*June 1, 2023*

*Via electronic mail and submission on the TNFD website*

*Mr. David Craig, Co-Chair*
*Ms. Elizabeth Mrema, Co-Chair*
*Mr. Tony Goldner, Executive Director*
*Taskforce on Nature-related Financial Disclosures (TNFD)*

**Re: IIF's Public Comment Letter on the TNFD Nature-related Risk and Opportunity Management and Disclosure Framework – Beta v0.4**

Dear Mr. Craig, Ms. Mrema, Mr. Goldner,

The Institute of International Finance (IIF) and its members, which broadly represent the global financial services industry, are pleased to submit industry perspectives in response to the Taskforce on Nature-related Financial Disclosures (TNFD) consultation on its v0.4 beta framework (hereafter "the TNFD framework"). The IIF is the global association of the financial industry, with around 400 members from more than 60 countries, including commercial and investment banks, asset managers, insurance companies, rating agencies, market infrastructure providers, and professional services firms.

The IIF welcomes the release of the TNFD framework, which, when finalized, has the potential to serve as an important voluntary, market-based, and cross-sectoral framework for disclosure of nature-related information. Nature loss and degradation, including deforestation and habitat loss, water quality and availability, pollution, waste, and the impact of development on communities are just some of the threats that create risks for society and businesses if they are not appropriately addressed. In line with the overarching objectives of the UN Convention on Biological Diversity Kunming-Montreal Global Biodiversity Framework (GBF), the TNFD provides a useful set of resources that governments, corporates and financial institutions could potentially use as a tool for identifying and possibly reporting nature-related information.

However, to deliver on its mission of developing a risk management and disclosure framework for organizations to report on evolving nature-related risks, the TNFD framework should address a set of challenges associated with the identification, assessment, management, and development of strategic responses to nature-related impacts, dependencies, risk and opportunities, including with respect to analytical approaches, data, methodologies, and metrics. These challenges are significant and addressing them will require substantial development and capacity building efforts. In this context, there are several key issues which must be considered when thinking about the envisioned process for the uptake and implementation of the TNFD framework across the economy, and potential reference of the framework in the context of official-sector policies, including supervisory expectations or disclosure requirements. These include:

- **Role of government policies**: The TNFD framework should recognize the foundational and concrete role that governments must play in averting nature loss, reducing negative impacts on biodiversity, and guiding economies in a transition towards a nature-positive pathway. The role of governments in providing clarity on policy priorities would help corporates and financial institutions to understand how to better direct and disclose efforts that are consistent with the GBF targets.
- **Adaptation of climate-related approaches to nature-related information**: The lack of a single and/or unifying organizing metric and set of clear science-based pathways towards achievement of GBF targets may prove to be a key impediment to nature-related target-setting and transition planning. It may be premature to suggest that nature-related scenarios could currently perform a role equivalent to the role that climate-related scenarios and emissions pathways currently serve for climate. In that context, the TNFD should address how the conceptual and methodological differences between climate and nature should be accounted for.
- **Approach to materiality (single vs. double materiality):** More clarity is needed to distinguish between the different approaches to materiality and the disclosure elements that may be relevant, and more guidance is needed to avoid information overload. The differentiation between existing materiality approaches is crucial because it would allow disclosure preparers and users to better discern the starting point for a materiality assessment and identify which disclosure elements may be material or not given the perspective used. We would encourage the TNFD to strive to make its recommendations under the “approach to materiality” more principles-based.
- **Future integration of climate and nature-related disclosures:** Financial institutions require time to better understand how these issues may manifest and interact within their portfolios. Over time, some financial institutions may choose to take an integrated approach to managing both issues, while others may choose to approach them as separate, but related issues. As such, the TNFD should allow firms to make their own decisions on their approach to climate and nature reporting, reflecting their operational context.
- **Metrics and scenario analysis in the nature context are at premature stages:** While scenario analysis is becoming a commonly used tool for financial institutions and supervisory authorities to assess the potential materiality of forward-looking risks in the climate sphere, the use of scenario analysis in the nature sphere is at a very preliminary

stage. Given the fundamentally different and broader challenge nature poses in terms of risk management, firms should not be expected to disclose forward looking-metrics or the results of scenario analysis in the near term.

Considering the substantive nature of these issues, and their potentially significant implications for the ability of corporates and financial institutions to develop robust disclosures, IIF members consider that an expectation of comprehensive implementation in the near term, or the introduction of TNFD-based requirements before the aforementioned issues are addressed, would be premature and potentially counterproductive, resulting in an increasing risk of litigation or reputational risks.

As such, recognizing the critical importance that nature-related dependencies, impacts, risks, and opportunities, represent to companies and financial institutions, the IIF would suggest the following:

- **Phased implementation approach:** Financial institutions will face significant challenges in developing nature-related disclosures, considering the breadth of financial institutions' business activities, portfolios, and exposures across sectors and jurisdictions. A voluntary disclosure approach will allow corporates and financial institutions to gradually implement the final TNFD recommendations and could lead to more accurate and meaningful disclosures as organizations learn how to interpret and report nature-related information. In this context, it is paramount for the TNFD to specify that a phased implementation approach is permitted, and provide a reasonable period for firms to develop internal capabilities, resources and methodologies prior to any expectation of public disclosures. In that context, it would be helpful to specify a period of time for firms to develop their internal capabilities, resources, and methodologies prior to any expectation of full public disclosures.
- **Flexible implementation approach:** The TNFD framework should provide the flexibility for financial institutions to determine which metrics are initially relevant and feasible, according to its dependencies and impacts, and allow future implementation of more sophisticated metrics as data and methodologies become available and mature. Reflecting the nascent stage of nature-related analysis, the TNFD framework should include the necessary flexibility to identify and disclose information that is material to a firm's operations, and is relevant for their investors.
- **Need for market testing and safe harbor provisions**: The absence of market-tested standardized metrics and methodologies further hampers companies' abilities to consistently and comparably disclose nature-related information. It is vital for the TNFD to emphasize the importance of market testing to develop consensus-driven reporting practices that enhance decision-usefulness in nature-related reporting. Looking forward, the TNFD could proactively convey the importance of safe harbor provisions, which would give preparers the ability to disclose this important information to the best of their ability

with protection from liability. While jurisdictional authorities would need to decide on safe harbor provisions, the TNFD could acknowledge these challenges in its final framework.

- **Interoperability and alignment of the TNFD framework:** IIF members strongly believe that efforts to maximize consistency with the emerging global baseline of sustainability disclosure requirements is imperative. It is important that the TNFD guidelines, while currently market-led and voluntary, are designed with consideration for compatibility with global standards in mind. Consistency and harmonization with other framework developments is important to allow comparability of data, to improve uptake, and to minimize reporting cost burden.

The remainder of this letter is structured in four sections: (1) a summary of high-level feedback on the TNFD framework; (2) specific views on the TNFD recommended disclosures, including the general requirements, draft recommended disclosures, core global metrics and core sector metrics; (3) views on the proposed draft disclosure guidance and metrics for financial institutions; and (4) views on the TNFD implementation and alignment process, including the relationship to global sustainability disclosure standards.

## 1. Summary of high-level IIF member feedback on the beta framework

### a. Critical importance of government policies as the basis for action to reduce negative impacts on nature

**It is important for the TNFD to recognize, and appropriately reflect, the foundational role that governments must play in averting nature loss, reducing negative impacts on biodiversity, and guiding economies towards a transition towards a nature-positive pathway.** In particular, governments are responsible for setting clear policies that address negative impacts on nature (such as pollution), as well as policies that help to conserve, manage or restore critical ecosystems which are currently at risk, in line with the goals and targets of the GBF. Considering that certain ecosystems can have a significant role for function and balancing of the global climate system, the primary role of government policy and international coordination cannot be underestimated. Government policies are key to set the necessary guardrails within the economy to address nature loss, by managing natural resources and pricing and internalizing negative externalities, which can in turn unlock powerful market-based solutions. Without clear policy and price signals, voluntary action by private sector actors may face limits in the context of competitive markets, as market actors that would accept higher near-term costs in order to preserve nature may be outcompeted by other actors that would not.

**The scope and significance of private sector action to reduce impacts, balance dependencies, manage risks and capture opportunities pertaining to nature is strongly dependent – and in certain cases contingent – on both sectoral-level and national-level policies**. A concerted effort of all actors is needed, as private sector action in the absence of adequate coordination with other entities (including government, local authorities, land users, or other corporate entities that may impact or rely on the same physical area or location) may be ineffective, and/or potentially counterproductive. Recognizing this, it is worthwhile to consider that while uptake of the TNFD framework within the private sector may help to integrate nature within financial and economic decision-making, the real-world impacts of this process will largely be shaped through government policy – not as a result of industry disclosure recommendations alone. Greater clarity on governments' policy priorities across the world would help corporates to understand how to better direct and disclose efforts that are consistent with the GBF targets.

**The TNFD's overarching theory of change regarding nature-related disclosure, and the potential links between enhanced information and disclosure practices and broader economic outcomes, could be usefully informed by recent experience in the climate sphere, where specific attention has been focused on both economy-wide and sectoral policies in helping to facilitate transition**. One objective of the TNFD appears to be to draw on the corporate and financial disclosure process, and related policy and supervisory requirements, to encourage the management of risks and impacts as a primary lever to drive nature-related positive impacts. However, as has been the case with climate change, tools with indirect influence on public policy objectives (such as disclosure requirements or financial supervision) are unlikely to be the most effective approach to safeguarding nature, when compared with tools with direct influence – principally, government policies to conserve, manage and restore nature. Disclosure can be a powerful tool, which generates important data, but cannot take the place of necessary government policies to protect natural capital.

**Experience in the multilateral climate negotiation process attests to the fact that high-level government commitments do not automatically translate into the government policy needed to support economy-wide transformation.** Government commitments in line with the GBF's four goals and 23 targets must be complemented by policies that provide the right incentives, clarity, and certainty. Without clarity on how governments will proceed in implementing their COP15 commitments, corporate and financial institution efforts to align with those commitments may be ineffective. Coherent and aligned incentives, grounded in economy-wide government policies, must serve as the foundation for economic and natural resource use transformation; recent climate-related efforts by governments in the European Union, United States, and other jurisdictions are illustrative of the policy action required to support real economy transformation.

**Another important consideration emerging from the experience in the climate sphere is the need for a broad array of policies to create enabling conditions for investments that can facilitate the transition of high-impact sectors,** such as emissions reductions standards, sector-level policy pathways and fiscal incentives, technology change requirements, transition financing vehicles, and social policies. The TNFD's theory of change pertaining to capital reallocation from nature-negative to nature-positive assets, firms, and sectors should reflect the dynamics, and challenges, of supporting transition – alongside purely nature-positive financing and investment. A key consideration in this regard is the relationship between different types of policy instruments (such as taxonomies or enhanced disclosure requirements) and capital reallocation in support of the transition.

**Finally, nature-related risks, dependencies, impacts, and opportunities particularly over medium- and longer-term time horizons can be uncertain and speculative, and metrics are based on incomplete and imprecise data and models.** While the internal analysis of and management of nature-related risks is a constructive exercise, public disclosure could potentially create litigation or reputational risks for financial institutions in certain jurisdictions without resulting in meaningful disclosures.

**Further issues that the TNFD framework could address pertaining to the broader role of government policy include:**

- **Data:** Actions that could be taken to overcome data challenges where they exist, including the use of public nature-related data so that corporates and financial institutions are using standardized information sources for their disclosures (which would allow for greater comparability). A key first step in this regard could be the development of natural capital monitoring, accounting, reporting and valuation approaches and systems. These methods could be adopted by national organizations (i.e., ministries of statistics or environmental authorities) with the purpose of collecting and collating essential data that supports businesses in their reporting.
- **Incentives:** The provision of incentives, including through blended finance structures, which could help facilitate financing of nature-positive activities, and the transition of high-impact sectors towards nature-positive outcomes. A key consideration in this regard is the provision of government subsidies for nature-positive investment in sectors with high levels of dependency and impact on nature (i.e., agriculture, fishing, forestry, etc.). Linked to the point above, Ministries of Finance could consider policies to measure and officially recognize the value of nature in the jurisdiction’s balance sheet, and regulatory incentive mechanisms to encourage companies within their jurisdictions to disclose nature-related information, such as government assistance to help companies to access data relevant for corporate reporting.
- **Permitting and other rulemaking**: the degree to which government decisions (such as project permitting) should be relied upon for the purposes of evaluating nature-related dependencies, impacts, risks and opportunities. Several issues arise here; for instance, project permitting decision processes often only account for the impact of the project in question but fail to include the cumulative impact of other projects in the same ecosystem. As other issues (such as stakeholder engagement) can arise in such processes, the TNFD may seek to clarify under what circumstances government approvals may be considered reliable from a dependency and impact perspective.

## b. Challenges in adapting climate-related approaches for nature-related information

The evolution of the Task Force on Climate-related Financial Disclosures (TCFD) framework has played an important role in shaping jurisdictional regulatory requirements and global standards for climate-related disclosure, in addition to promoting disclosure and related actions by corporates and financial institutions (such as target setting and transition planning). The IIF recognizes that there are many benefits associated with modelling the TNFD framework on aspects of the TCFD architecture, in terms of its core pillars and central concepts. However, **there are a number of important differences between the climate and nature spheres which create significant challenges in adapting the approaches advanced by the TCFD, in terms of strategy, risk management, and metrics.**

### i. Implications for business strategy, including target-setting and transition planning

**The lack of a single and/or unifying organizing metric and clear science-based pathway may prove to be a key impediment to nature-related target-setting and transition planning.** Global targets for climate change mitigation have been informed by the IPCC's analysis of the timeline for depleting the remaining global carbon budget associated with limiting warming to less than 2°C; considerations around nature-related disclosure are vastly different from, and inherently more multi-faceted than, climate. Unlike net zero GHG targets, however, the GBF's four main goals and 23 targets may not be as easily translatable into individual company targets and actions, nor may they all be relevant depending on the company's business model, value chains, and operations. Governments will need to play a role in determining how the private sector may support the achievement of a given target, for instance, which 30% of lands and oceans must be conserved and how responsibility is allocated among companies and other stakeholders. Other GBF targets, while responding to critical issues such as reducing the loss of areas of high biodiversity importance and high ecological integrity, harmful subsidies or food waste, may be jurisdiction- or sector-specific.

**The TNFD's focus on government commitments as the "north star" for nature, while reflecting current realities, may have significant implications for feasibility of nature-related target-setting and transition planning.** Recognizing that processes to develop national biodiversity strategies and action plans (NBSAPs) are underway under the GBF, there is still a high level of uncertainty about how governments will implement high-level nature-related commitments – and, as has been witnessed in the climate context, whether or not governments will meet expectations within the deadlines specified. In this context, it is challenging to see how corporate actions can currently be effectively coordinated in line with broader policy objectives, and over what timeframe this could be achievable. Considering the complexities of the GBF, and NBSAPs, orienting business strategy towards supporting a suite of high-level goals and targets commitments on nature is very different than setting business strategy in alignment with a clear science-based imperative to transition to one defined, quantitative end goal of net zero by 2050.

Recognizing the critical need for coordination between private and public actions on nature-related issues, it would appear that **requirements for corporates and financial institutions to develop strategies and set targets aligned with the GBF targets would be challenging in the absence of clarity on whether such actions are in line with government priorities in the jurisdictions in which they operate or have value chain exposures.**

Considering these challenges, the TNFD should address how the conceptual and methodological differences between climate and nature should be accounted for - including the foundational issue of the degree of alignment and consistency of government policies for climate and nature, in line with different GBF targets. This is a conceptual challenge for the feasibility and utility of applying certain climate-related practices to nature, including target-setting.

### ii. Implications for risk management

**Similarly, the conceptual and methodological issues associated with developing a unifying, globally-applicable science-based objective for nature has implications for risk management approaches, including the development and use of scenarios.** In the climate sphere, the approaches of financial institutions, central banks, and supervisors to examining climate risks have been greatly advanced by the development of standardized climate scenarios, including those produced by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). These scenarios offer a tangible, common starting point for identifying and assessing the financial implications of climate change.

**Given the lack of a single and/or unifying organizing metric and clear science-based pathway, the development of nature-related scenarios becomes a challenging endeavor; and that, as mentioned by TNFD, scenarios would be "exploratory, rather than normative scenarios, built around critical uncertainties associated with physical and transition risks."** This has important implications for both strategy development and risk management practices. In the climate context, financial institutions typically rely on concrete, science-based emissions pathways for strategic decision-making, not hypothetical scenarios. For risk management, it is important to note that the NGFS scenarios have been designed around potential climate-related outcomes, not potential risks. These scenarios are then translated into models that can be used to project potential scenario-contingent financial impacts, and that assessment of potential financial impact is used to model potential materiality of risk in different scenarios. Even with a high-level normative global goal in place (encapsulated within the GBF), without a clear roadmap for how national governments plan to achieve their nature-related commitments (and the implications for key sectors), it is unclear how financial impacts could be modeled to assess risk at the portfolio level accurately.

**As efforts to develop and apply nature-related scenarios are at a very preliminary stage, it may be premature for the TNFD to suggest that these scenarios could currently perform a role equivalent to the role that well-established climate-related scenarios and emissions pathways currently serve for climate.** The NGFS climate scenarios are based on a common scientific understanding of the established metrics and pathways for climate transition, which differs significantly from the intricate and location-specific challenges presented by nature-related issues. While the Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has made significant steps forward towards a global assessment of biodiversity and ecosystem services, there are important methodological and data gaps that would need to be addressed to translate this material into scenarios that could be applicable for the purposes of risk assessment. The efforts of the NGFS Taskforce on Biodiversity Loss and Nature-related Risks to develop nature-related scenarios, which may be potentially integrated with the NGFS climate scenarios in the future, will likely yield insights on the degree to which nature-related scenarios could be applied in the same manner as their climate counterparts.

While the TNFD recognizes the current exploratory stage of nature-related scenario analysis, the disclosure and risk management recommendations should also reflect this to avoid inadvertently drawing the conclusion that nature-related scenarios are well-developed enough to serve an important risk management function or as a decision-support tool. For example, the TNFD suggests that financial institutions could develop nature-related scenarios akin to the NGFS climate scenarios that would apply at the portfolio-level. However, there are important differences between portfolio-level climate-related scenario analysis (based on NGFS scenarios) and the typical asset-level approach that financial institutions take in assessing and managing environmental risk. Furthermore, there is a risk that nature-related scenario analysis, no matter how high level or preliminary, may create a misperception of the magnitude of risks due to high levels of uncertainty, a false sense of precision, or that they may be otherwise misleading. In that context, it would be helpful for the TNFD to engage with relevant stakeholders to support development of common approaches to nature-related scenario analysis and transition planning, and in this vein, to consider clarifying that scenario analysis and transition plan disclosures may be deferred until a later stage, as approaches mature.

**Financial institutions recognize the importance of appropriately addressing environmental risks, and the challenges associated with doing so in a robust manner**. Failing to appropriately manage environmental issues can directly impact a financial institution's reputation, its clients' operations and long-term economic viability, and the communities and environment in which a financial institution and its clients operate. The Equator Principles and other market standards used by financial institutions are typically principles-based in recognition that defining the applicable metrics and units is location specific and potentially not aggregable.

Recognizing these important challenges, the **IIF would caution the TNFD in suggesting that its framework could be used to inform public authorities in their efforts to manage systemic**

**nature-related risk, particularly in the context of macro-prudential policies and responses.** As a market-based, voluntary initiative, the TNFD framework has not been developed as a supervisory risk management tool and applying the framework in this way may potentially lead to misleading results and could inadvertently create the appearance of vulnerabilities that could be of interest from a supervisory perspective, when in fact such risks may be limited or non-existent. Instead, the TNFD should consider emphasizing the need for ongoing refinement and adaptation of its framework, informed by practical implementation and feedback from various stakeholders for the foreseeable future.

### iii. Other implications of the lack of a single, comparable, organizing metric

Assessing the impact of climate change, and setting targets for reducing emissions, has benefitted from a single metric to base disclosure approaches on: Greenhouse Gas (GHG) emissions, as represented by CO2e (CO2 equivalents). One ton of CO2e has the same emissions impact, regardless of where emitted. This global consistency is different in the nature-related sphere. As the TNFD has rightly acknowledged, biomes and ecosystems – and impacts upon them – are inherently local, and considerations pertaining to the transition from nature-negative to nature-positive economic activities are highly geographically granular.

Even in the climate sphere, where emissions provide a globally consistent baseline upon which to inform assessment of factors shaping risks and opportunities, a significant number of material quantification challenges remain, especially when aggregating up information from companies to the portfolio level. With respect to risk management by a company, there is no single metric in the climate sphere that can entirely, or accurately, capture physical or transition risks, as metrics may be more or less relevant to a firms' business model or portfolios and be suitable for different use cases and objectives[1]. For example, for banks and insurers, climate risk is a driver of other risk types, such as credit risk, market risk, underwriting risk, and metrics are required to assess the impact of climate risk drivers on these risk types.

**Similar to the issues noted above, the lack of comparable metrics creates significant challenges for nature-related target setting and transition planning**. In the nature sphere, the development of a broadly agreed set of common methodologies and metrics (requiring local overlays) is at a very early stage. Recognizing the challenges experienced with developing frameworks for emissions accounting, producing nature-related disclosures that are appropriately consistent and comparable between firms will be an immense challenge. Additionally, unlike climate's reliance on a single metric as a basis for disclosures, which may have some comparability across industries and jurisdictions, nature-related metrics of the same type may mean vastly

[1] As discussed in IIF (2023), "Emissions Impossible: Quantifying financial risks associated with the net zero transition" (May 24).

different things depending on where they are located.[2] For example, deforestation in one region of the world may have different impact pathways and affect companies differently than deforestation in another part of the world (i.e., a tree in the Amazon Rainforest is not comparable to a tree in New York City; they have different values from a biodiversity perspective). The same logic applies to conservation of one hectare of land in one area of the world versus another. In addition, the lack of methodologies and metrics at this point of discussion also represents a challenge for portfolio level reporting.

Given these considerations, **the TNFD's approach to metrics, with respect to the identification of metrics for various nature-related issues and approaches for calculating and disclosing them, will need significant market-testing to determine if the proposed metric(s) are decision-useful, practical, and material.** It is imperative to balance practicality, comparability, and complexity to produce decision-useful metrics for users and to avoid information overload in disclosures, which can ultimately render them less decision-useful. The metrics framework developed by the TNFD (in terms of core global and sector metrics proposed in the beta framework) is complex; disclosure of such metrics will require the development of unexplored capacities within corporates and financial institutions. It remains to be seen if the core indicators and metrics would provide investors or stakeholders with relevant information to determine a material nature-related risk, opportunity, dependency or impact. Disclosures of the proposed metrics should be conditioned on the improvement of methodologies availability and precision of data sources.

Nature-related targets are a derivative of nature-related metrics. Therefore, **nature-related targets set at this stage are likely to face the same problems described above, but magnified.** In order to set nature-related targets, more market-testing is needed – on metrics and then targets – in order to determine what metric(s) and target(s) are most meaningful.

### c. Financial institutions as users and producers of disclosure

Financial institutions will face significant challenges in developing nature-related disclosures aligned with the TNFD framework, considering the breadth of financial institutions' business activities, portfolios, and exposures across sectors and jurisdictions.

[2] This is a fundamental and conceptual problem. The extinction or endangerment of one species cannot be "offset" by the protection of another. For this reason, emerging metrics, such as Mean Species Abundance (MSA), may prove valuable for estimating relative biodiversity, but are not an effective and meaningful tool to measure biodiversity impacts and dependencies. For example, consider two forests on different continents. They can have the same MSA while being composed of entirely different species. Because they are composed of different species, interactions between those forests and businesses, financial institutions, and communities will necessarily be different.

**The IIF supports the TNFD's acknowledgment that certain aspects of nature-related risk will be more or less relevant to an entity depending on its business model**. At present, it is unclear how financial institutions would be able to develop detailed metrics covering all clients and investees, in the absence of being able to aggregate client disclosure and other sources of information (see section 3 for further information). Allowing time for development of data-driven approaches to strategy, risk management and disclosure is required.

**Approaches to measuring financed nature impacts and dependencies are not well established**. Unlike real economy companies, which can establish a direct causal link between their activities and nature impacts and dependencies, financial institutions generally do not directly impact or depend on nature. Therefore, the TNFD guidance should acknowledge this missing link and, where possible, clarify how the impact and dependency concepts apply differently to financing activities as compared to direct and indirect (upstream and downstream) activities.

**Financial institutions' disclosures of indirect and financed impacts and dependencies necessarily must rely on client, counterparty or third-party data**. The real economy companies that produce and own such data are better positioned than financial institutions to verify the data's accuracy. These practical aspects should be taken into account as measurement and reporting approaches are developed.

## 2. Specific views on the TNFD recommended disclosures

### a. General Requirements

IIF members appreciate that the general requirements endeavor to broadly cover the necessary aspects of disclosures to enable consistency, while also enabling the necessary flexibility to disclose information that is relevant to a firm's business model. However, there are aspects of the general requirements where additional clarifications may be warranted.

#### i. Approach to materiality

The materiality lens taken across different disclosure pillars, as well as across assessment frameworks (i.e., LEAP), is of particular importance. We appreciate the TNFD's effort to propose a flexible approach to materiality that will accommodate a wide range of disclosure approaches and use cases, but **more clarity is needed to differentiate between the different approaches to materiality and the disclosure elements that may be relevant for each, and more guidance and clarity are needed to avoid information overload.**

The TNFD lists several different existing approaches to **materiality**, nevertheless the framework appears to conflate "outside-in" single materiality with "inside-out" double materiality. In that vein, more clarity and guidance are needed to avoid overwhelming investors with immaterial information. Firstly, an **outside-in perspective** focuses on the impact of external factors on a company's business. Any disclosure related to risk to a company's business is made from an "outside-in" perspective. This approach to disclosure is most commonly used for an investor audience, to provide information that investors find useful in the investment decision process. On the other hand, an **inside-out perspective** focuses on the impact of a company's business activities on the external environment. A double materiality approach, considering both perspectives, is generally used for a broader stakeholder audience that is interested not only in a company's financial performance but also in understanding a company's impacts on broader environmental or societal issues, regardless of whether the company's environmental or social impacts have financial implications for the company's business activities.

This differentiation is important because it allows disclosure preparers and users to better discern the starting point for a materiality assessment and identify which disclosure elements may be more or less material given the perspective taken (impact of nature on a business vs. impact of the business on nature). This differentiation would also align to the approach taken by global standard setters and regulators, where it is specified which materiality lens should be considered by disclosure preparers (whether single or double materiality) for particular disclosure items, accounting for whether the disclosure is intended for users of general-purpose financial statements (single materiality) or a broader stakeholder audience (double materiality).

**This framing would provide flexibility for different approaches to materiality within the two perspectives.** For example, a single materiality perspective could be limited to a strict financial materiality lens or take a broader approach that includes disclosure of nature-related considerations for a company's business that may not rise to the level of financial materiality but that may be of interest to investors. The single materiality framing also encompasses the concept of "dynamic materiality", where information that is decision-useful to investors may change over time. Similarly, a double materiality perspective could encompass a wide range of impacts, as determined by a disclosure preparer. The framework's flexibility is critical in light of the different materiality approaches taken in different jurisdictions; applicability will also differ among different sectors.

**We would encourage the TNFD to strive to make its recommendations under the "approach to materiality" more principles-based.** Some of the current recommendations under the "approach to materiality" are too prescriptive and specific and may not be relevant to both an "inside-out" (single) or an "outside-in" (double) approach to materiality. For example, the TNFD should reconsider its recommendations for preparers to consider disclosing the stakeholders and experts who have informed the materiality determination process, and whether the organization has tested its selection of material topics with investors and other stakeholders (for further commentary, please refer to section 2.a.iii below).

### ii. Integration with other sustainability issues

**There are several important considerations that will need to be worked through regarding the relationship between nature loss and climate change and, and how this could be addressed in future integrated disclosures.** The relationship between nature loss and climate change is complex, and while synergies may exist between actions to address one or the other priority, there is not a direct, one-to-one correlation between actions that have positive impacts on nature and actions that reduce GHG emissions.

**Some IIF members are of the view that the core biophysical relationships between climate change and nature loss require that approaches to their remediation or adaptation are integrated.** Climate change could have an impact on nature degradation, therefore integration between these two aspects would help to capture the baseline level of risk. From an impact perspective, synergies between nature and climate can arise when interventions taken to address nature and climate issues are positively reinforcing. Nature-positive interventions can have a positive impact on climate change mitigation, in particular through avoidance of GHG emissions arising from land use conversion. For instance, transforming the land sector and deploying measures in agriculture, forestry, wetlands and bioenergy could feasibly and sustainably contribute to the reduction of carbon dioxide. Nature-positive interventions can also have a positive impact on climate change adaptation, helping offset some of the effects of a warmer world. In particular, healthy ecosystems can limit flood risks and droughts and help maintain good quality of topsoil for improved agricultural productivity. At the same time, some of the transition to climate-friendly technologies may have an impact on nature. Taking an example, the development of solar energy infrastructure requires minerals such as aluminum, cadmium, and zinc, extraction of which almost invariably requires impacts on ecosystems (i.e., deforestation to open land for mining); recycling and disposal of solar panels at the end-of-life stage could prove to pose environmental challenges. From this perspective, **it would be beneficial for reporting on nature-related impacts, risks and dependencies to adequately account for the impacts of climate change on nature, as well as the impacts of nature loss on climate change outcomes.**

**Other IIF members have observed that there are material challenges associated with the development of integrated climate/nature disclosures,** and are of the view that nature loss and climate change may be analyzed and disclosed as separate related issues, given that approaches to assessing and managing climate-related risks and opportunities vs. nature are at varying degrees of maturity, and methodology and data issues continue to exist.

**The current TNFD framework sets an ambitious timeline and expectation for integrating climate and nature-related reporting, which may not reflect the ability or capacity of many companies to report this information together.** The lack of consensus regarding calculation and estimation methodologies, which results in the absence of clear metrics and scenarios, makes it very difficult to define key factors to be considered when examining interactions between nature-related and climate-related objectives and impacts.

Significant work remains to be done to better understand the relationship between nature- and climate-related issues. Companies and financial institutions require time to better understand how these issues manifest and interact within their portfolios. Over time, financial institutions may choose to take an integrated approach to managing both issues, while others may choose to approach them as separate, but related issues. **As such, the TNFD should allow firms to take their own decision about their approach to climate and nature reporting, reflecting their operational context.**

### iii. Stakeholder Engagement

**The introduction of provisions pertaining to reporting on stakeholder engagement raises a number of challenges and questions; such provisions may not be appropriate for financial institutions given their relative lack of direct interactions with projects that could impact nature and local stakeholders.**

It is essential to underscore that the emphasis on stakeholder engagement should not be misconstrued as informing an outside-in materiality assessment. The focus of stakeholder engagement is often more relevant to an inside-out perspective, considering impacts of organizational activities on nature, rather than external nature-related impacts on the organization. Furthermore, different types of financial institutions will have different channels for engagement with stakeholders, depending on their business models; similarly, not all stakeholders can take the same approach to engagement, which can vary depending on the type of the institution. Additionally, we wish to highlight that the associated draft guidance on engagement with affected stakeholders (annex 4.9) is highly prescriptive and presumes a set of broadly-agreed, standardized approaches towards stakeholder engagement, which do not currently exist.

As such, the stakeholder engagement disclosures would likely be more relevant to jurisdictions that focus on double materiality and may be less relevant to jurisdictions that use a single, or outside-in, materiality perspective. **These factors further underscore the importance of the TNFD clearly delineating the boundaries of stakeholder engagement within its framework, ensuring that its relevance to different materiality perspectives is accurately represented.**

## b. Recommended Disclosures

**There are several important challenges related to the recommended disclosures specified across the four pillars of the TNFD framework. Generally, we are appreciative of TNFD and TCFD being aligned, where appropriate.** However, we believe it is important for the TNFD to specify that the pillars of the framework are very distinct concepts, which require **different materiality and metrics approaches**. At a high level, as previously mentioned, IIF members caution the TNFD in directly applying the TCFD framework to nature and biodiversity given the fundamentally different considerations with respect to identification and assessment of information related to nature and climate, and the very early stages of nature-related data, methodologies, and disclosures. Some issues should be taken into consideration to better align the TNFD framework with the realities of nature-related reporting and to ensure the framework's practical utility for financial institutions.

**Overall, the TNFD framework should consider using more neutral language in its guidance directed towards all sectors and financial institutions.** Currently, nature-related reporting practices are in their nascent stage, and it is essential that the language used in the framework reflects this reality. The term "should", used repeatedly throughout the guidance for all sectors and financial institutions, could be considered instructive or prescriptive given the nascency of the exercise and could be replaced with the term "may".

**Risk and impact management should be separated in the TNFD framework to better reflect industry practices, and enhance the accuracy of disclosures.** The TNFD framework's decision to combine risk management and impact management disclosures under one pillar overlooks the distinct nature of these two concepts, which each require unique materiality approaches and metrics. The risk analysis function focuses on identifying the potential threats posed to an organization linked to its dependencies, while the impact assessment relates to known and potential effects of operations and activities on natural capital across the value chain. Even though they are complementary, both assessments are based on different analyses and typically conducted by different governance structures within financial institutions. The segregation of these two will help reporting to be clearer for investors so that they can carry out comparison exercises. Impact assessment employs a double materiality approach, examining the positive or negative effects of an organization's operations on the environment and ecosystems. Financial institutions typically do not use nature-related impact assessments by their clients to inform their strategy or governance, as opposed to a traditional risk management single materiality assessment. Some financial institutions already have position statements that incorporate nature considerations, mitigating nature-related risks from "entering" into their portfolio and reducing negative impact on nature at the same time. Therefore, TNFD should support those existing safeguards and avoid having unintended consequences.

Efforts to conduct **scenario analysis and target setting in the nature sphere face significant challenges, principally due to the lack of detailed scientific pathways and normative scenarios for the transition towards a nature-positive economy.** Some of the proposed disclosures would need to be based on the outcomes of scenario analysis. The TNFD framework should also acknowledge that financial institutions are a significant distance away from being able to deliver these analyses proficiently and at a high level of detail and with confidence, due to the lack of reliable data, overreliance on proxies, and nascent state of scenario sets and modelling infrastructure. More broadly, the TNFD should recognize the core conceptual challenges of setting nature-related targets, primarily due to the absence of established scientific pathways for nature, and a lack of necessary policies (as described in section 1, above).

**Finally, it is challenging to see how an organization would or should distinguish in its disclosures which pieces of material information may be relevant to specific stakeholder groups**, such as investors vs. civil society. We recommend removing this provision, considering that these judgements are subjective, and would need to be made by stakeholders, not the disclosing entity.

### c. Core Metrics – Conceptual Issues

**Approaches and instruments for assessing ecosystem services, including quantification, mapping, and modeling, are still a matter of debate in scientific research. In that vein, efforts to integrate scientific metrics into the strategy and risk management of financial institutions will necessarily need to reflect this evolution.** To expect that financial institutions, which are currently in preliminary stages of understanding and evaluating nature-related issues, will be able to report on such advanced and complex metrics in the near term overestimates the practical capacity that the financial sector has today, particularly given that the ecosystem services metrics are highly localized making reporting on a global-scale particularly challenging and prone to errors.

**The metrics framework developed by the TNFD is complex, and disclosure of such metrics will require the development of currently unexplored capacities within corporates and financial institutions. Financial institutions should start by mapping metrics that are deployable at an early stage and continue to implement more sophisticated metrics over the years as data becomes available and evolves**. The TNFD framework should provide the flexibility for financial institutions to determine which are the relevant metrics according to its dependencies and impacts. For example, recognizing that rushing to require metrics before the framework has clear and achievable targets could lead to counterproductive impacts, metrics at sector level could be the starting point, after which metrics that rely on location-specific data could be developed.

**There are some specific opportunities for the TNFD to refine its core metrics framework in order to enhance its effectiveness, adoption, and utility for users and preparers of disclosures**. For example:

- **Clarify references to global and national policies and targets**. The TNFD suggests metrics in alignment with global and national policy goals and targets, such as those found in the GBF and other international treaties. It will be important for the TNFD to reflect that corporates and financial institutions cannot align with government commitments without clearer signals on what types of policy measures (such as ecosystem conservation actions) may be taken, and over what timeframe. As previously discussed, any corporation acting without coordination with other entities (including government, local authorities, land users, corporate entities that may impact or rely on the same physical area or location) may be ineffective.

- **Clarify the expectations of a "comply or explain" approach, within the broader context of a voluntary disclosure framework.** Given the nascent stage of nature-related metrics and reporting, it is too early to impose a rigid set of metrics on organizations; as such, the "comply or explain" approach should provide organizations the flexibility to test different metrics that best align with their specific business model and nature-related reporting. Such flexibility could not only promote wider application of the TNFD framework, facilitating voluntary adoption by organizations, but it could also encourage better-informed decision-making and more effective nature-related risk management, thereby enhancing the overall transparency and credibility of the framework. It is also important that the framework recognizes that it is not possible at this time for firms to "comply" with all of its elements; there should not be a perceived disadvantage for disclosure providers who cannot comply with all aspects of the voluntary framework.

- **Address definitional gaps and methodological issues regarding the core disclosure metrics, for which further clarification is required to enable effective implementation**. For example, under core metrics, clearer definitions are needed for terms like "*prioritised ecosystems*," "*hazardous waste*," and "*key pollutants*." The lack of clarity on these definitions will likely drive disclosure inconsistencies across sectors on nature-related dependencies and impacts. The climate sphere has benefited from the GHG Protocol's provision of globally standardized definitions, which governments have generally referenced in implementing climate-related regulatory disclosure expectations. As there is currently not a widely-accepted equivalent for nature-related issues, governments implementing the GBF may choose to define these terms in different ways, considering their specific jurisdictional priorities and differentiated natural capital balance sheets. Such fragmentation would make the production of consistent and comparable disclosures extremely challenging. To provide clarity and comparability, TNFD should consider defining priority locations by reference to a standardized, scientifically determined, and widely accepted list or map of high-priority ecosystems and biodiversity hotspots. Such a defined set of priority locations would also facilitate comparable exposure map[3]ping of nature impacts.

- **Work towards alignment with relevant cross-sector metrics referenced within the TCFD framework**. This would involve consolidating risk disclosure metrics in line with TCFD guidance. For example, the TNFD's risk metrics are much more prescriptive than those of the TCFD. This may also involve reevaluating the relevance of certain metrics. Such alignment and streamlining would not only enhance the framework's coherence but also facilitate its implementation and reduce the reporting burden for organizations.

**The TNFD's core organization-level risk and opportunity disclosure recommendations would benefit from clarifying a specific focus on nature, as opposed to broader sustainability-themed or ESG-related metrics.** In particular, the TNFD's reference towards green taxonomies may create comparability issues given the diversity of different jurisdictions' approaches to developing such instruments, and the fact that the scope of taxonomies often extends beyond nature-focused issues (potentially creating a mismatch with the TNFD's primary objectives of developing a global framework with a specific focus on nature). The reference to ESG ratings should be re-evaluated as well, since ESG scores encompass more than just environmental factors and represent a subjective view from a particular provider, including with respect to data inputs used and judgments made on weightings of different information.

## 3. Views on proposed draft disclosure guidance and metrics for financial institutions

### a. Overall views on the financial institution metrics supplement

**The TNFD's financial institutions' metrics supplement is intended as a tool for financial institutions to disclose nature-related information, however it may not appropriately reflect industry practice on nature-related metrics and the nascent state of the metrics development process.** The supplement references a set of examples, primarily from civil society, researchers, and a select group of financial institutions, but asserts that these examples are best practice. Contrary to the TNFD's assertions, these examples should not be extrapolated as market standard or a summary of best practices. There is still much uncertainty surrounding the significance of these disclosures, their applicability across varying jurisdictional environments globally, and their utility for decision-making among investors and regulators. While we acknowledge the potential usefulness of heatmaps as a disclosure tool for dependencies, impact, risk, and opportunity

[3] It should be recognized that heat mapping may not necessarily represent the magnitude of the financial value of those risks to the institution. For a number of reasons, including time horizon and uncertain policy environments, exposure to a sector with elevated nature-related risks does not always equate to elevated credit or investment risk for an institution.

disclosure, we find certain "footprint" metrics, such as "financed absolute biodiversity footprint" and impacts on specific risk parameters, to be in their nascent stages with an unknown value to investors.

### b. Assessment of portfolio exposures and aggregation issues

**The lack of consistent and universally applicable nature-related metrics across jurisdictions presents a significant challenge for companies attempting to aggregate nature-related risks at a portfolio level, as recommended by the TNFD.** It is not entirely clear how financial institutions may be expected to describe the process of analyzing their portfolios to identify and assess clients' and investees' nature-related dependencies, impacts, risks, and opportunities. Unlike for climate, the diverse range and location-specific nature of metrics that may be needed to appropriately portray a firm's exposure to risks and opportunities across sectors and localities would make portfolio-level aggregation difficult and likely less meaningful. Therefore, it may be difficult to produce timely, reliable, comparable, decision-useful disclosures on nature-related impacts and dependencies beyond financial institutions' direct operations due to reliance on incomplete or unavailable client or third-party data, and lack of consensus regarding calculation and estimation methodologies. In the interim, a certain level of discretion should be granted to financial institutions to decide when, how, and to what extent to aggregate metrics – mandatory nature-related aggregation should not be a requirement.

**Considering that corporates' approaches for identifying nature-related information are at a nascent stage, flexibility is warranted to allow for improvements in data and modelling which, in turn, could lead to the development of metrics that provide high-level measurement of portfolio risks and dependencies over time.** Metrics and targets associated with nature-related risks and opportunities are relatively new for financial institutions, requiring substantial time and resources to facilitate organizational learning. The current absence of in-house knowledge, expertise, and internal assessment methodologies, coupled with scarcity of standardization and data gaps present significant challenges for efforts to develop robust portfolio-level metrics with a reasonable degree of reliability. Reflecting this, the TNFD should recognize that certain types of core metrics, should they be adapted to reflect sector specificities, may be difficult to sensibly aggregate at a portfolio level. In addition, it is important to recognize that even if organizations use data sources recommended by TNFD when location-specific data is not available (and proxy approaches can be taken), proposed databases are very limited. Finally, it is important for the TNFD to clarify expectations regarding whether baselines are required for targets, as this issue has proven to be highly challenging in other spheres (i.e., the development of nature-based carbon offset projects).

**It would be helpful if the TNFD provided further guidance on the use of proxy data.** The availability and quality of the data needed to report on the recommended disclosures is still in the early stages of development and implementation. However, the use of proxy data may be misleading or not meaningful. To that extent, it would be useful for the TNFD to provide expectations or standards on the use of proxy data until the data is more readily available. Without such clear standards or expectations on the use of proxy data, financial institutions may be exposed to further liability on the use of proxy data and the disclosures are likely to be less comparable across firms and less informative to disclosure users. Another, complementary approach might be to suggest that the aggregation of metrics at portfolio levels should be up to the discretion of the disclosing entity, rather than a requirement. In addition, if a given metric loses value for decision-making upon aggregation at the portfolio level, financial institutions should have the flexibility to choose not to disclose.

### c. Forward-looking metrics and scenario analysis

As described in sections 1 and 2 above, while scenario analysis is becoming a commonly used tool for financial institutions and supervisory authorities to assess the potential materiality of forward-looking risks in the climate sphere, the use of scenario analysis in the nature sphere is at a very preliminary stage. In the climate space, many financial institutions refer to the IPCC-derived NGFS scenarios to identify and assess how climate risk can manifest in potential financial impacts in different scenarios. The TNFD is alternatively contemplating the use of exploratory scenarios which do not provide the same level of utility, given the lack of consensus on science-based pathways for nature and lack of clarity on government policy objectives and priorities. As such, expectations for the use of scenario analysis and disclosure of the results may be inappropriate at this time. Furthermore, there are differences between the types of information and level of granularity required to assess dependencies and risks, compared to those needed for assessment of potential transition opportunities (and progress) in the journey towards a nature-positive outcome in different sectors and geographies. **Given the fundamentally different and broader challenge nature poses in terms of risk management, firms should not be expected to disclose forward looking-metrics or the results of scenario analysis in the near term**.

### d. Location-specific data

While location-specific data is central to biodiversity reporting, it should be acknowledged that there are gaps in such data that may make it complex for financial institutions to conduct robust location-specific analysis across the value chains of their counterparties and investees. Certain types of investments, such as infrastructure, may be more readily suitable for location-specific analysis of nature-related information. To move away from sector-level reporting to biomes, it will be helpful to have the support of government and government agencies to pioneer tools that would collect and collate essential data that can be used for reporting by corporates and financial institutions. One such option would be the creation of a database with a clear scope and criteria.

### e. Response metrics

The TNFD has indicated that a set of response metrics will be proposed in the v1.0 TNFD framework, including metrics related to governance, strategy (including capital allocation/investment) and assessment and management of dependencies, impacts, risks and opportunities. However, the introduction of an additional, separate set of metrics that firms will be expected to report may not add value to firms' nature-related disclosure. Business responses to nature-related issues will be highly varied, depending on firms' business models and exposures. As such, greater flexibility is warranted in their description and disclosure, and we suggest the TNFD remove the concept of a differentiated set of prescribed response metrics. Our members would further take issue from process perspective with the introduction of a new set of metrics in the framework's final version without the opportunity to understand the implications and provide feedback before firms are expected to produce such disclosures.

### f. Other issues pertaining to metrics

- **Use of revenue as a basis for metrics:** Although simple and relatively comparable, not all businesses can use revenue as an indicator of risks and opportunities. Referring to financial institutions, interest revenue is mainly driven by market factors like interest rates and foreign exchange rates. A shift in these rates may have nothing to do with the underlying nature-related risks the metrics intend to measure. Further, hedging activities could make revenue much harder to measure at a granular/customer level.
- **Clarification of metric typologies**: Further clarification is needed on the categorization of metrics developed for risk assessment and those proposed for disclosures, as well as between which metrics utilize single vs. double materiality assessments, as this will facilitate clear and transparent adoption considerations for standard setters like ISSB and GRI, as they work to develop their own nature and biodiversity disclosure standards and frameworks.
- **Relationship of metrics to policy objectives:** A general principle should be that response metrics may need to be aligned with jurisdictional policies shaping the evolution of nature related risks and opportunities and there must be some level of standardization to enable comparison across sectors. Given that that there are several jurisdictions that have not implemented such policies or other types of classification frameworks (i.e., green taxonomies) to date, the development of many of the metrics may be premature.
- **Importance of a flexible and phased approach:** The TNFD framework should provide the flexibility for financial institutions to determine what metrics are relevant to its business according to its dependencies and impacts. Financial institutions could start by mapping metrics that are feasible at an early stage, and continue to implement more sophisticated metrics over the years as data and methodologies become available and evolve. As an example, metrics at the sector level should be the starting point, followed by the

development of location-specific metrics, to the extent data become available. Financial institutions should have the flexibility and discretion to disclose granular sectoral metrics to provide more decision-useful information to users. As a starting point, exposure mapping showing financing activity in biodiversity hotspots could be considered.

## 4. Views on the implementation and alignment process

### a. Implementation considerations

**The TNFD framework should provide clear information on the timelines over which corporates and financial institutions would be expected to develop disclosures, and the timeframes over which certain types of more advanced or granular information and metrics should be included.** This would allow corporates and financial institutions to plan for capacity development and prioritize allocation of existing resources towards core disclosure items. In this regard, any expectations relating to the timeline for detailed quantitative disclosures should recognize the real and significant challenges associated with data availability and precision, nascent stages of methodology, as well as the associated potential litigation risks.

**The TNFD's publication library includes annexes, implementation guidance, metrics supplements, etc., that are overly prescriptive and may not be indicative of industry practice on nature-related issues.** The assumption that nature-related risk, impact, dependencies, and opportunities practices and disclosures have sufficiently matured to warrant such detailed supplementary guidance seems premature at this point. While we appreciate the annexes as valuable resources that can aid financial institutions in their journey towards integrating nature-related considerations into their operations, it would be more beneficial for the TNFD to frame the supplemental documents as exploratory resources rather than prescriptive guidelines. This could help in preventing any potential misinterpretation by regulators or policymakers that these additional publications exemplify the exact steps that financial institutions can follow with regards to their nature-related disclosures, according to the TNFD.

Considering these issues, we would suggest that the TNFD provide further guidance on the following elements:

**Implementation Phasing:** In recent years, the sustainability disclosure landscape has seen an exponential increase in the level of interest by public authorities and market participants. As the ultimate objective of sustainability disclosure frameworks is to reduce information asymmetries, new initiatives – whether they are public or private – should fit with the broader disclosure landscape affecting companies and financial institutions to support clear and meaningful disclosures. A voluntary disclosure approach will allow corporates and financial institutions to gradually implement the final TNFD recommendations and could lead to more accurate and meaningful disclosures as organizations learn how to interpret and report nature-related information. **In this context, it is paramount for the TNFD to specify that a phased implementation approach is required.** The TNFD framework should offer guidance as to a gradual approach to implementation and provide a reasonable period for firms to develop internal capabilities, resources and methodologies prior to any expectation of public disclosures. Certain disclosure expectations for corporates and financial institutions could have a lag to allow for real economy firms to produce nature-related disclosures first, generating data for financial institutions to leverage as part of their respective disclosures.

**Adaptability to evolving expectations:** The TNFD should draw on lessons from experience with the mainstreaming of climate-related disclosures, while recognizing the critical conceptual and practical differences associated with nature. Recent years have seen a shift in stakeholder expectations from point-in-time risk assessments to forward-looking strategic analysis and development of responses (i.e., transition planning). It is important for the TNFD to reflect this type of evolution within the nature-related sphere, while also recognizing the earlier stage of forward-looking risk and impact assessment methodologies in the nature sphere, and the significant challenges associated with gathering robust data.

**Delineation of financed sectors and value chains:** We consider the need for further guidance from the TNFD on defining clear boundaries between financed sectors and their connected value chains (i.e., agriculture links to multiple sectors such as chemicals, autos, aviation, food and beverage, hospitality etc.). It is important to define the scope to avoid increasing complexities and ensure comparability. One such option would be the creation of a database with clear scope and criteria that identifies top companies/industries which, for example, contribute to deforestation.

**Implementation support:** Taking into consideration that most financial institutions are still at a very early stage of understanding nature-related risks, opportunities, dependencies and impacts, the TNFD could consider providing education and outreach sessions, case studies, and a variety of illustrative examples of TNFD disclosure elements, especially for core metrics.

**Need for market testing and safe harbor provisions**: At this stage, considering the array of issues discussed in this response, **it is premature for stakeholders including supervisors and regulators to expect companies to integrate nature-related reporting within their financial statements over the near term.** Given that companies are still in the process of identifying nature-related considerations, it remains unclear how they could effectively quantify and disclose nature-related risks, opportunities, impacts, and dependencies within financial statements. The absence of market-tested standardized metrics and methodologies further hampers companies' abilities to consistently and comparably disclose nature-related information. It is vital for the TNFD to emphasize the importance of market testing to develop consensus-driven reporting practices that enhance decision-usefulness in nature-related reporting. Over time, as companies gain more insights, they may discover material impacts, dependencies, risks, and opportunities that should be disclosed in financial statements. It is crucial to allow for the necessary time to further develop assessment and reporting capabilities prior to mandating integration of TNFD-aligned nature-related reporting factors in financial statements. Looking forward, the TNFD could proactively convey the importance of safe harbor provisions, which would give preparers the ability to disclose this important information to the best of their ability with protection from liability. While jurisdictional authorities would need to decide on safe harbor provisions, we urge the TNFD to acknowledge these challenges in its final framework.

**b. Considerations to support interoperability**

**It is important that the TNFD guidelines, while currently market-led and voluntary, are designed with consideration for compatibility with global standards in mind.** As has been the experience in the climate sphere, a proliferation of approaches, frameworks, voluntary standards, initiatives may complicate the implementation process and risk overwhelming capacity within firms, impact the quality of decision-useful disclosures. Care must be taken to ensure that such processes do not constrain necessary market testing and capacity building. A key issue may be the degree to which TNFD should align with the future work of the ISSB, should action be taken to address biodiversity as a future agenda item following the ISSB's current consultation on future priorities.[4] A key question in this regard is what, if any, changes would need to be made to the TNFD framework to enable greater alignment, particularly with respect to materiality considerations. These issues should also be considered while thinking about the potential development of jurisdictional approaches. As such, more clarity around differentiation between single materiality vs. double materiality lenses would be beneficial to ensure interoperability with existing and future disclosure standards and regulatory frameworks.

**The TNFD should provide additional clarity on the relationship of the framework to evolving jurisdictional requirements.** Many corporates and financial institutions are working toward compliance with EU regulatory disclosure requirements that relate to biodiversity and other nature issues, under the EU Corporate Sustainability Reporting Directive (CSRD), EU Taxonomy, and Sustainable Finance Disclosure Regulation (SFDR)[5]. Consistency and harmonization across market-based guidance, global standards, and jurisdictional frameworks in development is important to allow comparability of data, to improve uptake, and to minimize reporting cost burden. It would be helpful for TNFD to consider publishing an appendix that maps the TNFD recommended disclosures against existing regulatory requirements related to nature and

[4] https://www.ifrs.org/projects/work-plan/issb-consultation-on-agenda-priorities/.

[5] Firms within the scope of CSRD will need to report significant amounts of natural capital related information (in particular pursuant to ESRS E3 (water and marine resources) and ESRS E4 (biodiversity and ecosystems), therefore the interplay between these forthcoming regulatory requirements and any voluntary reporting under TNFD should be considered.

biodiversity to facilitate financial institutions' understanding of where there is overlap or interoperability.

Thank you for your consideration of these comments. On behalf of the IIF membership, we hope that these global industry perspectives will contribute constructively to your efforts. We would be very happy to discuss any of our comments further or to assist in any way. We invite you to contact Sonja Gibbs (sgibbs@iif.com) or Andrés Portilla (aportilla@iif.com) should you have questions or comments.

Yours sincerely,

**Sonja Gibbs**
Managing Director and
Head of Sustainable Finance
Institute of International Finance (IIF)

**Andrés Portilla**
Managing Director and
Head of Regulatory Affairs
Institute of International Finance (IIF)