

29 July 2022

Mr Emmanuel Faber  
Chair  
International Sustainability Standards Board (ISSB)  
IFRS  
commentletters@ifrs.org

**Comment Letter: Exposure Drafts S1 General Requirements for Sustainability-related Financial Information**

Dear Mr Faber,

Thank you for this opportunity to offer feedback on the first Exposure Draft issued by the International Sustainability Standards Board (ISSB).

As you know, the Taskforce on Nature-related Financial Disclosures (TNFD) is an international market-led initiative supported by G7 and G20 political leaders to develop an integrated and global risk management and disclosure framework across all realms of the natural world - land, freshwater, oceans and atmosphere - not covered by the atmospheric emissions focus of the Taskforce on Climate-related Financial Disclosures (TCFD).

The TNFD has secured strong global interest from a broad-cross sector of market participants, reflecting clear recognition that nature-related risks are material to companies and investors and manifesting themselves with growing frequency and significance to lives, livelihoods and enterprise value, and intertwined with better understood climate-related risks. Consequently, market participants are looking for greater guidance on the assessment of non-atmospheric nature-related risks, a fully integrated (climate and nature) approach to sustainability risk management and reporting, and expecting nature-related risks to be the subject of future regulation following the pathway now established for climate-related risk management and disclosure in a number of jurisdictions around the world.

Backed by the support of over 500 institutions globally in the TNFD Forum, the framework design efforts currently underway are led by 34 Taskforce members drawn from leading companies, financial institutions and market intermediaries. To maximise market feedback and participation in the design process, the TNFD is pursuing an 'open innovation' approach to developing its recommendations which are due to be published in September 2023.

As an international initiative, the comments provided in this letter represent the view of the TNFD Secretariat and not those of the individual member institutions of the Taskforce or of the TNFD Forum who will provide their own institutional views to the ISSB should they chose to do so.

**Strong, ongoing alignment in design and development efforts**

The TNFD Secretariat welcomes Exposure Draft S1 and is actively seeking to align the design of the TNFD's framework for nature-related risks with the General Requirements outlined in the Exposure Draft:

- Technical experts from the ISSB and TNFD teams have maintained an open and collaborative dialogue during our respective development efforts since the launch of the TNFD and the formation of the ISSB in Q4 2021;
- The TNFD’s v0.1 beta release of its nature-related risk management and disclosure framework was released in March 2022, the same month as the S1 and S2 Exposure Drafts;
- The v0.2 beta release of the TNFD framework released in June 2022 references, and explicitly incorporates, key elements of the General Requirements approach under development by the ISSB;
- The TNFD’s approach is centered around the four pillars - Governance, Strategy, Risk Management and Metrics and Targets - initially developed by the TCFD and now at the heart of the ISSB’s General Requirements; and
- To ensure consistency of approach, the TNFD continues to build upon the earlier nature and biodiversity work of many of the institutions now part of the ISSB, including SASB, VRF and the CDSB, as well as other key standards bodies such as GRI and CDP collaborating with the ISSB.
  - The TNFD’s conceptual approach, like the CDSB Biodiversity Guidance published in late 2021, is centred on a natural capital approach and thus highly aligned.
  - In its v0.2 beta release in June 2022, the TNFD signaled an intention to use the SASB industry classification for industry-related metrics, targets and guidance development, further ensuring alignment with the General Requirements.

The TNFD looks forward to ongoing collaboration with the ISSB as a Knowledge Partner to the TNFD to ensure maximum alignment and consistency of approach for market participants.

### **Aligned conceptual foundations**

The TNFD Secretariat is particularly encouraged to see strong alignment in the conceptual approach to helping primary users of financial reports understand the resilience of entities to sustainability challenges. The TNFD Secretariat concurs with the ISSB’s view (Paragraph 6) that:

*“sustainability-related financial information is broader than information reported in the financial statements .... including relationships with people, the planet and the economy, and its impacts and dependencies on them”.*

The connections between ‘risks’ and ‘opportunities’ to underlying ‘impacts’ and ‘dependencies’ is particularly critical given the location-specific character of non-atmospheric nature-related dependencies and nature impacts and their complex causal relationships. The Exposure Draft rightly points to the example of water, but there are many other examples across all of nature’s realms and the Ecosystem Services identified by the best available science from IPBES and others.

It is the goal of the TNFD to fully incorporate consideration of all of these nature-related dependencies, impacts, risks and opportunities so that, alongside consideration of atmospheric emissions already covered by the TCFD and now under development by the ISSB, companies, financial institutions, governments and other stakeholders can have confidence in a fully integrated approach to sustainability risk and opportunity management, including through disclosure.

The TNFD Secretariat therefore welcomes the following foundational statement in the Exposure Draft (restated in Paragraph 17):

*“Sustainability-related risks and opportunities arise from an entity's dependencies on resources and its impacts on resources, and the relationships the entity maintains that may be positively or negatively affected by those impacts and dependencies”.*

## **Governance**

In the v0.1 beta release of the TNFD Framework issued in March 2022, the TNFD's draft approach to governance related considerations and disclosures is completely aligned with and build's upon the Governance disclosures and supporting guidance recommended by the TCFD. The TNFD Secretariat is encouraged that the TCFD's governance recommendations are fully incorporated into the ISSB Exposure Draft. While all aspects of the TNFD's framework remain 'work in progress' and subject to revision until the TNFD's final recommendations are published in September 2023, it is clear that there is already strong alignment of thinking and approach on Governance-related disclosure across the ISSB, TCFD and TNFD.

## **Strategy**

Over the coming 12 months, the TNFD will be developing approaches to a number of nature-related assessment and reporting requirements closely aligned with the Strategy aspects outlined in the General Requirements Exposure Draft. These include:

- The importance of considering value chains, both upstream and downstream; and
- The incorporation of scenario analysis to inform disclosures with respect to an entity's strategy and its capacity to adjust to the uncertainties arising from significant sustainability-related risks (its resilience).

The TNFD has already signalled the importance of incorporating these two dimensions into nature-related risk and opportunity management and reporting; while also recognising a need to adapt the approaches now being taken by market participants with respect to climate-related reporting.

As a global community, we share one atmosphere where it has been recognised, including in the Paris Agreement, that impacts (emissions) by actors in one location can be offset by those actors or others elsewhere if necessary or desirable. The location-specific character of nature-related dependencies, impacts, risks and opportunities and their consequences for communities and ecosystems in that specific location will require a significantly different conceptual and analytic approach to assessing value chains and scenarios for nature-related risks.

As the TNFD continues its work on both of these framework components, including the development of guidance on nature-risk scenarios in partnership with the NGFS, the ISSB General Requirements Exposure Draft provides the Taskforce with valuable line-of-sight on how the ISSB intends for value chain and scenario considerations to be assessed and disclosed.

## **Risk Management**

The foundational recognition in the draft General Requirements of the need for entities to assess dependencies, impacts, risks and opportunities in a wholistic and integrated fashion also sits at the heart of the LEAP risk assessment guidance under development by the TNFD for both corporates and financial institutions. With the benefit of further feedback from market participants over the coming 12 months, the TNFD will continue to refine its risk and opportunity assessment guidance which should then play a key role in helping entities determine their

reporting disclosures, and describe their process for doing so, as outlined in Paragraph 26 of the Exposure Draft.

### **Metrics & Targets**

Aligned with the approach outlined by the TCFD and now incorporated into the ISSB Exposure Draft, the TNFD has also focused its initial work on metrics around cross-industry metrics. Noting that the ISSB has adopted in Exposure Draft S2 the seven metrics categories identified by the TCFD, the TNFD's Working Group on Metrics & Targets will continue its work with the benefit of the detailed guidance on metrics & targets set out by the TCFD and the requirements set out in the ISSB Exposure Draft.

With respect to the potential benefit of additional risk and opportunity assessment reporting using industry-specific metrics, The TNFD has already signalled in its v0.2 release in June 2022 that it will be adopting the SASB industry classification approach already incorporated into the ISSB Exposure Draft.

In conclusion, The TNFD Secretariat is encouraged by the high-level of alignment already evident between the General Requirements (S1) and Climate-related (S2) Exposure Drafts developed by the ISSB and the beta framework for nature-related risks and opportunities under development by the TNFD. We look forward to continuing to work closely together with the ISSB team to drive towards an aligned and fully integrated approach to sustainability risk and opportunity management and reporting that provides market participants with clear and comparable decision-useful information.

Yours sincerely,



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