



Response: TNFD Beta v0.4 Framework Consultation
25 May 2023

Background

The World Federation of Exchanges (WFE)¹ is the global trade association for regulated exchanges and clearing houses. We represent the operators of over 250 market infrastructures, spread across the Asia-Pacific region (25%), EMEA (58%) and the Americas (17%), with everything from local entities in emerging markets to international groups based in major financial centres. In total, member exchanges trade around \$100 trillion (equivalent) in securities a year and are home to over 55,000 companies, with an aggregate market capitalisation of around \$140 trillion. In addition, the 90 distinct central counterparty (CCP) clearing services (both vertically integrated and stand-alone) collectively ensure that traders put up \$1.3 trillion of resources to back their risk positions.

With extensive experience of developing and enforcing high standards of conduct, WFE members support an orderly, secure, fair and transparent environment for all sorts of companies and market participants wishing to raise capital, invest, trade, and manage financial risk.

Established in 1961, the WFE seeks outcomes that maximise financial stability, consumer confidence and economic growth. We also engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in an internationally integrated financial system.

If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

Simrita Lota, Regulatory Affairs Manager: slota@world-exchanges.org

Christine Brentani, Senior Manager and Sustainability Lead, Regulatory Affairs: cbrentani@world-exchanges.org

Richard Metcalfe, Head of Regulatory Affairs: rmetcalfe@world-exchanges.org

or

Nandini Sukumar, Chief Executive Officer: nsukumar@world-exchanges.org.

¹ Transparency Register number 973382524675-69

Response

General Comments

The WFE welcomes the opportunity to provide feedback on the Beta v0.4 of the Taskforce on Nature-related Financial Disclosures (TNFD) framework. A better understanding of nature-related risks by all companies is essential in order to ensure that nature-positive outcomes outweigh nature-negative outcomes going forward for the sake of the planet.

We acknowledge the extensive and comprehensive work that has been carried out in preparation of this version; this is evident in the rigorous guidance provided. The WFE also appreciates the vast importance of the framework. The toolkit and detailed guidance provided will be invaluable for the successful implementation of nature-related financial disclosures.

Specific Comments

We would like to make the following comments regarding the Beta v0.4 of the TNFD framework.

Proportionality: It would be beneficial if the information could also be made more digestible for small and medium-sized enterprise (SME) users – i.e., smaller companies with limited resources. One suggestion is to create guidance specifically aimed at smaller companies to assist in the quality of their implementation of the framework. For larger companies, we would suggest that within the ‘Risk & Impact Management’ section, it would be worth encouraging an external professional’s opinion on controls in nature-related risk reporting (similar to current requirements for financial reporting in many regions).

Materiality: The WFE is supportive of the TNFD encouraging transparency around materiality determinations. We appreciate that flexibility around materiality is required; however, it would be helpful if more detailed guidance and examples of materiality determination related to TNFD disclosures could be provided. In particular, this would be useful in relation to how TNFD disclosures interact with financial filings and hence financial reporting materiality. A proportionate approach to materiality assessments will ensure that only the most significant and relevant elements will be assessed and reported, thus providing a more tangible benefit to stakeholders.

Disclosure: The WFE is supportive of the alignment between the TNFD disclosures and TCFD disclosures.

Metrics: The metrics guidance and examples are detailed and robust and we agree with these.

Implementation: It is expected that the TNFD framework will first be voluntary and then potentially compulsory depending on individual regulators’ decisions over the next few years. This is in line with the wider trend of ESG frameworks and regulations becoming voluntary/mandatory around the globe (e.g., EU Corporate Sustainability Reporting Directive (CSRD) requirements and the sustainability reports within Japanese Annual Securities Reports, etc). The WFE appreciates that it is critical that such requirements are implemented in a timely manner. However, there is a risk that the volume of simultaneous reporting requirements would cause a large amount of compliance burden in terms of resources and costs for companies of all sizes. The TNFD could consider and recommend how a phased implementation approach should take place. A phased-in approach might make implementation more manageable and would allow users of the information, including end investors, time to become accustomed to the new level of information that will become available.

Public vs Private: We strongly recommend not to differentiate between publicly listed and private companies since the impact a company has on biodiversity issues does not depend on whether it is listed or not. We encourage the

TNFD to continue to advocate for the application of the framework not only to publicly listed companies, but also to private companies given the importance of nature-related approaches and disclosures. This will benefit investors.