capital and operational expenditures and operational disruption/shutdown as well as the effect of internalising water stress into credit analysis;

(b) Firm value effects stemming from liability risk (litigation resulting from the effects of pollution, marine degradation, wider environmental degradation as well as fines);

(c) Reputational risk related to deforestation, pollution, water scarcity and wider environmental degradation spanning a range of sectors; and

(d) Policy risk leading to negative effects on firm value, capital and operational expenditure, operational disruption and stranded assets.

There is moderate evidence of native species outbreaks damaging assets in the energy sector.

Limited evidence exists for financial effects of invasive species at the organisational level, despite extensive research showing significant and increasing costs at the economy-wide level.

3.2 Locate

The first step in assessing our nature-related dependencies, impacts, risks and opportunities involved mapping our global supply chain and office locations. Procurement data from 2024 revealed that we engaged with circa 2,800 suppliers, with material spend concentrated among fewer than 10% of these vendors. The geographic distribution of procurement was heavily weighted toward the UK, followed by the US, France and Australia.

Our office locations were mapped based on total revenues and colleague numbers. As outlined in 2.2 (Office Location Risks and Opportunities) on page 3, seven offices - London, Manchester, Dubai, New York, Guildford, Sydney and Edinburgh - were identified as the most material. These locations were assessed for proximity to protected areas, land consumption rates, and exposure to environmental stressors.

3.3 Evaluate

Nature-related dependencies and impacts were evaluated using environmental intensity metrics and ecosystem service risk scores. Our supply chain was found to have significantly lower impact intensity than the business services sector average. For example, our supply chain used approximately:

[3] Evidence review on the financial effects of nature-related risks – TNFD

(a) 258 terajoules of energy

(b) 837 million litres of water

(c) 21,000 tonnes of minerals

Oxford Economics advised that our emissions intensity per dollar of output was less than half that of a comparable firm reflecting our lean procurement model. Oxford Economics used a firm operating in the same sector, with a similar global revenue profile, and industry-average margins and supply chain characteristics based on known economic and trade data for this comparison.

Two ecosystem services were flagged for medium dependency risk:

(d) **Water use:** Particularly in sectors such as financial services, accommodation, and IT.

(e) **Air condition:** A sizeable portion of supply chain output is dependent on good air quality, especially in urban centres.

No very high or high dependency risks were identified across the 13 ecosystem services assessed.

3.4 Assess

Risks were assessed across both supply chain and office operations. In the supply chain, agricultural land use was examined in detail. Our supply chain supported approximately 655 hectares of agricultural land, with the largest share located in Australia. However, the state of nature in these regions was not classified as imperilled, indicating low exposure to biodiversity risk.

Office locations were assessed using city-level indicators for air pollution, heat stress, water stress, and proximity to green spaces. Dubai emerged as a high-risk location due to elevated PM2.5 levels, frequent hot days and water scarcity. In contrast, London offered strong nature-related opportunities, including access to green finance and urban biodiversity.

3.5 Prepare

We are preparing to respond to nature-related risks through a combination of strategic initiatives and reporting enhancements. These include:

(a) **Supplier engagement**: Targeting high-impact vendors with sustainability clauses and emissions reporting requirements.

(b) **Office strategy**: Using nature risk data to inform decisions on expansion, relocation, and fit outs.

(c) **Scenario analysis**: Incorporating nature-related variables into climate scenarios (Net Zero 2050, Delayed Transition, Current Policies).

(d) **Double Materiality Assessment**: Planned for FY2026 to integrate climate and nature risks into strategic planning.

The firm's enterprise risk management system assigns ownership to each material risk, with mitigation plans and KPIs tracked through quarterly Board updates. Nature-related risks will be embedded within this framework, ensuring alignment with our broader ESG strategy.

4 Metrics and Targets

We recognise that robust metrics and clear targets are essential for managing nature-related risks and opportunities. Building on our climate-related disclosures, we are expanding our reporting framework to include nature-specific indicators aligned with TNFD guidance.

4.1 Current Metrics

Our nature-related metrics are derived from both internal data and external assessments. These include:

(a) **Water Use Intensity**: our supply chain supports economic output that is moderately dependent on water use. Approximately 17% of supply chain output falls under medium dependency risk for water use, with only 1% classified as high risk.

(b) **Air Condition Dependency**: A sizeable portion of our supply chain output (83%) is moderately dependent on good air quality. This is particularly relevant for urban office locations and sectors such as IT, finance, and business services.

(c) **Land Consumption Rate**: Office locations in the UK, including London and Guildford, exhibit higher land consumption rates, indicating urban sprawl and potential biodiversity impacts.

(d) **Proximity to Protected Areas**: While none of our offices are located within protected areas, several are within 5km of marine zones or urban parks. These areas are not currently deemed ecologically vulnerable but are monitored for future risk.

(e) **Nature Impact Intensity**: Compared to a benchmark firm in the business services sector, our supply chain has less than half the nature impact intensity across key metrics such as energy use, water use, and material consumption.

4.2 Climate-Linked Targets with Nature Relevance

Climate change and nature loss are interconnected. For example, rising global temperatures and extreme weather events accelerate biodiversity decline, degrade ecosystems, and disrupt nature, such as clean water, fertile soil, and carbon sequestration. Conversely, healthy ecosystems play a critical role in climate mitigation and adaptation. Our climate targets, approved by the Science Based Targets initiative (SBTi), also support nature-positive outcomes:

(a) **Scope 1 and 2 emissions**: 80% reduction by 2030

(b) **Scope 3 emissions**: 50% reduction by 2030

(c) **Net-zero target**: Achieve by 2038

These targets are supported by initiatives such as ISO 50001 certification, renewable energy procurement, and supplier engagement programmes. For more information on these initiatives, please see our full Climate-related Financial Disclosures within our 2025 Responsible Business Report.

In addition, we assess and report on water and waste as part of our wider greenhouse gas (GHG) emissions within its broader environmental strategy. You can find details in our Responsible Business Report.

4.3 Future Nature-Specific Targets

Going forward we will look to develop nature-specific targets to complement our climate goals. These may include:

(a) Increased procurement from low-impact sectors

(b) Enhanced resilience planning for high-risk office locations, for example Dubai and the wider Middle East region

Any metrics and targets will be reviewed annually and integrated into our enterprise risk management and sustainability reporting frameworks.

5 Next Steps and Recommendations

We are committed to continuous improvement in our management and disclosure of nature-related risks and opportunities. Building on the insights from our FY2025 CFD disclosure and the Oxford Economics nature risk assessment, we have identified several strategic actions to enhance our alignment with the TNFD framework and broader sustainability standards.

5.1 **Supplier Engagement and Procurement Strategy:** We will review our procurement strategy and the feasibility of considering sectors and regions with lower nature dependency risks.

5.2 **Office Strategy and Real Estate Planning:** We will liaise with our Risk, Real Estate and Workplace Services teams to conder nature-related risk data when making decisions on office expansion, relocation, and fit-outs. High-risk locations such as Dubai and the wider Middle East region will be prioritised for resilience planning, while opportunities in cities like London will be leveraged to enhance our sustainability profile.

5.3 **Scenario Analysis and Strategic Resilience:** We will enhance our scenario analysis to include nature-related variables alongside climate drivers. This will support long-term strategic resilience and inform investment decisions, particularly in regions exposed to environmental stressors.

5.4 **Reporting and Disclosure Evolution:** As mentioned previously, climate change and nature loss are interconnected. Recognising this interdependence, we will begin reporting on climate and nature-related risks and opportunities in an integrated manner from FY2026, aligning with CFD, TNFD and IFRS S2 frameworks to provide a more holistic view of environmental risk and resilience.

We have not yet quantified nature-related risks in our financial statements, however, we recognise that these risks may have material implications for financial performance, cash flows and asset values over time. For example, water scarcity, regulatory changes and reputational risks linked to biodiversity loss, could influence operational costs and investment decisions. As part of our commitment to continuous improvement, we plan to develop methodologies to assess and disclose the financial impacts of nature-related risks in future reporting cycles, beginning with our FY2026 integrated climate and nature disclosures.

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