

Response: TNFD v1 Beta Framework

April 2022

Background

The World Federation of Exchanges (WFE) is the global trade association for regulated exchanges and clearing houses. We represent over 250 market-infrastructures, spread across the Asia-Pacific region (~37%), EMEA (~43%) and the Americas (~20%). with everything from local entities in emerging markets to groups based in major financial centres. Collectively, member exchanges are home to nearly 53,000 listed companies, and the market capitalisation of these entities is over \$95 trillion, while the 50 distinct CCP clearing services (both vertically integrated and stand-alone) collectively ensure that traders put up \$1 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 investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise financial stability, consumer confidence and economic growth. And we 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:

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Taskforce for Nature-related Disclosures v1 Beta Framework

General Observations

The WFE is pleased to see that the TNFD has published its Beta framework. Our members see this as an important first step by the market to tackle the risk of nature loss to the global economy, and to reduce the impacts on nature. With more than half the world's economic output being either moderately or highly dependent on nature, biodiversity loss can cause a significant risk to financial stability.

Investor awareness of biodiversity is rapidly increasing, with a recent investor survey¹ noting that only 19% of investors thought biodiversity was a significant factor of their investment policy two years ago. This has more than doubled to 41% today. However, investors note that implementation is still challenging due to a lack of research data, ratings, and company information on biodiversity.

To this end, we are encouraged by the fact that the TNFD has aligned its disclosure recommendations with the Taskforce for Climate-related Financial Disclosure (TCFD), with an additional focus on upstream and downstream nature-related risks (and 'location' or 'place based' risk assessments). We believe that this will help to move the market towards more integrated sustainability disclosure, especially in light of the disclosure standards being prepared by the International Sustainability Standards Board. Integrated disclosure should ensure that nature-related risk and opportunity analysis is incorporated into corporate and financial decision making by encouraging related disclosure. This, in turn, will support a move in financial flows towards nature positive outcomes.

We are aware that impacts on nature lack a commonly agreed metric. Greenhouse gases can be measured and converted into a single metric-of-CO₂ equivalent, and a sole indicator in turn makes it easier for financial institutions to compare climate management, performance, and impact across organizations. However, for nature and biodiversity a single metric is unlikely as it is a multifaceted issue. Biodiversity impacts can vary significantly depending on the location—which is why the 'location' based risk assessments will be so important. For the purposes of comparability and consistency in metrics and target setting, we would urge the TNFD to consider providing guidance on several standardized metrics as it issues the next iteration of its Disclosure Framework.

Investors have raised concerns about the need to close the data gaps on nature related risks. Encouragingly, recent developments in satellite data and artificial intelligence may be able to help with this. For example, financial institutions² have partnered with geodata analytics firms, using a combination of satellite data, artificial intelligence, and machine learning to map areas of protected nature or fragile ecosystems against a company's facility co-ordinates, when the location data for investee companies is available. This reduces risks within the supply chain. Keeping close to, and advising on, the most important developments in capturing data will help users of this Framework to meet their own reporting requirements.

¹ [Robeco Annual Climate Survey 2022](#)

² Asset Manager ACTIAM partnered with a geodata analytics firm Satelligence, which provided ACTIAM with up-to-date information on worldwide deforestation, causes and trends.