

1 June 2023

TNFD Secretariat

By email only

Dear TNFD Secretariat

## **Taskforce on Nature-related Financial Disclosures (TNFD) – Feedback on v0.4 of the TNFD Beta Framework**

Deloitte Touche Tohmatsu Limited welcomes the opportunity to provide feedback on the beta version 0.4 of the TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework (TNFD Framework).

We recognise that nature and biodiversity are increasingly important policy priorities around the world, particularly following the agreement on the Kunming-Montreal Global Biodiversity Framework (GBF) at the United Nations Biodiversity Conference (COP 15). That importance is being amplified by a growing understanding of the connection between the impacts humans have on nature and biodiversity, and climate change.

Target 15 of the GBF sets out an aim for entities to be subject to greater mandatory requirements on measuring and reporting on nature-related matters and, indeed, many entities are already enhancing transparency and accountability in these and other areas of sustainability. At the same time, policy makers and regulators around the world are introducing mandatory reporting requirements, especially in relation to climate.

In view of these developments, we welcome the latest beta version of the TNFD Framework and recognise the important role it can play in helping entities identify, assess, respond to, and disclose their nature-related dependencies, impacts, risks, and opportunities. We believe that, by enhancing transparency and accountability on nature-related matters, entities will be encouraged to integrate those considerations into their strategies, business models and decision-making.

We observe that, generally, entities are at an early stage of measuring and reporting on nature-related matters. While many are addressing certain nature-related matters that are closely related to climate considerations (for example, water or land use), most have yet to address nature and biodiversity comprehensively. This in part reflects the challenges inherent in reporting in this area, such as the need for complex areas of measurement (linked to the availability of high-quality data sources and the difficulty in assessing location-specific natural ecosystems) and the lack of well-established approaches in areas such as how to develop science-based targets for nature. TNFD's work can help to enhance practices and help to identify common approaches that can be standardized over time. While policymakers and regulators are still developing or finalising sustainability reporting requirements, including on nature, we believe that the TNFD Framework can play an important role in helping entities get ready for mandatory

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reporting, and provide a source of additional guidance in jurisdictions which may already require reporting on nature-related matters.

We welcome the collaborative approach that TNFD has adopted, working closely with sustainability standards-setters, frameworks, and other initiatives at the global and jurisdictional levels. We emphasise the importance of interoperability between different sets of standards, both to preparers and users of reported information. We believe interoperability is best achieved by using the same language for the same disclosures intended for the same audience as far as possible, allowing for adaptations and additions to reflect the subject and users under consideration.

We think that TNFD can and should play a central role in supporting and accelerating the moves towards global sustainability standards. Deloitte strongly supports the aim of the International Sustainability Standards Board (ISSB) that its standards should form a global baseline of sustainability information. We think this is essential to enable the provision of consistent and comparable information to capital markets that can help direct capital to resilient business.

As part of its agenda consultation, the ISSB has included biodiversity as one theme it could progress in its workplan. We consider that the TNFD Framework, and related insights, could provide important inputs into the ISSB's considerations. We note that TNFD is referenced by the ISSB in its agenda consultation, along with guidance developed by the Climate Disclosure Standards Board (CDSB, now consolidated into the ISSB), the Global Reporting Initiative (GRI) Standards, and other initiatives in this area. We also welcome that TNFD is referenced by other standard-setters, for example in the draft European Sustainability Reporting Standards (ESRS).

We further acknowledge the need for a comprehensive corporate reporting system that encompasses both reporting to investors on sustainability-related matters relevant to an entity's performance and prospects, and reporting to other stakeholders on an entity's impacts on the environment, the economy, and people. We encourage TNFD to contribute to this global corporate reporting system and avoid further proliferation and fragmentation, which undermines the objective of the global baseline.

We have identified a number of aspects of the beta version of the TNFD Framework where we believe there is a need for further consideration and development.

### *General Requirements*

While we welcome the inclusion of general requirements in the TNFD Framework, we believe that most of these are more fully elaborated in the ISSB's IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (expected to be issued in June 2023). We therefore recommend that the TNFD Framework directs preparers to use the IFRS S1 standard, rather than develop its own principles. The TNFD Framework can provide further guidance as necessary in the context of nature-related disclosures (for example, stakeholder engagement, which is particularly important in the area of rights of communities and Indigenous peoples in relation to land and nature more generally). This approach would also allow preparers to be guided to use other important requirements and guidance in IFRS S1, such as on connected information, presentation of sustainability-related information, estimation, judgement, and uncertainties, all of which are essential to enable high-quality reporting.

We recommend that the TNFD Framework includes further emphasis on the connected information concept set out in IFRS S1 (including, where relevant, connections with information in financial statements). It is particularly important that nature-related disclosures are not made in siloed reporting

(topic-by-topic approach) or lead to duplicative narrative. We think it is essential to encourage connections that can support entities in understanding interdependencies between sustainability matters (e.g., climate and nature) and assessing any resulting trade-offs, which serves to enhance integrated thinking.

## *Stakeholders and materiality*

We acknowledge the relevance of referencing multi-stakeholder users in the TNFD Framework. We consider this is appropriate given the systemic effects that nature-related impacts may have both on an entity's ability to create value over the short, medium, and long term, and on its stakeholders more broadly. We recommend that expected users of nature-related disclosures are formally defined in the TNFD Framework, recognising that those disclosures may be made in different reports intended for different users - for example, investors making decisions on allocation of capital to a company, or stakeholders assessing a company's contribution to sustainable development.

We believe that to cater to the needs of its multi-stakeholder users, the TNFD Framework would need to include a better articulation of materiality assessment – for example, in the 'Prepare' guidance of the LEAP framework. Rather than recommend that an entity applies a materiality assessment from recognised standards, we believe the TNFD Framework should direct entities to use the materiality assessment approach from a standard (or framework) consistent with the information needs of the intended users. When those users are investors, we believe that the ISSB's approach would be appropriate whereas when users are stakeholders more broadly, the GRI's approach would be appropriate. Entities that are subject to specific jurisdictional requirements should apply the relevant materiality approach, e.g., the double materiality approach set out in the Corporate Sustainability Reporting Directive (CSRD) and related ESRS.

The TNFD Framework should further specify that when the intended users are investors, the information disclosed should not be obscured by other information that may be intended for other stakeholders.

We think this approach enhances the integrity of applying the TNFD's recommendations, and, furthermore, is consistent with the approach set out by the Group of 5 leading sustainability standards-setters and framework providers, depicting 'nested and dynamic' materiality as a means to reconcile the different materiality lenses employed in sustainability reporting in respect of the different users and their information needs.

## *Disclosure recommendations*

We welcome the use of the same four pillars as TCFD to enhance interoperability, and the incorporation of recommended disclosures based on TCFD's. While we acknowledge the need for some adaptation, we note that in a number of instances the TNFD Framework uses words that are different from those used in TCFD. To facilitate ease of application by preparers, we think that the same words should be used for disclosure recommendations except where adaptation and additional recommendations are necessary to reflect the subject matter (in the case of nature-related disclosures, to include further coverage of impacts, for example). We think this is particularly important in the case of nature-related disclosures as entities will already be reporting on certain nature-related risks and opportunities and are already addressing the 'Atmosphere' realm identified by TNFD in their climate-related disclosures. Furthermore, entities are likely to integrate these matters together into their reporting, given the close relationship between the two.

As the ISSB's IFRS S2 standard Climate-related Disclosures is expected to be issued in June 2023, which incorporates the TCFD Recommendations, we recommend that TNFD should adopt the same language for its pillars and recommended disclosures as used by the ISSB, unless specific adaptations or additional recommendations are needed. We think that this specific alignment will help to future proof the TNFD Framework, especially in jurisdictions where regulators are making moves to adopt or endorse ISSB standards.

## *Metrics and targets*

We welcome the inclusion of metrics as a particularly valuable contribution that will support entities in identifying, assessing, responding to and, when material, disclosing their nature-related impacts, dependencies, risks, and opportunities.

Consistent with our recommendations on users and materiality above, we encourage TNFD to identify metrics that could be relevant to investors, when they are the intended users of nature-related disclosures. We further recommend that when metrics are consistent with those used in other standards (such as in CDSB guidance, SASB Standards or GRI Standards, for example) that references are included to help preparers identify any sources used.

We suggest that TNFD consider inclusion of more biodiversity metrics (for example, the World Economic Forum's Stakeholder Capitalism Metrics initiative identified metrics on land used adjacent to key biodiversity areas).

Furthermore, we note that the TNFD Framework recommends that the approach to metrics should be on a 'comply or explain' basis. We consider that such an approach is more appropriate to regulated disclosures than to a principles-based framework. We therefore recommend that the TNFD Framework should specify that metrics should be disclosed subject to materiality considerations.

While we agree that disclosure of nature-related targets is an essential aspect of a complete disclosure, we observe that target-setting in this area will be challenging for many entities, especially in the absence of a specific global target that is the equivalent of the climate target ratified in the Paris Agreement. The concept of science-based targets for nature is in its early days, and the Science Based Targets Network (SBTN) has only very recently established guidance to help companies take integrated, science-based action across freshwater, land, ocean, biodiversity, and climate. We think further guidance will be essential, particularly on their use in transition planning and in areas such as identifying base lines, boundaries, measurement, and science-based approaches.

## *Definitions*

We recommend that further consideration is given to some terminology used in the TNFD Framework.

We recommend further alignment with the ISSB's definitions when applicable. For example, the TNFD Framework identifies upstream, downstream and financed nature-related impacts and dependencies. This is fully encompassed within the ISSB's definition of the value chain and the ISSB further elaborates on an entity's broader operating environment – which we consider to be relevant to consideration of nature and biodiversity. We recommend the term 'value chain' and its definition should be adopted within the TNFD Framework.

We further encourage TNFD to avoid use of terms that could lead to unnecessary or complicated jargon that may confuse preparers (especially those who are not nature experts) and may reduce the usefulness of reporting to users. We strongly recommend that TNFD avoid the use of terms that have a different, and well-recognised meaning outside of the nature context (e.g., ‘provisioning’ is a well-established term in financial reporting, used in a completely different way by TNFD as ‘provisioning services’). If TNFD’s goal is for nature-related disclosures to be incorporated into mainstream reporting (as recommended in the TNFD Framework), it is essential that terms used in nature-related disclosures do not confuse users of existing corporate reporting.

### *Navigability and presentation of TNFD Framework*

We recommend that further consideration is given to how the TNFD Framework content is structured and presented. Overall, we found the navigation could be difficult (especially on the TNFD’s website) and it is sometimes difficult to see the ‘whole picture’. We also observe that there is a lot of detailed content which, while valuable, could add to the confusion, particularly for first-time preparers and those early on their journey. For example, it might be helpful to follow more explicitly the approach taken by the IFRS standards, separating out principles, disclosure requirements and application and implementation guidance (such as ‘deep dive’ content and the detail contained in the LEAP framework).

We also consider that a ‘getting started’ guide (for example, along the lines of the TCFD Handbook, published by CDSB) would further help preparers.

### *Assurance*

Assurance of nature-related disclosures would enhance confidence in the reported information. There is a number of considerations in relation to the assurability of nature-related disclosures, including measurement uncertainty, use of estimation and the need for considerable exercise of judgement, for example in identifying boundaries.

Many of those considerations are shared with other sustainability-related disclosures, for example on climate and social matters in the value chain. We therefore strongly encourage the TNFD to engage with the International Accounting and Assurance Standard Board (IAASB) to ensure the TNFD Framework is developed with a view to provide suitable criteria for the purposes of assurance engagements in accordance with the characteristics set out in the International Standard on Assurance Engagements 3000 Revised (ISAE 3000) and, in time, the proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements (expected to be issued late 2024). The IAASB’s project to develop its ISSA 5000 series has already identified issues that will be relevant in the context of nature and biodiversity. We therefore encourage TNFD to provide feedback on areas of nature-related disclosures that could be deliberated further by the IAASB, particularly once the latter has published its exposure draft standard.

We also think that TNFD should continue to evolve its thinking in areas that would enhance assurability, such as developing guidance on measurement of metrics and more precise recommendations on defining targets. We also consider that introducing the materiality assessment guidance, as set out above, is a critical step to enhance assurability.

## *Finalisation of first version of TNFD Framework*

We welcome the agile approach that the TNFD has taken in developing its framework, allowing stakeholders to input at various stages, and 'live' feedback on practical implementation to be obtained. We think that, given that reporting on nature-related matters is in its early stages, there will be further learning points and insights after version 1 of the TNFD Framework is issued. We therefore encourage TNFD to obtain feedback on practical implementation and to conduct further analysis of nature-related disclosures. One model could be the approach TCFD has taken through its annual status report. This process should identify areas where further refinement of the TNFD Framework could be made, or where additional guidance would be helpful. This feedback should also provide insight that is helpful to the ISSB and other standards-setters in their own future development of standards addressing nature and biodiversity.

We intend to provide further detailed feedback via email directly to the TNFD Secretariat on specific areas that are most appropriate to our role as an adviser and assurance provider to entities around the world.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

A handwritten signature in black ink, appearing to read 'V Poole', with a stylized, wavy line extending to the right.

**Veronica Poole**

Global IFRS and Corporate Reporting Leader  
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