

PRI RESPONSE

V0.4 TNFD DISCLOSURE FRAMEWORK

31.05.2023

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the TNFD's call for feedback on version v0.4 of the TNFD framework.

ABOUT THIS CONSULTATION

The Taskforce on Nature-related Financial Disclosures (TNFD) is developing a risk management and disclosure framework for organisations to report and act on evolving nature-related risks. A market-led initiative, its Taskforce consists of 40 members representing financial institutions, corporates and market service providers. The fourth iteration (v0.4) of the TNFD beta disclosure framework was released on 28th March 2023, with version v1.0 of the framework due in September 2023. This document outlines a response to the TNFD's formal consultation on v0.4 until 1st June 2023.

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SUMMARY OF THE PRI'S POSITION

Overall, the PRI strongly welcomes version 0.4 of the TNFD disclosure recommendations and the supporting assessment framework (the LEAP approach). The TNFD framework is foreseen to significantly increase the availability of meaningful nature-related information for investors and other relevant stakeholders to integrate in their decision-making and contribute to the goals and targets of the Kunming-Montreal Global Biodiversity Framework.

The PRI commends TNFD's efforts to date to align with key elements from the global reporting landscape, to encourage the interoperability and possible future integration of the TNFD framework with global standard setting on corporate sustainability disclosure. This includes current alignment with the TCFD, with the IFRS sustainability standards and GRI standards, and with the indicators from other voluntary and mandatory reporting standards, rules, and laws. To further this alignment, it calls on the development of a roadmap by the TNFD, in collaboration with the ISSB and GRI, on the integration of the disclosure framework into the international reporting standards, pending the ISSB's decision on its first two-year workplan.

The PRI further welcomes a number of developments in this latest version of the disclosure recommendations, including:

- its flexible approach to materiality, which is agnostic of a specific form of materiality;
- asking companies to disclose beyond their own (direct) operations, to disclose their upstream, downstream and financed activities;
- the provision for all companies to disclose on all sector-agnostic global metrics, or explain if these are not disclosed (i.e., "comply or explain");
- inclusion of positive impacts (in addition to negative impacts) in the metrics disclosure;
- the flexible approach to scenario analysis; and
- integrating stakeholder management into the assessment and disclosure, in line with international social standards.

The PRI identified four key recommendations on the TNFD's disclosure recommendations for corporate reporting entities:

- 1) **Materiality assessment:** The TNFD should ensure that its flexible approach to materiality is consistently applied throughout the framework, to accommodate different definitions of materiality. To ensure this, the following changes are needed: (i) companies must report on the impacts and dependencies that lead to its risks and opportunities; (ii) expand the Prepare stage (of LEAP) to reference impacts and dependencies; (iii) ensure the materiality assessment includes the short, medium and long term risks and opportunities to the company as well as upstream, downstream and financed activities; and (iv) expand disclosure recommendations in *Risk & Impact Management* A(i) and A(ii) to include impact management. The TNFD should also ensure that the materiality assessment is clearly cross-referenced in all relevant disclosure recommendations and, where relevant, when companies implement the LEAP approach.
- 2) **Priority locations:** The TNFD should standardise the requirements for the six potential criteria to define priority locations as well as the data sources to be used; and should link its implementation of the sixth criteria, on specifying areas with 'significant' potential

dependencies and/or impacts, back to the reporter's materiality assessment. Currently there is a risk of different approaches being used by report preparers to define priority locations, especially as there is no single, easily accessible database of data sources that can be used to support this exercise.

- 3) **Core global metrics:** The PRI welcomes most core global metrics prioritised for disclosure by all organisations and supports the “comply or explain” provision to these metrics. However, the TNFD should consider the following recommendations: clarify the criteria underpinning the “comply or explain” provision, including its link to materiality and how report preparers should address data gaps; merge additional metric A3.2 ‘Quantity of high-risk commodities sourced under a management or certification programme’ into core global metric C4.1; extend C5.0-C5.3 to include expenses and liabilities; clarify the definition of ‘substantial dependence’ and ‘high impact on nature’ in C5.3, and its links to the entity's impacts and dependencies; and clarify whether reporting is required for each global metric against each scope¹.
- 4) **Additional guidance:** The TNFD should improve the navigation of its platform, specifically in the ease of accessing the various guidance. It should provide further guidance on how companies should decide on a definition of materiality and implement their materiality assessment; the integration of nature-related risks and opportunities within an entity's business, strategy and financial planning; and the integration of the results from the LEAP approach into disclosure (including through fully worked examples for corporate and financial institution reporters that leverage learnings from the TNFD pilots).

Finally, the PRI welcomes the stand-alone disclosure guidance for financial institutions, supporting them in their reporting efforts at the entity level and accounting for their differences with corporate report preparers. **Based on data availability constraints, the PRI recommends the TNFD allow financial institutions to use aggregated disclosure metrics for their impacts and dependencies in the short term, instead of or in addition to the disaggregated core global disclosure metrics.** The PRI supports a phased approach over time, where financial institutions report disaggregated disclosure metrics as further information becomes available on individual drivers of nature change from corporate reporting. The TNFD should provide principles or criteria as to what constitutes suitable aggregates (e.g. heatmapping, footprinting) to ensure consistency and reliability of information, as well as allow financial institutions' disclosure to be as detailed (or granular) as possible.

¹ Including: direct operations, upstream, downstream, and financed activities.

DETAILED RESPONSE

The following sections summarise the PRI's detailed response to version 0.4 of the TNFD framework.

- [Section 1](#) outlines the key points that the PRI supports for the latest TNFD framework;
- [Section 2](#) summarises the key recommendations for the framework for corporate reporting;
- [Section 3](#) summarises recommendations for reporting from financial institutions.

SECTION 1: STRENGTHS OF THE TNFD FRAMEWORK

Overall, the PRI strongly welcomes version 0.4 of the TNFD disclosure recommendations and the supporting assessment framework (the LEAP approach). The TNFD framework is expected to significantly increase the availability of meaningful nature-related information for investors and other stakeholders to integrate into their decision-making. This will support contributions from non-state actors towards the goal of halting and reversing biodiversity loss, in line with the Kunming-Montreal Global Biodiversity Framework. The TNFD framework also provides a means for corporates and financial institutions to meet upcoming regulatory demands, including those associated with Target 15 of the Kunming-Montreal Global Biodiversity Framework.

The PRI further supports the comprehensiveness of the approach adopted by the TNFD, which includes both a broader assessment framework designed to support nature-related risk and opportunity management (the LEAP approach), as well as targeted disclosure recommendations. The combination of these elements when used together, will support the improved assessment of nature-related impacts, dependencies, risks and opportunities across the private sector (strengthening decision-making accordingly) but also keep disclosures manageable.

ALIGNMENT WITH REPORTING STANDARDS

The PRI commends TNFD's current alignment with the structure, language, and approach of the Taskforce for Climate-related Financial Disclosure (TCFD) as this will improve interoperability with global standard setting on corporate sustainability disclosure, and the possible future integration of the TNFD within global sustainability standards.

The PRI welcomes the efforts to date to align the TNFD framework with the forthcoming IFRS sustainability standards, and GRI standards. Investors already rely on corporate disclosure against the GRI standards² and there are ongoing developments at national/regional levels to implement (or at a minimum ensure alignment with) at least one, if not both, of these standards in mandatory corporate reporting rules and laws³. Once finalised, we expect future sustainability disclosure requirements developed by jurisdictions to build from these two sets of standards.

As these standards are expected to define the global landscape of sustainability reporting standards, the PRI recognises the need for interoperability between the TNFD and the IFRS sustainability

² For example, research by KPMG ([Key global trends in sustainability reporting - KPMG Global](#)) found that in 2022, most of the largest companies in the world report against the GRI standards.

³ For example, the EU's draft ESRS set 1 have been updated to ensure interoperability with the ISSB standards; these draft standards are already closely aligned with the GRI standards as the GRI played an important role in their development. For more information, see the EFRAG's [Cover Letter](#), following the end of the consultation process in 2022. Similarly, the UK's government has committed to endorse and adopt the ISSB standards for Sustainable Development Regulation (SDR), as highlighted by the FCA Consultation Paper ([CP22/20](#)).

standards and GRI standards⁴. We support this approach under the understanding that the TNFD framework will be integrated into these standards in the future, rather than exist as a standalone voluntary framework. As further detailed in Recommendation 8 ([Appendix A](#)), we also note that a roadmap should be developed jointly by the TNFD, ISSB and GRI on the integration of the TNFD disclosure framework into those standards. At its core, this interoperability requires alignment in the structure and concepts that underpin the framework and standards (respectively)⁵.

The PRI has undertaken a preliminary assessment of interoperability between the ISSB and the TNFD⁶. This assessment focused on the IFRS exposure draft of the general requirements standard (IFRS S1 ED), as the ISSB will only finalise this standard in June 2023. Where possible, the assessment accounts for decisions made by the ISSB board (following its consultation period) as it works to finalise the IFRS S1 ED⁷. We have focused on the general requirements standard as it provides a general framework for reporting on all sustainability issues; and this standard would be the starting point for the ISSB to develop a biodiversity/nature-related standard in the future. Based on this assessment, **the PRI considers the TNFD framework to be aligned with the structure and concepts of the IFRS S1 ED⁸.**

The PRI has, at this stage, not undertaken an assessment of the TNFD framework against the GRI standards. However, we believe understanding the differences between the framework and standards is important for report users and preparers to navigate the differences between the TNFD framework, and the IFRS sustainability standards and GRI standards. Particularly, in the short term, as companies and jurisdictions may apply these frameworks and standards independently. To this effect, we support the TNFD's proposal to show the overlaps and differences between these frameworks and standards with its v1.0 disclosure framework.

PRI also welcomes the TNFD's efforts to align its core and additional disclosure metrics with indicators from other voluntary and mandatory reporting standards, rules and laws: including CDP, and the EU's disclosure and reporting regulations (Sustainable Finance Disclosure Regulations, Corporate Sustainability Reporting Directive). This is important to ensure comparability and consistency of the data reported under these different regimes for users, that require specific data points to inform their investment decision-making (e.g., due to historic systems relying on CDP data) or their own existing mandatory reporting (e.g., to comply with SFDR requirements).

⁴ For more information on PRI's position on the importance of both the IFRS sustainability standards and standards such as the GRI's, to enable companies to report information that goes beyond the ISSB's focus, see page 6 of PRI's [Consultation Response on the Exposure Draft on IFRS S1 General requirements for disclosure of sustainability-related financial information](#).

⁵ While we recognise that complete interoperability would also extend to specific disclosure recommendations, this is not of primary concern for this assessment, given the TNFD is a voluntary framework which looks to implement disclosure recommendations in a nascent area of corporate reporting. The PRI has undertaken a comparative assessment of the specific disclosure recommendations from the TNFD framework versus the IFRS S1 ED. A summary of the gaps identified are set out in [Appendix A](#).

⁶ The focus of this assessment is on the IFRS sustainability standard as the PRI strongly supports the ISSB's mission to deliver a high-quality global baseline of sustainability-related financial disclosures. We believe it will provide global financial markets with information on companies' sustainability-related risks and opportunities. For more information on our position on the IFRS sustainability standards, please refer to PRI's letter published in [January 2023](#).

⁷ For more information, please refer to the [Briefing note](#) published in March 2023.

⁸ For more information on the assessment's results on materiality see [below](#). In addition, we recognise that TNFD framework follows the same broad structure as the ISSB standards (in line with the TCFD) and has adopted the characteristics of useful information set out by the IFRS conceptual framework, and applied in the ISSB S1 ED.

DISCLOSURE RECOMMENDATIONS

Noting the new and/or expanded information in this most recent version of the TNFD disclosure recommendations, the PRI particularly welcomes:

- **The split of the ‘*Risk & Impact Management A*’ disclosure recommendation into two sub-parts, differentiating direct operations from upstream, downstream, and financed activities.** This is an important distinction given challenges in data availability and quality for upstream, downstream and financed activities in comparison to direct operations, whilst recognising the importance of these wider disclosures for the assessment of nature-related impacts and dependencies. It provides the necessary flexibility to encourage the best possible disclosure, while accounting for improvements in data availability and quality over time. The PRI also agrees with the TNFD’s recommendation to prioritise the phasing in of upstream activities and disclosure metrics related to the use of natural commodities, in an organisation’s reporting, in addition to its direct operations.⁹
- **The “comply or explain” provision for the *Metrics and Targets* disclosure recommendations.** This is a useful mechanism to ensure that any gaps in disclosure are identifiable and justified. This mechanism is already in use globally for other investor and corporate disclosure requirements¹⁰. Explanations are also informative to users (e.g., it informs users where information is not considered material by report preparers and why) and may also help drive improvements in data and methodologies over time.
- **The inclusion of metrics and indicators that allow the assessment and disclosure of positive impacts on nature, in addition to negative impacts.** This will present a tangible opportunity for organisations to showcase their contributions to the conservation and restoration of nature, in addition to their efforts in halting biodiversity loss, in line with the requirements for non-state actors under the Kunming-Montreal Global Biodiversity Framework Target 16.
- **The flexible approach to scenario analysis for report preparers under the *Strategy* disclosure recommendations.** In alignment with TCFD guidance, and accounting for poor availability of quantitative nature-related scenarios, qualitative scenario analysis should be promoted as a starting point ahead of progression towards quantitative scenario analysis. Albeit further guidance is needed to support organisations with scenario analysis more generally.
- **The integrated approach to stakeholder engagement, which brings in management and engagement of affected stakeholders into the disclosure recommendations in the TNFD framework and is in line with international social standards.** This includes the *Risk & Impact Management* disclosure recommendations and the additional guidance on stakeholder engagement, the references to due diligence and the OECD guidelines, across TNFD’s [Annex 4.4](#) and [Annex 4.9](#).

⁹ Natural commodities present a key opportunity to address both climate change and biodiversity loss, with deforestation associated with land-use change and agriculture estimated by the IPCC to be responsible for 11% of annual greenhouse gas emissions.

¹⁰ For example: in order to comply with Article 4 of the [SFDR](#); the EU’s draft [ESRS](#); the [Consultation Paper](#) by the Hong Kong Stock Exchange for Engagements of Climate-related Disclosures under the ESG Framework.

SECTION 2: RECOMMENDATIONS FOR THE TNFD FRAMEWORK

The following section summarises the PRI's four key recommendations on the TNFD's disclosure recommendations for corporate reporting entities.

A. MATERIALITY

The PRI is supportive of the TNFD framework's flexible approach to materiality. We recognise that the framework intends to enable the use of different definitions of materiality by giving the reporting company the responsibility to set out its approach to materiality. Although there are multiple definitions of materiality that companies can use, the PRI recognises that they all use either one or both of the following definitions of materiality: financial materiality¹¹ and impact materiality¹². The TNFD framework has integrated both definitions by referring to dependencies, impacts, risks and opportunities throughout its disclosure requirements and LEAP approach.

This approach gives the company flexibility to account for national/regional corporate reporting rules and laws, alignment with (voluntary) standards, feedback from its stakeholders (including investors) and the perspective of its management. This includes (in principle) alignment with either the IFRS standards¹³ or GRI standards¹⁴. However, we recognise that interoperability with these standards would require that the flexible approach to materiality is consistently applied across the TNFD framework.

We have identified the following areas where this is not the case, as the TNFD framework is: (i) open to interpretation on whether the chosen definition of materiality alters the disclosure recommendation; or (ii) only refers to one definition of materiality, when it should refer to both definitions. The areas include:

- It is currently unclear if companies that focus on financial materiality are expected to disclose on the impacts and dependencies that lead to risks and opportunities to the company. We recommend this disclosure is required, as it ensures that responsible investors' assessment of their financial performance are clearly justified, linked back to the consequences of the company's impacts and dependencies on the natural environment.
- The Prepare stage of LEAP currently states (according to the TNFD online guidance) that 'analysts should be ready to provide an integrated assessment of materiality nature-related risks and opportunities to company executive'. Although the later disclosure actions refer to the wider set of recommendations, this narrow framing risks companies misinterpreting the

¹¹ Financial materiality is defined by the [GRI](#) as 'Information on economic value creation at the level of the reporting company for the benefit of investors (shareholders).' The draft European Sustainability Reporting Standards [ESRS1](#) defines this as 'A sustainability matter is material from a financial perspective if it triggers or may trigger material financial effects on the undertaking.' Whilst the TNFD has defined the equivalent ('single materiality') as focused only on risk to the enterprise value of a business.

¹² Impact materiality is defined by the [GRI](#) as 'Information on the reporting company's impact on the economy, environment and people for the benefit of multiple stakeholders, such as investors, employees, customers, suppliers and local communities.' The draft European Sustainability Reporting Standards [ESRS1](#) defines this as 'A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term time horizons. A material sustainability matter from an impact perspective includes impacts caused or contributed to by the undertaking and impacts which are directly linked to the undertaking's operations, products, and services through its business relationships.'

¹³ The IFRS standards are expected to take a user-based perspective to materiality, which would build on the concept of financial materiality and consider impacts and dependencies insofar these can affect the company's (financial) performance and prospects. For more information on the recent board decisions, see: <https://www.unpri.org/download?ac=18376>. Note, the final position of the ISSB on materiality will only be set out following the close of the TNFD consultation, with the release of the final standards in June 2023.

¹⁴ The GRI standards are firmly focused on impact materiality.

expectation that disclosure should only focus on risks and opportunities. We recommend that it is made clear that the Prepare stage requires disclosure of impacts and dependencies, as well as the risks and opportunities, that are material to the company.

- The framework is unclear on the scope of the materiality assessment, particularly whether it should include: different time horizons and whether it should extend beyond the direct operations. Investors expect this information from companies, particularly on nature-related risks and opportunities, which may only be realised through long-term system-level changes or only identified as material impacts or risks in downstream users. As a result, we recommend that companies are asked to undertake their materiality assessment for all their short-, medium- and long-term risks and opportunities as well as their upstream, downstream and financed activities.
- The disclosure recommendations for *Risk & Impact Management A(i)* and *A(ii)* are the only recommendations identified that refer to one definition of materiality, when this section of the disclosure recommendations is for both risk and impact management. We recommend that the focus of these recommendations is expanded to reference impacts and dependencies.

Although the PRI is supportive of the flexible approach to materiality, we recognise that it will reduce the ease of comparability for investors and other users, as it may be inconsistently implemented by report preparers. This is because the TNFD framework does not currently specify how differences in materiality approaches defined by companies will ultimately influence specific elements of their TNFD disclosures, or disclosures that cross-reference the materiality assessment. To address this, the TNFD should clearly cross reference *General requirement 1* on materiality, with a list of the relevant disclosures that this will influence¹⁵. In addition, where companies decide to apply the LEAP approach, there is currently no clear process outlining how these different materiality approaches are also implemented through elements of LEAP¹⁶. Such guidance is necessary as assessing and reporting on nature-related risks and opportunities, and impacts and dependencies, is a relatively new concept for many organisations.

■ Recommendation 1:

- The TNFD should ensure that its flexible approach to materiality is consistently applied throughout the framework to accommodate the use of both financial and impact materiality. To ensure this, the following changes are needed: (i) companies must report on the impacts and dependencies that lead to its risks and opportunities; (ii) expand the Prepare stage (of LEAP) to reference impacts and dependencies; (iii) ensure the materiality assessment includes the short-, medium- and long-term risks and opportunities to the company as well as upstream, downstream and financed activities; and (iv) expand disclosure recommendations in *Risk & Impact Management A(i)* and *A(ii)* to include impact management.
- The TNFD should ensure that the role of the materiality assessment is clear in all relevant disclosure recommendations and the LEAP approach. In particular, there should

¹⁵ The TNFD framework currently only goes as far as recognising a subset of the disclosures and does not require any cross referencing. Version 0.4 of the TNFD framework recognises that the materiality process will apply to *Strategy A, B and C* and *Metrics and Targets* disclosures (see page 4 of TNFD's [Annex 4.2](#)), but our assessment indicates that the materiality process would also influence disclosure on *Risk & Impact Management* and will have consequences on disclosure of *General requirements 2 and 3* as well as *Strategy D*.

¹⁶ LEAP only references materiality in the *Risk and Opportunity Materiality Assessment (A4)* (see page 32 of the Beta framework), whilst the materiality assessment will also apply to the assessment of impacts and dependencies. The LEAP's scope, locate and evaluate stages should all reference the materiality assessment to ensure there is no disconnect between the assessment framework and the disclosure recommendations.

be clear cross-referencing between *General requirement 1* and all relevant disclosure recommendations, and reference to the materiality assessment should be made in the Scope, Locate and Evaluate stages of LEAP.

B. PRIORITY LOCATIONS

The PRI recognises the importance of identifying priority locations, given the location-specific effects of nature-related impacts and dependencies. The PRI is also supportive of the TNFD framework's approach to provide reporting entities with a level of flexibility on how the priority locations are identified – whereby if any of the six criteria are met, the location would be identified as a priority location¹⁷.

However, in the absence of a single, combined, and easily accessible, database of all sources of information to identify areas meeting criteria one to five, the TNFD should be particularly clear as to which data sources can or should be used. Part of this information is detailed in the LEAP approach guidance but should be more explicitly linked to the criteria (e.g. which data sources allows screening for high integrity ecosystems, for areas of biodiversity importance, etc). Echoing PRI's Recommendation 4, the accessibility of this additional guidance is also challenging under the current structure of the online TNFD platform.

In addition, the PRI notes that the sixth criteria to identify priority locations – to specify areas with “significant potential impacts and/or dependencies” – leaves a lot of flexibility with the company as it requires them to disclose how it defines significance. The current framework asks companies to consider this through the Locate and Evaluate stages of LEAP and does not reference the materiality assessment, which should help define ‘significance’. Unfortunately, this risks consistency of the disclosure as different companies could implement different criteria and (as above) it is currently framed with no reference to the materiality assessment.

- **Recommendation 2:** The TNFD should standardise the requirements for the six potential criteria to define priority locations, as well as the data sources to be used; and should link its implementation of the sixth criteria, on specifying areas with ‘significant’ potential dependencies and/or impacts, back to the reporter's materiality assessment.

C. CORE GLOBAL METRICS

The PRI welcomes the inclusion of disclosure on financial performance alongside metrics and indicators on wider nature-related impacts and dependencies, and the expectation that reporting entities disclose the methodologies, assumptions and limitations of these metrics and indicators. It further welcomes the provision of additional metrics to allow reporters to delve further into key risks, opportunities, impacts, and dependencies associated with their sectors.

As the core global metrics have been prioritised for disclosure by all organisations, we have focused our assessment on disclosures on these metrics and indicators. As noted above, we support the “comply or explain” provision for these metrics. For investors, the provision ensures that: (i) only global metrics that are material to an organisation are reported and (ii) reporting is proportionate for

¹⁷ For further information, see TNFD's [Annex 4.11](#).

the organisation. However, the TNFD does not specify the criteria reporting entities can use to meet this provision and we recommend that the framework is clear that it would allow both (i) and (ii). In addition, although not all data are available or accessible to reporting organisations, reporting organisations should clearly state plans to address these gaps over time.

Additionally, we recognise the breadth of the disclosure requirements across risks, opportunities, impacts and dependencies (for the majority of impact drivers), but noted the following gaps:

- C4.1 focuses on the reporting of total volume and change in sourcing from previous year, without accounting for sustainable management (e.g., via certification schemes) which could have unintended consequences if triggering significant sourcing shifts. To facilitate access, the High Impact Commodity List from the Science Based Targets Network (SBTN) referenced for “high risk natural commodities”, should be provided in the TNFD framework once available.
- C5.0 – C5.3 only refers to assets and revenue, but the nature-related risks would also have consequences on a company’s costs and liabilities, which would not be captured under the current approach.
- C5.3 refers to the concepts of ‘substantial dependence on ecosystem’ and ‘high impact on ecosystem’, which are not defined nor is it clear how these relate to the impacts and dependencies of the entity.

Looking across all the metrics, we also note a lack of clarity in the TNFD framework on the scope of disclosure. In particular, there is a lack of clarity on whether all of the core global metrics need to be reported for each of the identified scopes¹⁸ and whether the “comply or explain” provision extends to this disclosure. We recognise that the framework does specify (under the *General Requirements*) that the TNFD disclosures should be broken down by the four scopes, but this is not restated or cross referenced in the remaining recommendations.

■ **Recommendation 3:**

- Include clear criteria for the “comply or explain” provision linked to materiality and on availability or accessibility of data (including requirements on plans to address these gaps in data);
- Merge additional metric A3.2 “Quantity of high-risk commodities sourced under a management or certification programme” into C4.1;
- Extend C5.0 – C5.3 to include expenses and liabilities;
- Clarify the definition of ‘substantial dependence’ and ‘high impact on nature’ in C5.3, and its links to the entity’s impacts and dependencies; and
- Clarify whether reporting is required for each global metric on each scope, on a “comply or explain” basis.

D. GUIDANCE

The PRI recognises that the TNFD is addressing a nascent area of corporate sustainability disclosure. As a result, it is an area of practice that companies (and report users) are less familiar with, compared to sustainability disclosure such as on climate change. As noted above, it is important for companies

¹⁸ Including: direct operations, upstream, downstream, and financed activities.

to apply the LEAP approach and disclose the requirements consistently, to ensure comparable disclosure.

- **Recommendation 4:** The TNFD should improve the navigation of its platform, specifically in the ease of accessing the various guidance. The TNFD should further provide guidance in the following key areas:
 - How companies should decide on its definition of materiality and how its approach to materiality should be implemented throughout the TNFD framework (see above);
 - How companies should integrate their nature-related risks and opportunities with the entity's business, strategy and financial planning, in order to inform their disclosure recommendations;
 - How to objectively measure "significant potential impacts and/or dependencies" (see above); and
 - How companies should integrate information from the LEAP approach into the disclosure recommendations, including by providing fully worked reporting examples from corporates and financial institutions and publishing case studies, leveraging where possible the learnings from the TNFD pilots.

SECTION 3: RECOMMENDATIONS FOR FINANCIAL INSTITUTION REPORTING

The PRI welcomes the stand-alone disclosure guidance for financial institutions (TNFD's [Annex 4.4](#)), supporting them in their reporting efforts at the entity level and accounting for their differences with corporate report preparers.

Although the TNFD framework recommends that financial institutions apply the same core global disclosure metrics as corporates for their direct operations as well as their financial portfolios, it acknowledges the following key constraints: a) financial institutions rely on external data providers, and sometimes proxy data, to assess their lending, investee and insured exposures; and b) the core global disclosure metrics may not be fit to be aggregated at a portfolio level, in particular dependency and impact metrics (C3.0 to C6.2). However, it is foreseen that data availability, and methodologies, will improve over time as the TNFD framework strengthens nature-related disclosure practices.

Nevertheless, accounting for the constraints detailed above and the time-lag for data availability to improve as corporate reporting entities align with the TNFD framework, the PRI recommends that the core global disclosure metrics should be adapted for reporting financial institutions. In the short-term, financial institutions should be permitted to report on aggregated measures of impacts and dependencies, relying on heatmapping and footprinting approaches as detailed in TNFD's [Annex 4.5](#). Over time, and as further information becomes available on individual drivers of nature change from corporate reporting, financial institutions should also report disaggregated disclosure metrics. We support this phased approach in order to ensure the requirements are proportionate for investors; while recognising that there are limitations to this aggregated information, e.g., risks of double counting impacts across asset classes. As a result, where investors choose to, the TNFD framework should allow disclosure to be as detailed (or granular) as possible.

To promote consistency of reporting information, and ensure the scientific underpinning of the methodologies used, principles or criteria as to what constitutes suitable heatmapping and footprinting should be provided by the TNFD in its framework.

- **Recommendation 5:** The TNFD should allow reporting financial institutions to adopt a phased approach to disclosure. In the short term, institutions should at least use aggregated disclosure metrics for their impacts and dependencies, with the TNFD providing criteria on suitable heatmapping and/or footprinting approaches. The intention in the long-term being that reporting becomes as detailed (or granular) as possible.

APPENDIX A - ADDITIONAL RECOMMENDATIONS

This appendix summarises PRI's additional recommendations for the TNFD framework and its guidance, organised by documents reviewed.

TNFD DISCLOSURE FRAMEWORK: FINAL DRAFT – BETA V0.4

- **Recommendation 6:** The TNFD should specify which elements of the framework, or disclosure recommendations, it foresees improving after the release of version 1.0 of the TNFD framework.

The TNFD refers to improvements to reporting recommendations over time, to match improving reporting practices and data availability, yet it does not give any specificity as to which disclosure recommendations are expected to be improved and how. We recognise that there are a number of elements within the framework, such as definitions of the biome, high impact etc. where there is currently no global consensus on definitions. Therefore, the PRI would welcome clarification as to what aspects under the TNFD framework should be improved after the release of version 1 and what is the planned timeline for these activities.

- **Recommendation 7:** The criteria for entry points under the LEAP approach should account for different approaches to financial activities and policies.

The TNFD's risk and opportunity assessment approach (LEAP) provides scoping questions to help corporates and financial institutions identify areas of focus. For financial institutions, this includes questions on the type of financial institution; possible entry points through which financial institutions are exposed to nature-related issues, across sector/geographies, asset classes/financial products, and biomes/ecosystems; and the type of feasible analysis. However, currently, the criteria for possible entry points do not consider that financial institutions may be exposed to nature-related issues through the specific responsible investment activities¹⁹ they implement. For example, given a financial product/strategy they may implement exclusionary screening or forecasted financials and thereby influence the data they require. Based on PRI's assessment of investor data needs, we recommend that entry point F2 is expanded to include a fourth possible category: "What responsible investment activities do we have and how does their interaction with nature influence our decision-making and reporting requirements?"

- **Recommendation 8:** The PRI welcomes TNFD's intent to develop a review of the alignment of its disclosure recommendations with leading individual standards before the publication of TNFD version 1.0 and recommends a comparative assessment against the final IFRS S1 standard and the GRI standards in particular. The PRI further recommends the joint development with ISSB and GRI of a roadmap for the integration of the TNFD

¹⁹ These refer to the specific tasks that financial institutions undertake to implement their responsible investment process (across research, valuation, portfolio construction and stewardship) and to produce their reporting.

disclosure framework into the IFRS and GRI standards, pending the ISSB decision on its next two-year workplan.

As set out above, the PRI recognises the importance of ensuring alignment between the TNFD framework and the final IFRS S1 standard and GRI standards. For users and preparers that come to the TNFD framework, a comparative assessment of the disclosure recommendations of TNFD v1.0 compared to the respective standards would help organisations clearly see the areas of potential overlap and difference. For example, an organisation already implementing the GRI standards (or the IFRS sustainability standards once finalised), would then be able to see what new pieces of information it would have to collect in order to disclose in line with the TNFD framework. Developing such an assessment is not novel and can complement the guidance documents.

To illustrate, Box 1 summarises the disclosures identified in IFRS S1 ED, but not listed in the TNFD v0.4 disclosure framework. Based on feedback from PRI signatories during the consultation period for the IFRS S1 ED, we recognise that these requirements are decision-useful for many signatories²⁰. However, we recognise that as TNFD is a voluntary framework in a nascent area of corporate reporting, it may not be practical to ask companies to disclose on all these requirements.

The development of a roadmap for the integration of the TNFD disclosure framework into the IFRS and GRI standards would further clarify the direction of travel of the disclosure framework and ensure its alignment with these standards. We note that this workplan would depend on the ISSB's decision on its two-year workplan, following the end of its agenda consultation²¹.

Box 2: Disclosures requirements in the IFRS S1 ED that are not included in the TNFD v0.4 disclosure framework

General requirements, as set out above to be moved up from *Strategy A*:

- An explanation of how the short, medium and long term horizons are defined (para. 16-b of IFRS S1 ED).

Governance:

- Board responsibility over the assessment of trade-offs and analysis of sensitivity to uncertainty that the reporting entity may undertake (para. 13).
- How the body's responsibilities for the sustainability-related impacts, dependencies, risks and opportunities are reflected in its terms of reference, board mandates and other relevant entity policies (para. 13).
- How the body ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to sustainability-related risks and opportunities (para. 13).
- Whether dedicated controls and procedures are applied to management of the impacts, dependencies, risks and opportunities and, if so, how they are integrated with other internal functions (para. 13).

Strategy B:

²⁰ For more information see PRI's consultation response to the IFRS S1 ED: <https://www.unpri.org/download?ac=16673>.

²¹ For more information see ISSB's Consultation on Agenda Priorities: <https://www.ifrs.org/projects/work-plan/issb-consultation-on-agenda-priorities/>

- How the risks and opportunities would influence the entity's value chain (para. 20).
- How the strategy to tackle the risks and opportunities would influence the entity's financial performance (para. 21 and 22).

Strategy C:

- Although the TNFD recognises disclosure of the different scenarios and time horizons, unlike the IFRS S1 ED (para. 23), it does not require disclosure on how these scenarios are defined.

Risk and impact management:

- How the assessment processes have changed, compared to the previous reporting period (paragraph 26 b-iv).
- Likelihood of the impacts, dependencies, risks or opportunities, in line with the approach taken by the IFRS S1 ED on risks and opportunities (para. 26-b (i) and para. 43). See below for more commentary on this.

Metrics and targets:

- Whether the target is absolute or intensity-based, in addition to being quantified (para. 32-a).
- An explanation for any overperformance, in addition to any underperformance (para. 33-a).
- Assumptions and limitations associated with the target-setting methodology (para. 31-c).
- An explanation for any changes to target, and (where possible) comparative figures (para. 34 b and c).
- Validation of the measurement of the metrics by an external body, including a specification of the organisation (para. 31-b).

ANNEX 4.2: DISCLOSURE IMPLEMENTATION GUIDANCE

GENERAL REQUIREMENTS

- **Recommendation 9:** Confirm whether the six general requirements must be disclosed alongside the remaining recommendations of the TNFD framework. In particular, clarify *General Requirement 3 and 4* whether these are disclosure requirements and if they are, remove any overlaps with other disclosures.

The PRI welcomes the addition of the six general requirements. These disclosure requirements on materiality, scope etc. are important pieces of contextual information for users to understand the remaining recommendations of the TNFD framework. We recognise that making these disclosures a requirement is novel and extends beyond the approach taken by the TCFD recommendations and the IFRS sustainability standards. However, it is not clear in the TNFD framework whether entities are required to report this information publicly, as with the remaining recommendations.

In addition, the PRI is unsure if the following are disclosure requirements:

- *General requirement 3:* the purpose of such a disclosure is not clear; whether this is an output of the materiality assessment; whether it is linked to the disclosure under *Strategy A*, or whether it refers to something else in the framework.

- *General requirement 4*: unclear if this is a disclosure requirement, as it appears to refer to a process/principle that a reporting entity should consider. In addition, it is unclear how this disclosure requirement would differ from *Strategy D* (on priority locations).

- **Recommendation 10:** Require disclosure on when reporting entities will implement extensions to the reporting scope.

The PRI welcomes the requirement to specify the elements of the TNFD framework the reporting organisation has disclosed and the flexibility to allow extensions to this scope over time. However, there is no requirement to specify *when* reporting entities intend to implement any extensions to the reporting scope. Unfortunately, this flexibility will cause users uncertainty regarding the expected reporting.

- **Recommendation 11:** Move the requirements on defining the short, medium and long term time horizon to *General requirement 2* (rather than in *Strategy A*).

Although the PRI recognises this information is already required in *Strategy A*, bringing this to this part of reporting will ensure all contextual information are located in one place.

- **Recommendation 12:** Include a requirement to define the stakeholders that are relevant to the reporting entity and are affected by the impacts and dependencies reported in *Strategy*.

The PRI notes that there is no reference to the relevant stakeholders that are within the scope of the reporting entity's assessment. Recognition of this is important to understand the scope of the entity's assessment of its impacts and dependencies in later requirements. This should include all stakeholders that are engaged (as set out in [Annex 4.9](#)) but also affected stakeholders that are not engaged.

- **Recommendation 13:** Expand the example in *General requirement 5* to look beyond climate.

The PRI supports this integrated approach to account for sustainability issues. However, notes that the focus of the requirement is currently on the link with climate change which is already partly linked through the inclusion of climate metrics under *Metrics and Targets*. The links are less clearly established with other issues, such as human rights, and an illustrative example can support more novel applications of this general requirement.

STRATEGY

- **Recommendation 14:** The PRI recommends the following updates to *Strategy A*:
 - Removing reference to "other relevant locations".
 - Providing clarity on whether the descriptions of the impacts, dependencies, risks and opportunities should be reported by location.
 - When describing the impacts and dependencies, it is important to include a discussion on their severity and likelihood as well the stakeholders affected.

- Disclosure of the links between the impacts and dependencies, and the risks and opportunities. For example, through cross-referencing between relevant end points.
- Distinguishing impacts and dependencies by short, medium and long term.

The PRI welcomes the integrated approach to describe the reporting entity's impacts, dependencies, risks and opportunities. However, there are some elements of the requirements that risk undermining consistency in the disclosure:

- There is a lack of clarity in the reference to the locations identified in Strategy D and 'other relevant locations', as it is unclear how this would differ from the priority locations from Strategy D. Introduction of new locations at this stage may cause confusion to users.
- The requirement is unclear on whether the company is being asked to report information by location.
- The PRI recognises that severity is touched on under Risk and Impact Management A, but as this focuses on the process, it is important to identify the results of the assessment under this heading.
- The PRI sees a lack of connectivity between the disclosures on the impacts and dependencies and the risks and opportunities. Although the PRI recognises the need for flexibility, this is a central part of the materiality assessment and will provide users with a more comprehensive picture of the entity's nature-related impacts, dependencies, risks and opportunities. One solution to this would be for the disclosure information to explicitly cross-reference between the impacts and dependencies and the resulting risks and opportunities.
- There is a lack of clarity on whether impacts and dependencies should be reported by short, medium and long term, in line with the reporting on risks and opportunities. This builds on the preceding point of closer integration.

- **Recommendation 15:** Explicitly state within *Strategy D* that the definition of priority ecosystems should be consistent with that detailed in [Annex 4.11](#).

The PRI is supportive of the approach to identify priority locations to the reporting entity. However, *Strategy D* leaves it to the entity to define priority ecosystems. For consistency and comparability of information, and to ensure the disclosure recommendation has the intended impact on key ecosystems, it should be made explicit that the definition of priority ecosystems should be consistent with that detailed in Annex 4.11.

- **Recommendation 16:** Clarify the role of the additional indicators under this recommendation: (i) Proportion of suppliers screened on nature-related issues by spend and/or volume; (ii) Proportion of suppliers engaged for priority nature issues identified and/or when assessing nature-related issues, by spend and/or volume; (iii) Timescale for assessing nature-related risks in the value chain.

It is not clear how some of the indicators referenced at the end of *Strategy D* (i – iii, above) link to the disclosure in *Strategy D*. These indicators appear to relate more to the risk and impact management of the value chain and appear out of place.

RISK & IMPACT MANAGEMENT

- **Recommendation 17:** The PRI recommends the following updates to *Risk & Impact Management A*:
 - Clarify what is referred to as “indirect estimates” for methodology and data sources. Any clarification should be aligned with the ISSB’s approach to report methodologies and data sources.
 - Clarify how the “levels” of the assessment will be accounted for in all the disclosure requirements.
 - Clarify the difference in the disclosure expected on “the scope of the value chain(s) considered” and “the elements of the value chain(s) identified for assessment”.
 - Distinguish between the requirements on location specificity and wider disclosures on data quality.
 - Require the assessments of impacts, dependencies, risks and opportunities to include an assessment of likelihood.
 - Remove reference to “prioritisation” and “relative significance”.

The reasoning for these recommendations for *Risk and Impact management A* is as follows:

- Need for clarity in what is referred to as “indirect estimates” .
- Reference is made to the “levels at which assessment is taken” but these levels are not incorporated into later assessments, metrics or indicators. This approach also remains disconnected to the reference to the levels also noted under the LEAP guidance (Annex 4.7).
- The difference between disclosure on “the scope of the value chain(s) considered” and “the elements of the value chain(s) identified for assessment” are not clear, as they appear to overlap.
- There are currently a number of specific disclosure requirements under location specificity, which relate to data quality. It is unclear why the latter is identified as a subset of location specificity and should be distinguished.
- The disclosure requirements do not refer to the likelihood of the impacts, dependencies, risks or opportunities. This is not in line with the approach taken under other corporate sustainability standards, namely the draft IFRS sustainability standards as well as the draft European Sustainability Reporting Standards (ESRS). The likelihood of the impact, dependency etc. is an important element of identifying the expected value of an event or outcome even in financial accounting and should explicitly be referenced in the TNFD framework.
- There are potential risks to confusion created by the use of terms “prioritisation” and “relative significance”. Instead, the PRI recognises the benefits of focusing on materiality of the information, in line with the approach taken by the ISSB.

ANNEX 4.3: DISCLOSURE METRICS ANNEXES

- **Recommendation 18:** The PRI recommends metrics associated with plastic pollution are integrated into relevant core sector metrics and additional metrics as opposed to a core global metric.

As [PRI research](#) has shown, the plastic value chain is complex, touching most sectors globally. Moreover, the European Sustainability Reporting Standards will likely increase disclosure on plastic use in the future, given the focus on circular economy in the draft standards. The disclosure of plastic pollution will allow report preparers to demonstrate how they are aligned with contributing to the achievement of global priorities for halting and reversing nature loss by 2030 and “living in harmony with nature” by 2050 as called for by the Kunming-Montreal Global Biodiversity Framework. Plastic pollution is included in the Global Biodiversity Framework as part of Target 7 to ‘reduce pollution risks and the negative impact of pollution from all source, by 2030, to levels that are not harmful to biodiversity and ecosystem functions and services, considering cumulative effects’ including (among other points) ‘preventing, reducing, and working towards eliminating plastic pollution’.

The PRI welcomes the inclusion of both core sector metrics and additional metrics associated with plastic pollution for the food and agricultural sector as part of Annex 4.3. Further core sector metrics and additional metrics associated with plastic pollution are encouraged for relevant sectors more widely. PRI’s [‘Engaging on plastic packaging’](#) series highlights relevant disclosure metrics for priority sectors in the plastics value chain. These sectors include: Fast Moving Consumer Goods and Retail; Containers and Packaging; Petrochemicals; and Waste Management and Recycling. We also note that the disclosure recommendations are aligned with the ‘New Plastics Economy Global Commitment’, established by the Ellen MacArthur Foundation with the United Nations Environment Programme.